

# Sector double materiality assessment for the Antwerp diamond industry: Key results and practical implications

This document presents a summary of the main results and implications of a sector double materiality assessment for the Antwerp diamond industry. These results and implications will be discussed in more detail during a workshop hosted by AWDC on January 15.

## Why a sector Double Materiality Assessment?

- Under the Corporate Sustainability Reporting Directive (CSRD), large diamond companies must publish a sustainability statement, and must seek assurance for this statement from an auditor.
- The CSRD comes with twelve reporting standards (the ESRS): two general standards, five environmental standards, four social standards, and one governance standard. Together, the ESRS contain 82 disclosure requirements, which are linked with >1,100 data points.
- You are only expected to report on topics that matter to your business. To determine these “material topics”, you must carry out a double materiality assessment (DMA).
- A DMA can be expensive and time-consuming. This is why AWDC has asked Sustenuto to carry out a DMA at sector level. While some degree of customization is still required, the sector DMA makes the process for individual companies a lot easier—and therefore less expensive.

## Objectives and approach

- The objective of the sector DMA is to create a benchmark that individual companies can build on for their own DMA. Specifically, it identifies the critical topics that all companies should report on, and provides insights into the materiality of other relevant topics.
- The DMA involved four steps, which result in a ranking of material topics (see below). Throughout this process, we have regulatory spoken with auditors to ensure that they recognize the legitimacy of the sector DMA.

Figure 1: Steps in the sector DMA



## Results

- The results of the sector DMA are displayed in the table below.
- We identified **two critical topics**: responsible business conduct and workers in the value chain. These topics are no stranger to the diamond industry. However, the range of issues is expanding, from corruption/AML and child labour, towards a much wider range of governance and human rights topics.
- In addition to these critical topics, two other topics were identified as having **very high materiality**: climate change (greenhouse gas emissions throughout the value chain) and affected communities. In both cases, these issues emerge primarily as a result of diamond mining.

Rating	Topics	Key issues	Single or double
Critical	Business conduct (ESRS G1)	<ul style="list-style-type: none"> <li>• Transparent corporate culture (or lack thereof)</li> <li>• Supplier management</li> <li>• Corruption and bribery</li> </ul>	Double
	Workers in the value chain (ESRS S2)	<ul style="list-style-type: none"> <li>• Adequate wages (mining and manufacturing)</li> <li>• Health and safety (mining and manufacturing)</li> <li>• Child labour and forced labour (mining)</li> <li>• Positive impacts through job creation</li> </ul>	Single (impact)
Very high	Climate change (ESRS E1)	<ul style="list-style-type: none"> <li>• Climate change mitigation: greenhouse gas emissions throughout the value chain (particularly mining)</li> </ul>	Single (impact)

	Affected communities (ESRS S3)	<ul style="list-style-type: none"> <li>• Access to clean water (mining)</li> <li>• Impact on land use and availability (mining)</li> <li>• Security-related impacts (mining)</li> <li>• Impact on human rights defenders (mining)</li> <li>• Rights of indigenous peoples (mining)</li> <li>• Positive impacts through local content (mining and manufacturing)</li> </ul>	Single (impact)
High	Biodiversity (ESRS E4)	Negative biodiversity impacts of mining: deforestation, soil erosion, water and soil pollution, etc.	Single (Impact)
	Pollution (ESRS 2)	<ul style="list-style-type: none"> <li>• Water and soil pollution caused by mining</li> <li>• Indoor air pollution in manufacturing</li> </ul>	Single (impact)
	Water (ESRS E3)	<ul style="list-style-type: none"> <li>• Water consumption in mining</li> <li>• Impacts of marine mining on marine ecosystems</li> </ul>	Single (impact)
Moderate	Own workforce (ESRS S1)	<ul style="list-style-type: none"> <li>• Work-life balance</li> <li>• Equal opportunities</li> <li>• Health and safety</li> <li>• Skills and training</li> </ul>	Single (impact)
	Consumers (ESRS S4)	<ul style="list-style-type: none"> <li>• Transparent product information</li> <li>• Product integrity (also in relation to lab-grown)</li> </ul>	Single (financial)
	Circular economy and resource use (ESRS E5)	Finite nature of diamond deposits	Single (financial)

### How to use the results of this sector DMA for your own DMA?

- **For critical topics, no additional materiality check is required.** You can safely assume that the critical topics (business conduct and workers in the value chain) are material, and should be included in your sustainability statement.
- **For the remaining topics, an additional materiality check is required** based on your operating context. In particular, the “likelihood” that your company is linked with sustainability issues can vary due to the type of activities you are involved in, the existence (or absence) of risk management systems, characteristics of your supplier base, etc.
- Once you have a customized materiality ranking, you should **set a materiality threshold**, or the point at which topics move from being just relevant towards material. You can opt for a more conservative approach, by only reporting on critical topics, or you can lower the threshold and include topics with a lower materiality.
- Our advice is to **at least** retain business conduct (ESRS G1) and value chain workers (ESRS S1) as material topics. In addition, we strongly recommend to include affected communities and particularly climate change (ESRS E1). Given the importance that the CSRD and a wide range of stakeholders attach to climate change, it will be **very difficult to argue that it is not a material topic**.

### Initial reporting guidelines

- Once a topic is identified as material, all disclosure requirements that are part of the corresponding standard **must** be included in the sustainability statement.
- These disclosure requirements generally expect you to report on any **policies, actions, and targets** you have in place to manage sustainability topics.
- For the topical standards, reporting follows a “**comply or explain**” logic. If you have no policies, actions, or targets, you should simply be transparent about this, and explain if- and how you will address these gaps in the future.
- The EU has put in place **transitional provisions** for certain types of information, such as data on value chain emissions and biodiversity. Make sure to use these provisions where appropriate.

### Questions?

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