ESG

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ESRS 1 & 2 : From stakeholder engagement to double materiality

Déborah Fischer, réviseur d'entreprises
Koen Van Eupen, bedrijfsrevisor

IBR INSTITUUT VAN DE BEDRIJFSREVISOREN
IRE INSTITUT DES RÉVISEURS D'ENTREPRISES

Global context

EU Taxonomy

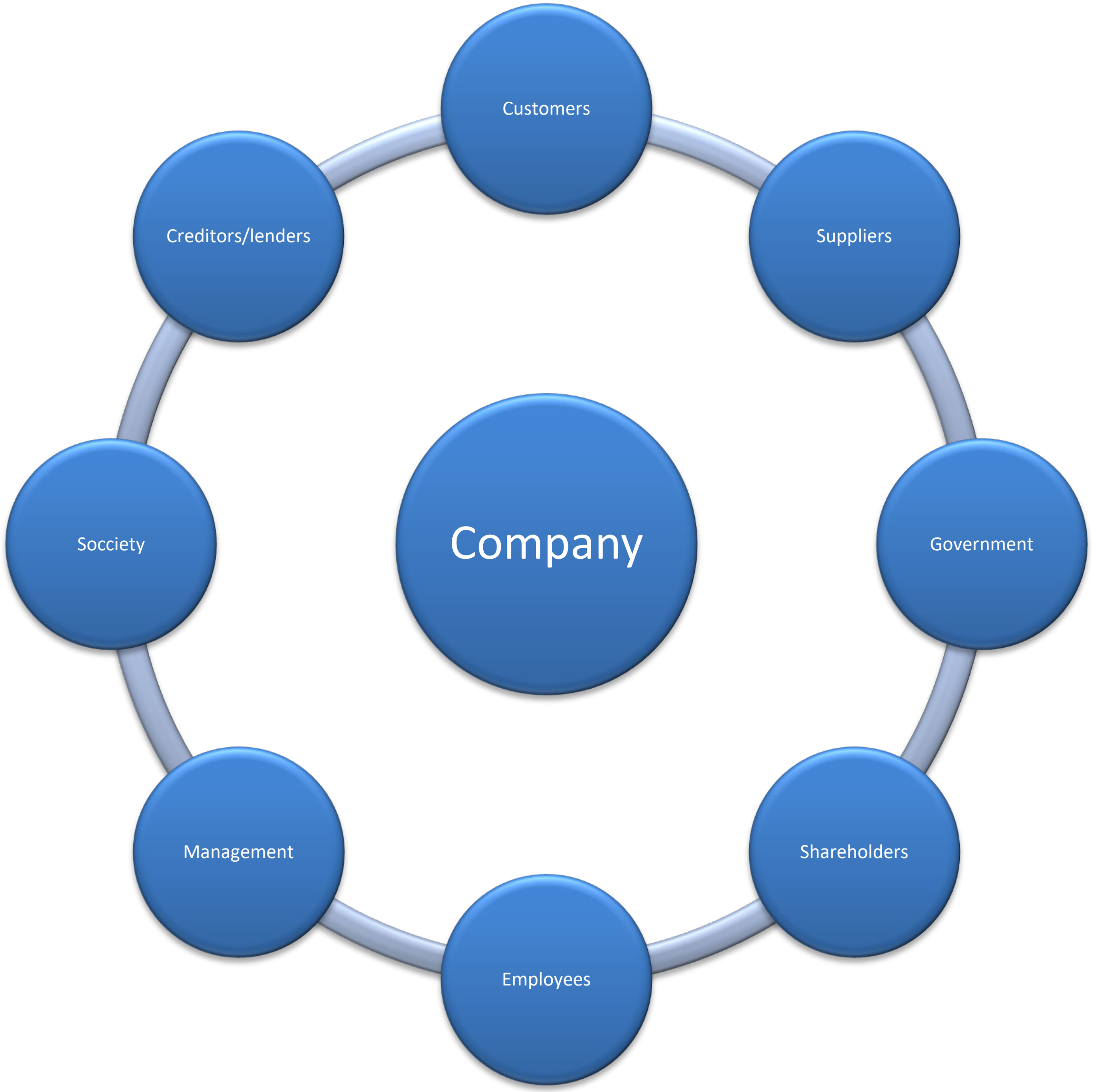
Disclosures

Corporate sustainability reporting directive (CSRD)
And ESRS reporting standards
Sustainable Finance Disclosure Regulation (SFDR)
…

Tools

EU Climate benchmark Regulation
…

Who are my stakeholders ?



Stakeholder engagement

ESRS 1 defines stakeholders as :

"Stakeholders are those who can affect or be affected by the undertaking.
There are two main groups of stakeholders:

- *affected stakeholders: individuals or groups whose interests are affected or could be affected – positively or negatively – by the undertaking's activities and its direct and indirect business relationships across its value chain; and*

- *users of sustainability statements: primary users of general-purpose financial reporting (existing and potential investors, lenders and other creditors, including asset managers, credit institutions, insurance undertakings), as well as other users, including the undertaking's business partners, trade unions and social partners, civil society and non-governmental organisations, governments, analysts and academics"*

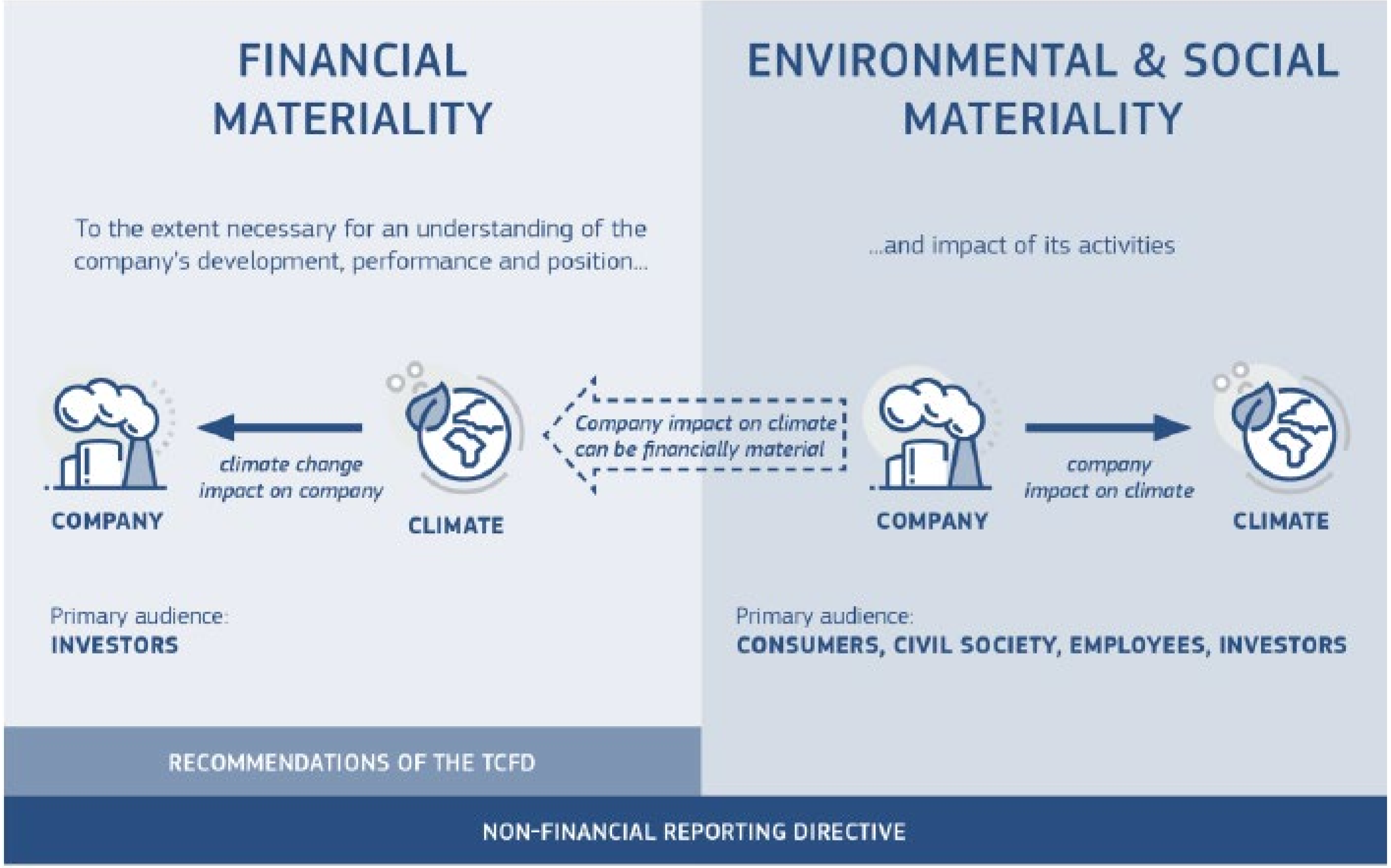
Why engage with stakeholders ?

- The strategy of the company should take into account the major interests and views of the stakeholders
- The sustainability report should address concerns and questions from the various categories of stakeholders

How to engage with stakeholders ?

- After ranking its stakeholders by importance, the company should organise a consultation with them
- This consultation can take many forms such as online polls, questionnaires, face to face meetings, group meetings, etc
- A list of topics to use in the stakeholder engagement can be found in the appendix to ESRS 1
- The report should disclose the process followed for the stakeholder engagement and the take-aways
- ESRS also require to disclose how the stakeholders
  - Can be impacted by a policy/procedure
  - Have been involved in defining the various topics
  - have been involved in target settings

Double materiality – requirement of ESRS



How to understand the double materiality concept ?

- **Materiality assessment is performed to define the content of the sustainability disclosures**

- Performing a materiality assessment is necessary for the undertaking to identify the material impacts, risks and opportunities to be reported.

- **Double materiality has two dimensions: impact materiality and financial materiality**

- **A sustainability matter is "material" for the undertaking when it meets the criteria defined for impact materiality or financial materiality or both**

- Impact materiality and financial materiality assessments are inter-related and the interdependencies between the two dimensions shall be considered. In general, the starting point is the assessment of impacts. A sustainability impact may be financially material from inception or become financially material when it translates or is likely to translate into financial effects in the short-, medium-, or long-term. Irrespective of them being financially material, impacts are captured by the impact materiality perspective

Impact materiality definition

A sustainability matter is material from an impact perspective when it pertains to the undertaking's material actual or potential, **positive or negative impacts on people or the environment over the short-, medium- or long term**.

A material sustainability matter from an impact perspective includes impacts caused or contributed to by the undertaking and impacts which are **directly linked to the undertaking's own operations, its products, and services through its business relationships** (includes impacts in relation to environmental, social and governance matters).

Financial materiality definition

- The scope of financial materiality for sustainability reporting is **an expansion of the scope of materiality used** in the process of determining which information should be included in the **undertaking's financial statements**

- The materiality assessment process includes, but is not limited to, the **identification of information that is useful to investors, lenders and other creditors** when they, as primary users of general-purpose financial reporting, assess the effects of sustainability matters on the undertaking's cash flows, financial position and financial performance. **In particular, information is considered material for primary users of general-purpose financial reporting if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that they make on the basis of the undertaking's sustainability statements**.

Financial materiality definition

- **Financial materiality**

A sustainability matter is material from a financial perspective if it triggers or may trigger material **financial effects on the undertaking's development, including cash flows, financial position and financial performance, in the short-, medium- or long-term.** This is the case, in particular, when it generates or may generate risks or opportunities that significantly influence or are likely to significantly influence its future cash flows

- **Material impacts or risks arising from actions to address sustainability matters**

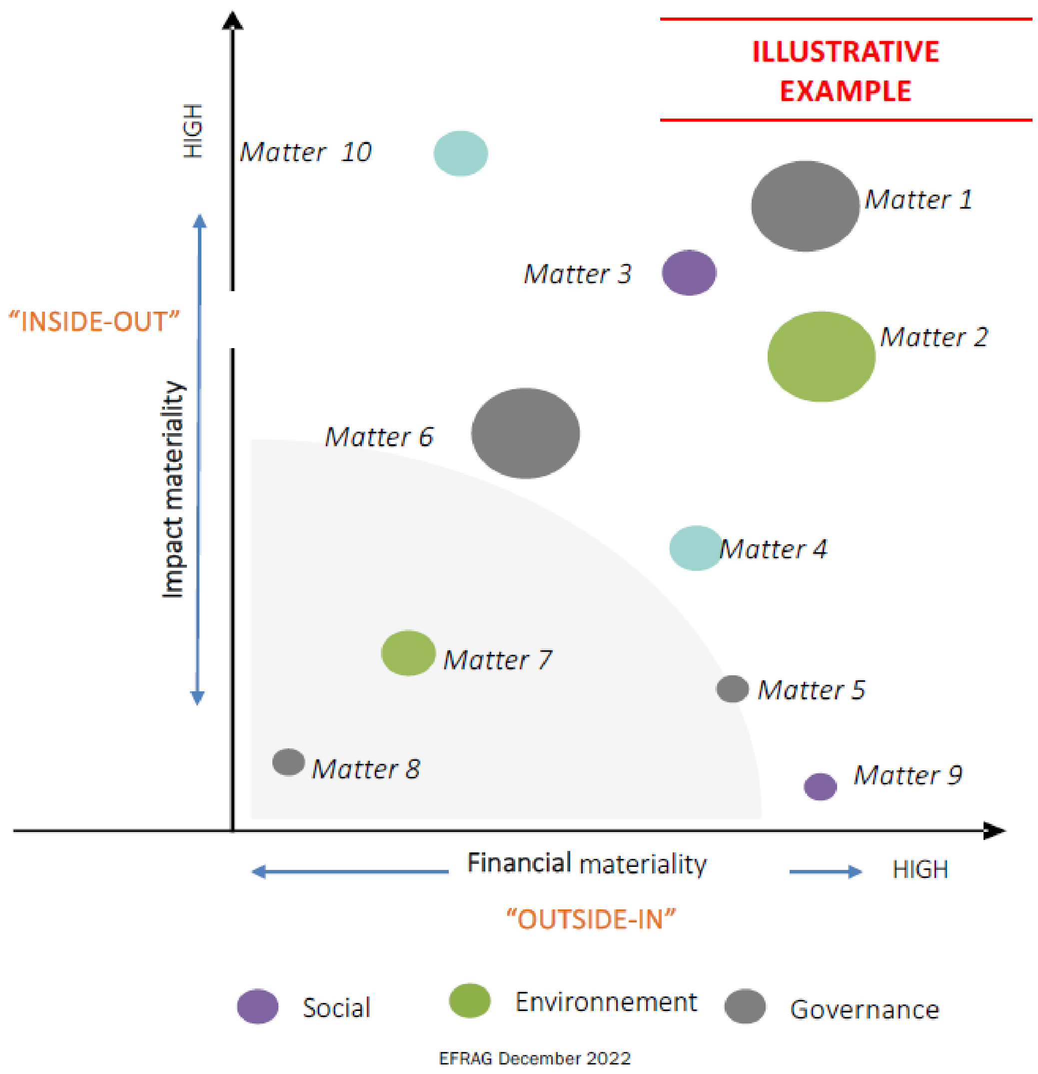
The undertaking's materiality assessment process shall encompass situations where its actions to address certain impacts or risks, or to benefit from certain opportunities in relation to a sustainability matter, might have material adverse impacts or cause material risks in relation to one or several other sustainability matters

How is the materiality process summarized ?

- A sustainability report is expected to include a materiality matrix that will enable the readers to understand which importance each topic has for the company and for stakeholders.
- The content of the report should focus on those topics that are material for both (taking also into account that some topics, like ESRS E1 on climate, are mandatory regardless of the materiality analysis)

How is the materiality process summarized ?

- Graphic representation can look like this



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Thank you for your attention

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