

Schneider Electric Response to EFRAG's public consultation

DRAFT EFRAG IG 1 Materiality Assessment Implementation Guidance (MAIG)

Chapter and Subchapter	Page number and reference	What is the concern?	What are we proposing?
Chapter 2	p. 12, Figure 1c	Previously, figure 2 (now figure 1C) had the following introduction: the following figure illustrates how to use the list from ESRS 1 AR 16 to identify material sustainability matters prior to determining which aspects of double materiality are to be covered (impacts, risks and opportunities and consequential financial effects). This clearly introduced the list in AR 16 as a potential departing point of the analysis, which now as I understand, should only be considered a complement of the assessment, not the basis. This is still the case later on in paragraph 75	Re-introduce the introduction to figure 1c for clarity: "the following figure illustrates how to use the list from ESRS 1 AR 16 to identify material sustainability matters prior to determining which aspects of double materiality are to be covered (impacts, risks and opportunities and consequential financial effects)."
Chapter 2	p.25	Paragraph 25 states that "By definition, the reporting excludes matters that are not material". In our view, this statement goes beyond or even seems to be in contradiction with the Delegated Act, ESRS 1, paragraph 114 that refers to the inclusion of additional disclosures.	We suggest to remove the sentence "By definition, the reporting excludes matters that are not material" as it does not support clarity for implementation.
Chapter 2	previous para 43.	Paragraph 43 from the previous version was deleted "...AR 18 of ESRS 2 allows to aggregate individual material impacts, risks and opportunities into groups, when this provides more relevant information and does not obscure material information." And for the avoidance of doubt we propose to re-introduce.	Re-introduce (previous) paragraph 43 "...AR 18 of ESRS 2 allows to aggregate individual material impacts, risks and opportunities into groups, when this provides more relevant information and does not obscure material information.
Chapter 2	pg 9, para 29, pg 23 para 97 pg.39, para 186	These paragraphs state that companies have to report on the materiality assessment process and the outcome of this process. However, according to para 32 ESRS 1, reporting on the outcomes of the materiality assessment process is only required with regard to the topic 'climate change', to the extent that climate change is not considered a material topic. For all other topics, reporting on the outcome of the materiality assessment is voluntary.	Remove '[...] and the outcome of this process.'/ '[...] and its outcome.'

Chapter 2.1.	Textbox on page 14	The wording 'Most of the materials also give rise to financial risks and/or opportunities.' is not clear.	Replace by 'Most of the material matters under an impact perspective may give rise to financial risks and/or opportunities'.
Chapter 3.4.	pg 18 para 62	This paragraph states that "an undertaking shall consider the full scope of environmental, social and governance matters as listed in ESRS 1 paragraph AR16) as well as any other matter that is material from an entity-specific perspective.' By referring to 'the full scope of environmental, social and governance matters' the terminology used by the guidance is broader than the ESRS that use the term 'sustainability matters' as defined in Annex 2. However, we do not want the guidance to potentially expand the scope of sustainability matters that companies must report on.	Replace 'the full scope of environmental, social and governance matters' with the term 'sustainability matters'.
	pg. 19, Figure 3	The figure and its text are not fully legible.	Improve the readability of figure 3.
Chapter 3.5	pg 25, para 1085	This paragraph indicates that the financial materiality assessment is also linked to engagement with users [of the sustainability statement] which is not the case under the ESRS. Users of the sustainability statements are defined in para 22(b) ESRS 1 by reference to a wide range of stakeholders (both economic and otherwise) that may use sustainability information on an undertaking. AR13 et seq ESRS 1 (financial materiality) -do not refer to stakeholder engagement, whether that be all stakeholders or the subset of stakeholders described as "users of the sustainability statement", - not the AR on financial materiality. In addition, financial materiality is defined as information that is material for primary users of financial information, and the definition of "users of the sustainability statement" is considerably broader than primary users of financial information.	Ensure that language does not imply that financial materiality assessment is linked to stakeholder engagement.
Chapter 3.5.	pg 25, para 106	The paragraph uses a confusing language of stakeholder engagement. It says that when "consultation" (which implies a direct, 2-way conversation) with stakeholders is not possible, only then should companies resort to other alternatives to understand the stakeholder perspective. This hierarchy does not exist in the ESRS's - there are no gating mechanisms or preferential methods of engagement defined.	We recommend EFRAG to use consistent language by only referring to 'stakeholder engagement/engagement of stakeholders' rather than using different terms such as 'consultation, input, feedback' etc. For the avoidance of doubt, the language used by EFRAG shall in any event not indicate that there is a hierarchy between different

			types of stakeholder engagement, in particular not between engaging with stakeholders directly and engaging with their representatives.
Chapter 5.3., FAQ 10	pg 37, para 168	DMA FAQ10 implies that a quantitative IRO assessment methodology should be pursued first if “possible”. The ESRS do not explicitly designate a preference between quantitative or qualitative assessment approaches.	Remove the preferential/gating language around quantitative assessment approaches.
FAQ 12	pg.38, para 176 / 177 pg.42, para 206	This FAQ states that even though the ESRS do not prescribe specific documentation, it is reasonable to expect a certain level of documentation to be needed for internal purposes. However, this goes beyond the requirements set out by the CSRD and ESRS. It is ultimately left up to the in-scope companies to determine if and to what extent they document the DMA process.	The answer to this FAQ should be limited to the information that neither the CSRD nor the ESRS set out any documentation obligations and thus the decision on how companies document the DMA process is left up to the companies.
FAQ 17	Page 40, para 193-195	The process to gather the data of “silent stakeholders” is explained and more examples on how to engage or partner with academic and scientific research could be provided.	Some more examples on how to engage or partner with academic and scientific research could be provided
FAQ23	P 44-45	This FAQ states that mitigation can be considered for actual impacts if it occurs before the incident; however, the example provided in para 217 notes 'mitigation activities, such as pollution containment or immediate stop of operations that were put in place before the incident are considered when assessing the severity of the actual impact'. This statement includes examples of mitigation activities that we would expect to occur during when the incident is occurring, not before.	Include 'before and during the incident' within paragraph 217.a. when discussing how mitigation measures can be considered within assessment of severity.
		The FAQ states that technical or other management measures for avoiding or mitigating potential impacts can be considered within the materiality assessment only when the assumptions around the adoption of such measures can be proven to be technically feasible, economically viable and accurately described in the report. However, the example provided in para 218.a. explains that a treatment technique is available and the company plans to install this technology to mitigate a new production process with a hazardous substance. The example further states that this technology can be considered as a part of the management of the material impact but cannot be taken into account in the materiality assessment.	Include an example as to where technical or other management measures to avoid or mitigate potential impacts in the future could be included within the materiality assessment. This would ideally include a use-case where 'standard operating practice' i.e., operating within existing environmental permitting requirements could be considered.

		<p>This is inconsistent with the statement that mitigation actions can be taken into consideration for the materiality assessment (as long as technical and economic feasibility is met and is accurately described). It is not clear in this example whether, if there was sufficient management/leadership documentation of the plans for this technology to be implemented (to mitigate the potential impact), it could then have been considered within the materiality assessment.</p>	
FAQ23	P 44-45	<p>The IG should include more and clearer information on how mitigation factors should be considered in the materiality assessment, i.e. governance impacts, risks and opportunities across Environmental, Social and Governance pillars.</p> <p>We urge to clarify Gross and Net impact definition utilising risk management concepts that are already in use.</p>	<p>We propose the following definitions</p> <p>Gross risk: a measure of risk that does not include consideration of mitigation measures a business may implement to avoid, reduce, or manage that risk (i.e., policies, actions, or controls that avoid, minimize, transfer, or compensate for the risk). Also known as inherent risk. Net risk: a measure of risk that considers and accounts for mitigation measures a business may implement to avoid, reduce, or manage that risk (i.e., policies, actions, or controls that avoid, minimize, transfer, or compensate for the risk). Also known as residual risk.</p>