

Stakeholder engagement in the CSRD

One of the directives on RBC is the European directive for corporate sustainability reporting, the CSRD. The requirements in the CSRD have been operationalised in reporting standards – the so called European Sustainability Reporting Standards (ESRS) – which contain guidelines for what the sustainability report should look like. On July 31, 2023 the European Commission adopted the first set of [ESRS](#) which applies to all companies in scope of the CSRD regardless of their sector. This first set contains 12 standards including two cross-cutting standards (ESRS 1, 2), five environmental standards (E1-E5), four social standards (S1-S4) and one governance standard (G1). Below you will find more details about how stakeholder engagement plays a role in relation to the ESRS.

Note: in this document the term 'company' is used, which also covers 'undertakings' as referred to in the CSRD.

Double materiality and stakeholder engagement

The so called double materiality assessment – i.e. identifying the material (actual and potential) impacts, risks and opportunities for the company on society and vice versa – plays a central role in the CSRD. The materiality assessment defines to what extent and on which sustainability matters the company has to report, in particular when it comes to policies, actions and targets (ESRS 1, 3). The outcome of a company's sustainability due diligence process informs the company's assessment of its material impacts, risks and opportunities (ESRS 1, 4, 58). Companies are expected to engage with (affected) stakeholders in both their materiality and due diligence process, in order to identify and assess actual, potential and material impacts, risks and opportunities (ESRS 1, 3.1, 24) – among others through dialogue (ESRS 1, Appendix A, AR 8). Stakeholders are those who can affect or be affected by the company (ESRS 1, 3.1, 22).

There are two main groups of stakeholders (ESRS 1, 3.1, 22):

1. affected stakeholders
Individuals or groups whose interests are affected or could be affected – positively or negatively – by the company's activities and its direct and indirect business relationships across its value chain; and
2. 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), and other users of sustainability statements, including the company's business partners, trade unions and social partners, civil society and non-governmental organisations, governments, analysts and academics.

In addition to the groups of stakeholders listed above, categories of stakeholders are (ESRS, Appendix A): employees and other workers, suppliers, consumers, customers, end-users, local communities and persons in vulnerable situations, and public authorities, including regulators, supervisors and central banks (AR 6). Nature may be considered as a 'silent' stakeholder. In this case, ecological data and data on the conservation of species may support the company's materiality assessment (AR 7). The company may engage with affected stakeholders or their representatives (such as trade unions), along with users of sustainability reporting and other

experts, to provide inputs or feedback on its conclusions regarding its material impacts, risks and opportunities (AR 8).

Reporting on stakeholder engagement in strategy, business model, policies, actions and targets

ESRS 2 (Disclosure Requirement SBM-2, 43-45; AR 16) requires that companies shall disclose how the interests and views of their stakeholders are taken into account by the company's strategy and business model. The company shall disclose a summarised description of:

- a. Its stakeholder engagement¹, including:
 - the company's key stakeholders,
 - whether engagement with them occurs and for which categories of stakeholders,
 - how it is organised,
 - its purpose, and
 - how the outcome is taken into account by the company.
- b. The company's understanding of the interests and views of its key stakeholders as they relate to the company's strategy and business model, to the extent that these were analysed during the company's due diligence process and/or materiality assessment process.
- c. Where applicable, amendments to its strategy and/or business model, including:
 - how the company has amended or expects to amend its strategy and/or business model to address the interests and views of its stakeholders,
 - any further steps that are being planned and in what timeline, and
 - whether these steps are likely to adjust the relationship with and views of stakeholders.
- d. Whether and how the administrative, management and supervisory are informed about the views and interests of affected stakeholders with regard to the company's sustainability-related impacts.

Stakeholder engagement is also part of several minimum disclosure requirements concerning policies adopted to manage material sustainability matters. Such disclosures shall include – if relevant – a description of the scope of the policy, or of its exclusions, in terms of affected stakeholder groups, a description of the consideration given to the interests of key stakeholders in setting the policy, and whether and how the company makes the policy available to potentially affected stakeholders, and stakeholders who need to help implement it (ESRS 2, MDR-P, 65). Additionally, the company shall disclose the scope of the key actions in terms of affected stakeholder groups – where applicable (ESRS 2, MDR-A, 68). A company shall

¹ The ESRS define stakeholder engagement as “an ongoing process of interaction and dialogue between the undertaking and its stakeholders that enables the undertaking to hear, understand and respond to their interests and concerns” (Annex II: acronyms and glossary of terms).

also disclose whether and how stakeholders have been involved in target setting for each material sustainability matter (ESRS 2, MDR-T).

Stakeholder engagement in topical standards

The topical standards of the ESRS are divided into the themes Environment, Social and Governance (ESG) and contain specific disclosure requirements per theme. Consultation and dialogue with stakeholders are regularly referred to in these standards. For example concerning grievance mechanisms for own workforce (ESRS S1, Disclosure Requirement S1-3, AR 32), value chain workers (ESRS S2, Disclosure Requirement S2-3, AR 27), affected communities (ESRS S3, Disclosure Requirement S3-3, AR 24) and, consumers and end-users (ESRS S4, Disclosure Requirement S4-3, AR 24).