Value2Society™

Becoming a more valued and valuable company.

Double Materiality

Overview

A 5-Step Approach

- A five-step approach to support sustainability & associated reporting (across standards) programmes, delivering real engagement & change

Provides the Double Materiality Assessment (DMA) central to the EU CSRD (and the emphasis of this brochure)

1

Value2Society

Quantification & valuation of external impacts (e.g., GHG emissions, gender inequality, training & development etc.) throughout the value chain

2

Value@Stake

The proportion of external impacts likely to become financial costs via transitional & physical risk events, over defined timelines

3

Simulations & Target Setting

With understanding of external impacts and their 'internalization', perform simulations (business performance and available interventions) to develop robust external impact targets

4

Execution & Steering

With a comprehensive understanding of external impacts, the financial consequences and robust targets, 'sustainability' can now enter the 'corporate cockpit' and real change and real profits can be delivered

5

Reporting

The approach culminates in engaging reports that permit clear understanding of performance and progress by stakeholders, and helps fulfil the various elements of **EU CSRD** reporting requirements

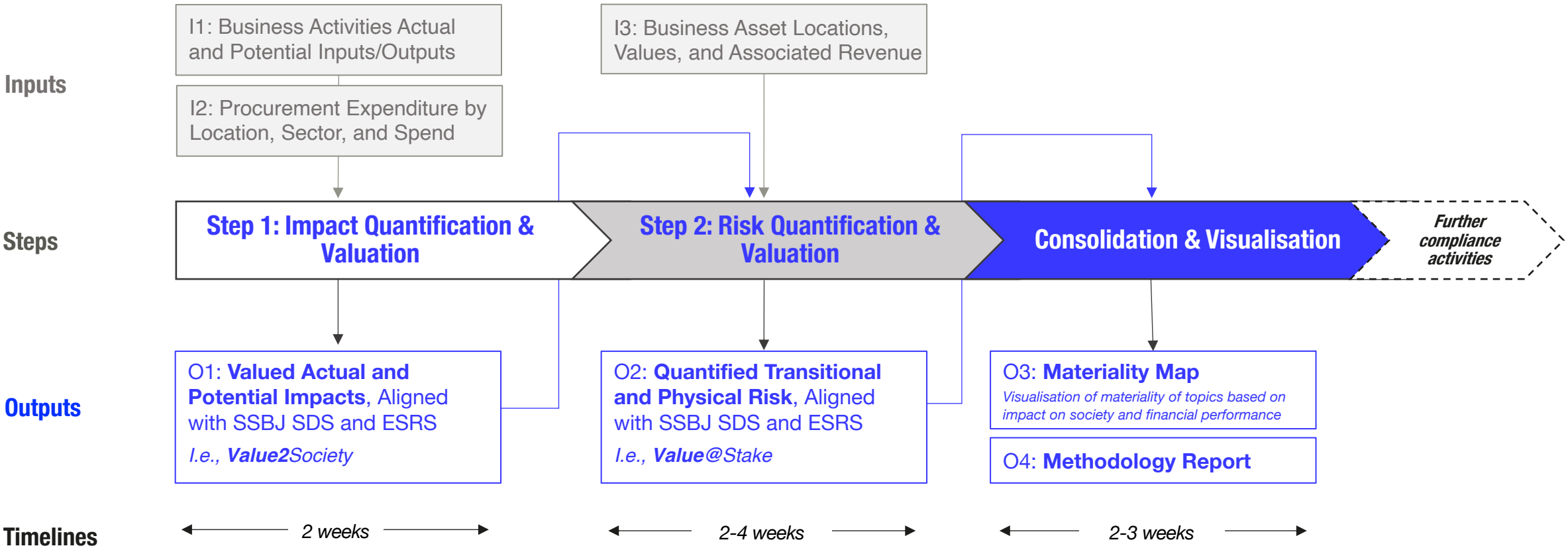
*“To enhance our group steering and complement our understanding of value creation, we started to introduce a new metric called **Value2**Society. This metric assesses our contribution to the environment, people and society, comprehensively quantified in monetary terms. We are working on integrating **Value2**Society into our performance management system. This monetised impact valuation also provides valuable input to identify material topics as part of the double materiality analysis under the Corporate Sustainability Reporting Directive”*

Hilti

Sustainability Report

Steps 1 & 2

Route2's approach enables objective and efficient double materiality assessments aligned with EU ESRS requirements



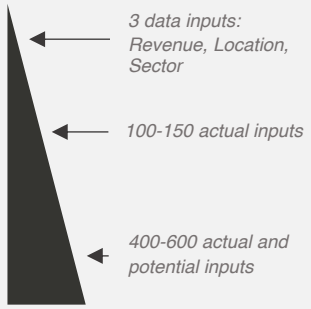
Step 1: Value2Society™

In this first step, we quantify the societal impacts of a business, with varying levels of accuracy depending on the granularity of data input

Data Inputs & Capture

- Analysis can take place with different accuracy levels depending on available data
- A few data points are needed for an initial picture, more granular data gives more accurate results

I1: Business Activities Actual and Potential Inputs/Outputs



3 data inputs: Revenue, Location, Sector

100-150 actual inputs

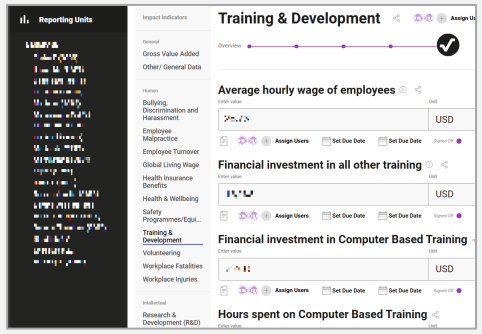
400-600 actual and potential inputs

High-level, low accuracy *Only 3 data points*
E.g., $110 M, Greece, Shipping Industry

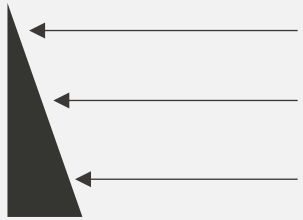
Granular, mid accuracy *Actual business inputs/outputs*
E.g., 187,778 t CO2-e Greenhouse Gas Emissions

Recommended

Detailed, high accuracy *Actual, and potential business inputs/outputs as expected in 1 year, 6 years, > 6 years*
E.g., 2024: 187,778 t, 193,411 t, 205,190 t CO, 217,686 t CO2-e



I2: Procurement Expenditure by Location, Sector, and Spend

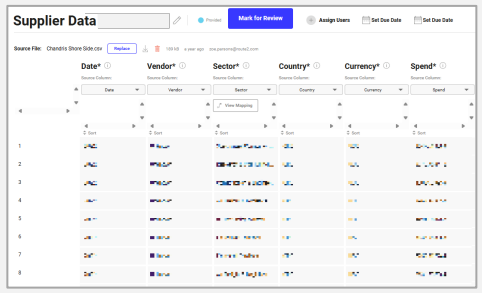


High-level, low accuracy *Only 3 data inputs required: Expenditure, Location, Sector*

Granular, mid accuracy *Actual business procurement expenditure data*

Recommended

Detailed, high accuracy *Actual and potential procurement expenditure data, expected in 1 year, 6 years, > 6 years*



Outputs

- Prioritised list of topics, valued with indicators from Route2's **Value2**Society framework

O1: **Valued Actual and Potential Impacts in the Short, Mid, and Long Term**

Aligned with ESRS

ESRS	ESRS Sub-topic	2024	2025	2030	>2030
E1	Climate change				
E5	Resource inflows				
G1	Corruption and bribery				
S1	Equal treatment, opportunities for all (own workforce)				
E2	Pollution				
S3	Economic, social and cultural rights				
S2	Working conditions (value chain)				
S2	Other work-related rights (value chain)				
E4	Biodiversity and ecosystems				
S2	Equal treatment, opportunities for all (value chain)				
E5	Waste				
E3	Water				
S1	Working conditions (own workforce)				

Step 2: Value@Stake

We then quantify the proportion of societal impacts likely to be internalized[1], via transition and physical risks, as financial costs

Input

- Prioritised valued list of topics
- Key business assets with location and value

O1: **Valued Actual and Potential Impacts in the Short, Mid, and Long Term**

ESRS	ESRS Sub-topic	2024	2025	2030	>2030
E1	Climate change				
E5	Resource inflows				
G1	Corruption and bribery				
S1	Equal treatment, opportunities for all (own workforce)				
E2	Pollution				
S3	Economic, social and cultural rights				
S2	Working conditions (value chain)				
S2	Other work-related rights (value chain)				
E4	Biodiversity and ecosystems				
S2	Equal treatment, opportunities for all (value chain)				
E5	Waste				
E3	Water				
S1	Working conditions (own workforce)				

I3: Business Asset Locations, Values, and Associated Revenue

E.g., Manufacturing Plant, Stuttgart, Germany, $150M Asset Value, $52M Revenue

Outputs

- Transition risk: how much societal impact will be internalised[1] (via regulations etc.) in the short, mid, & long term
- Physical risk: how much societal impact will be internalised[1] (via physical change etc.) in the short, mid, & long term

O2: **Quantified Transitional and Physical Risk in the Short, Mid, and Long Term (Value@Stake)**
Aligned with ESRS

ESRS	ESRS Sub-topic	2025	2030	>2030
E5	Resource inflows			
E1	Climate change			
G1	Corruption and bribery			
S2	Working conditions (value chain)			
S2	Other work-related rights (value chain)			
S1	Equal treatment, opportunities for all (own workforce)			
E4	Biodiversity and ecosystems			
S2	Equal treatment, opportunities for all			
S3	Economic, social and cultural rights			
E5	Waste			
E2	Pollution			
E3	Water			
S1	Working conditions (own workforce)			

1 the impact value likely to translate into financial cost

Consolidation & Visualization

We then consolidate results in a double materiality map, providing insights into what matters to the business and its stakeholders

Input

- Prioritised and list of topics based on impact
- Prioritised and valued list of topics based on risks

O1: Valued Actual and Potential Impacts in the Short, Mid, and Long Term

i.e, ***Value2****Society*

O2: Quantified Transitional and Physical Risk in the Short, Mid, and Long Term

i.e, ***Value@****Stake*

Consolidated Overview:

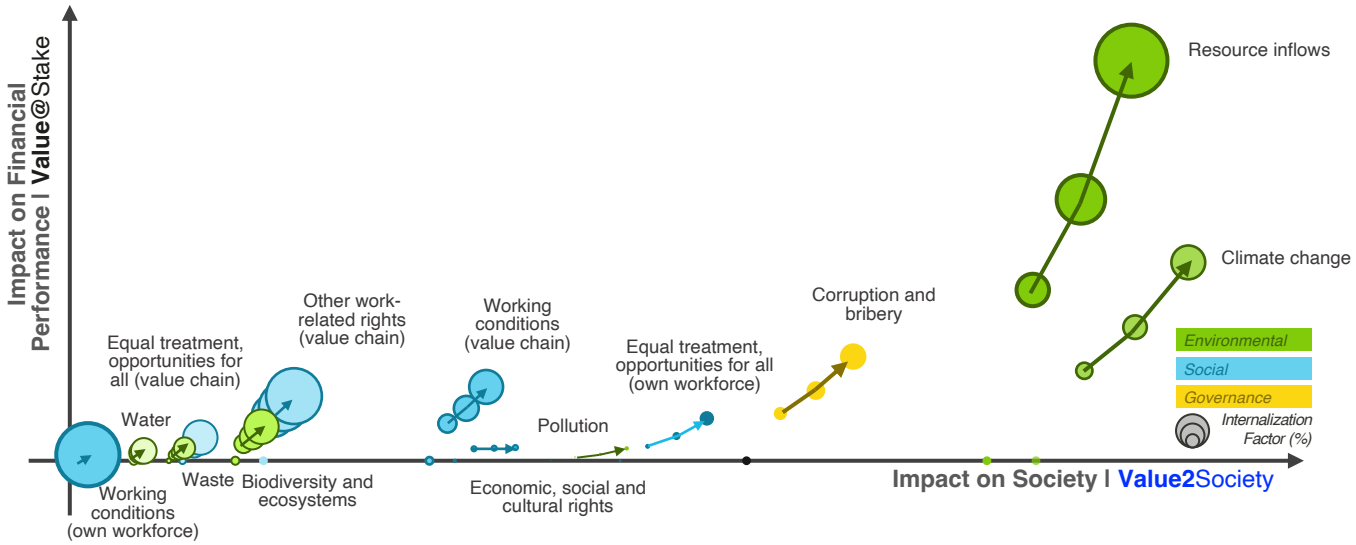
ESRS	ESRS Sub-topic	Value2Society				Value@Stake		
		2024	2025	2030	>2030	2025	2030	>2030
E5	Resource inflows							
E1	Climate change							
G1	Corruption and bribery							
S2	Working conditions (value chain)							
S2	Other work-related rights (value chain)							
S1	Equal treatment, opportunities for all (own workforce)							
E4	Biodiversity and ecosystems							
S2	Equal treatment, opportunities for all (value chain)							
S3	Economic, social and cultural rights							
E5	Waste							
E2	Pollution							
E3	Water							
S1	Working conditions (own workforce)							

Outputs

- Visual representation enables **clear communication** of actual, short-term, mid-term, and long-term **materiality**
- **Through quantification, measurable thresholds** can be defined to **establish impact and financial materiality**

O3: **Double Materiality Map** *Double Materiality Matrix representing how topics evolve over time*

Topics quantified based on actual and potential impacts and risks, in the short, mid, and long term



Illustrative only, the bubble size represents the internalization factor, i.e., the percentage of impact value that will translate into financial risk

Case Study

A double materiality assessment for a large manufacturer, enabling not only compliance, but true change

- A large multinational business utilized their double materiality assessment as foundation to shape their sustainability roadmap, set targets, and track progress

The client

- Global, Europe-based business
- Power tools manufacturing
- Approx. 35k employees
- Leading in the high-end segment

The challenge

- Doing an extensive/expensive DMA with a Big 4 for > 100 FTE days
- About to present the results of a DMA assessment for CSRD to the Executive Board
- Success criteria of the project for the Board is to make the DMA useful and relevant to the business
- The client is struggling with thresholds and prioritisation as all issues were determined material during the project

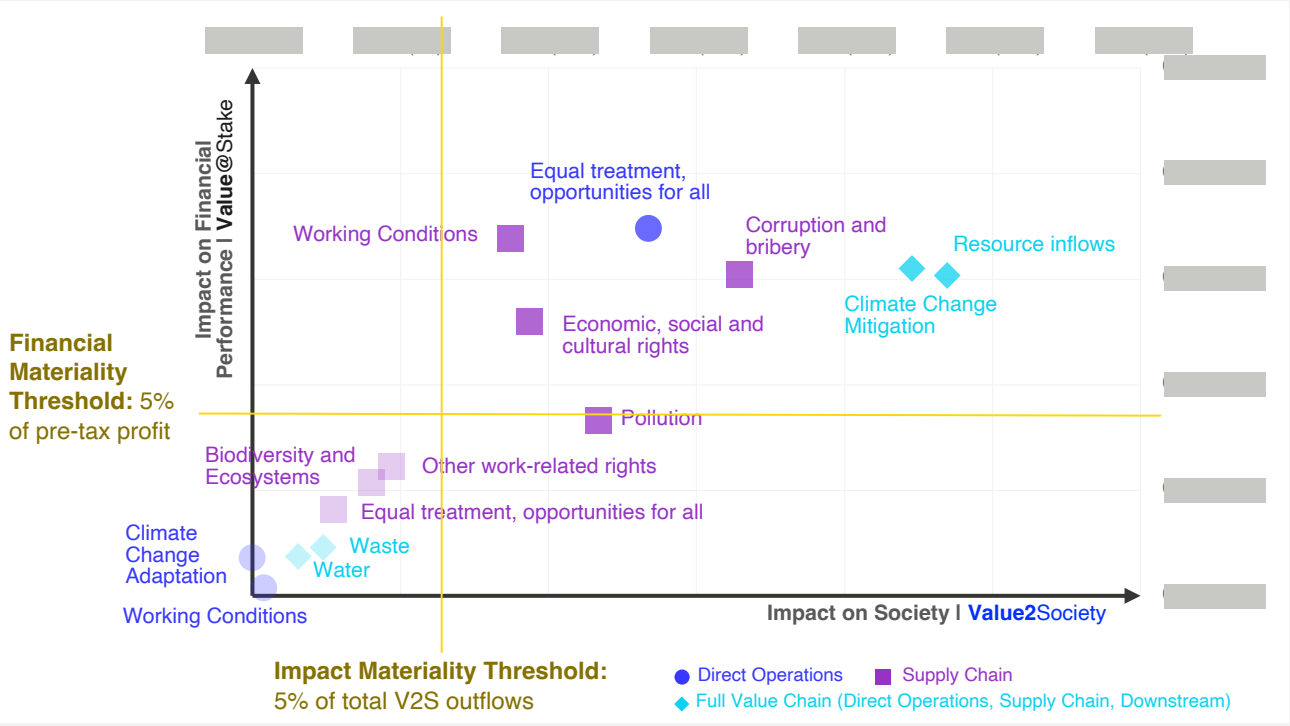
R2's solution: double materiality matrix with thresholds integrated in business performance: **7/14 topics considered material.**

- *The assessment considered actual impacts and long-term risks*
- *Out of 27 sub-sub-topics of CSRD's ESRS, only topics relevant to the industry and quantifiable in the timeframe were assessed*

Thresholds

Sub-topics are considered material when:

- From an **impact perspective,** the actual impact on Society represents **more than 5% of the total value lost** by the client
- From a **financial perspective** when the potential impact on financial performance is **more than 5% of pre-tax profit**
- A combination of both



Summary

Route2 needs 3 types of inputs per project to deliver a quantified double materiality map that fulfils requirements and provides the foundation to drive change

Required Inputs

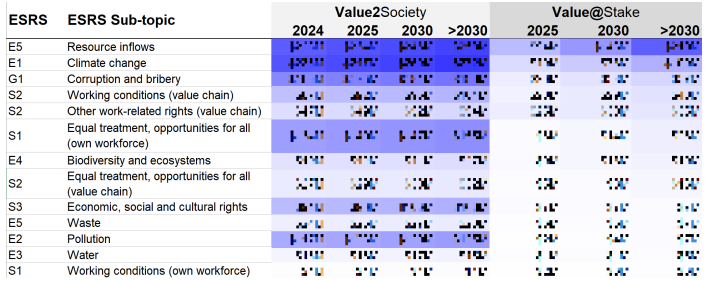
I1	**Business Activities Actual & Potential Inputs/Outputs**	*Different levels of granularity possible:*	
		High-level data, low accuracy	*Revenue, Location, Sector*
		Granular, mid accuracy	*Actual business inputs/outputs*
		Detailed, high accuracy	*Actual, and potential business inputs/outputs as expected in 1 year, 6 years, >6 years*
I2	**Procurement Expenditure by Location, Sector, and Spend**	*Different levels of granularity possible:*	
		High-level data, low accuracy	*Expenditure, Location, Sector*
		Granular, mid accuracy	*Actual business procurement expenditure data*
		Detailed, high accuracy	*Actual and potential procurement expenditure data, expected in 1 year, 6 years, >6 years*
I3	**Business Asset Locations, Values and Revenue**	Overview of key facilities, incl. plants and offices, with respective value and revenue	

Delivered Outputs

O1 & O2

Consolidated Overview of:

- Valued Actual and Potential Impacts in the Short, Mid, and Long Term (**Value2**Society)
- Quantified Transitional and Physical Risk in the Short, Mid, and Long Term (**Value**@Stake)



ESRS	ESRS Sub-topic	Value2Society 2024	Value2Society 2025	Value2Society 2030	Value2Society >2030	Value@Stake 2025	Value@Stake 2030	Value@Stake >2030
E5	Resource inflows							
E1	Climate change							
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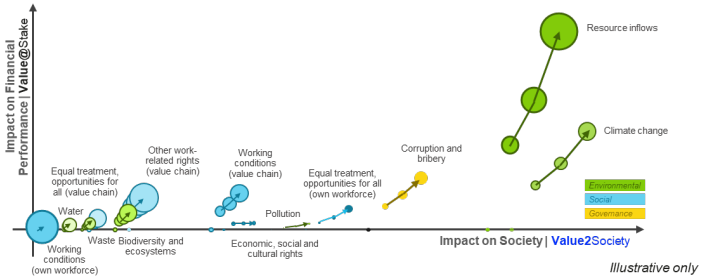
E5	Waste							
E2	Pollution							
E3	Water							
S1	Working conditions (own workforce)							

O3

Double Materiality Map

Double Materiality Matrix over time, visualizing actual and potential impacts and risks, in the short, mid, and long term



O4

Methodology Report

Explanatory notes on impact and risk quantification and valuations

Conclusions

Route2 introduces efficiency and cost effectiveness to double materiality assessments, establishing a platform to drive real change and bolster engagement

Introduces a comprehensive, efficient & objective approach to understanding double materiality

- Combining **Value2**Society with **Value**@Stake
- Direct operations & upstream*
- Short, medium and long term

Enables to narrow down material topics to focus on what matters, in full alignment with international and native reporting requirements

Supports and helps steers the typical stakeholder engagement process

Facilitates straightforward establishment of materiality thresholds, integrated with existing business performance metrics

Operates on minimal levels of data, across sectors

Provides the bedrock for more substantive sustainability work (driving real change)

** Downstream can also be quantified on sector case by case basis*

Route2

Thank you for your time.

For more information, please email
info@route2.com