

# **ADDENDUM**

## **BASIS FOR CONCLUSIONS ESRS LSME ED**

PART 1 - 'two columns comparison ESRS  
LSME ED -Set 1'

PART 2 – Changes made by EFRAG SRB to  
ESRS LSME ED approved by EFRAG SR TEG

# ADDENDUM

## BASIS FOR CONCLUSIONS ESRS LSME ED

### PART 1 - 'two columns comparison ESRS LSME ED -Set 1'

#### Objective

1. This Annex offers a line by line comparison between the text of i) the ESRS Set 1 for large undertakings issued as Delegated Act and ii) ESRS LSME ED.
2. This document is comprised of 5 chapters:
  - 1) ESRS LSME ED Section 1 – General requirements
  - 2) ESRS LSME ED Section 2 – General disclosures and Section 3 – Policies, Actions and Targets
  - 3) ESRS LSME ED Section 4 – Environment
  - 4) ESRS LSME ED Section 5 – Social
  - 5) ESRS LSME ED Section 6 – Business conduct

#### Legend

- Column ESRS LSME ED:
  - i. With strikethrough “deleted contents” compared to EC DA ESRS Set 1
  - ii. Additional changes to Set 1 are in *italic*

## ESRS LSME ED Section 1 – General requirements

SET 1 ESRS 1	ESRS LSME ED Section 1
<p><b>Objective</b></p> <p>1. The objective of European Sustainability Reporting Standards (ESRS) is to specify the sustainability information that an undertaking shall disclose in accordance with Directive 2013/34/EU of the European Parliament and of the Council, as amended by Directive (EU) 2022/2464 of the European Parliament and of the Council. Reporting in accordance with ESRS does not exempt undertakings from other obligations laid down in Union law.</p>	<p><b>Objective</b></p> <p>1. The objective of this European Sustainability Reporting Standard for listed SMEs (LSME ESRS) is to specify the sustainability information <i>that the undertakings identified in the next paragraph</i> shall disclose in their individual sustainability statement in accordance with Directive 2013/34/EU of the European Parliament and of the Council, as amended by Directive (EU) 2022/2464 (the “CSRD”), <i>when they elect to present be report in accordance with the sustainability reporting standards for small and medium-sized undertakings</i>. Reporting in accordance with LSME ESRS does not exempt undertakings from other obligations laid down in substantive Union law. <i>In particular, this [draft] Standard sets out General Requirements (Section 1), General Disclosures (Section 2), Policies, actions and targets (Section 3) and Topical Disclosures (Sections 4, 5 and 6) that specify the sustainability information to be disclosed in accordance with Directive 2013/34/EU as amended by Directive EU 2022/2464 Corporate Sustainability Reporting Directive when using the derogation in art. 19a (6) and 29c.</i></p>
	<p>2. The following undertakings fall within the scope of LSME ESRS (hereafter collectively referred to as ‘the LSME’ or ‘the undertaking’):</p> <p>(a) <i>small and medium-sized undertakings within the meaning of Article 3(2) and (3) of Directive 2013/34/EU which are public-interest entities as defined in point (a) of point (1) of Article 2 of that Directive and which are not micro-undertakings as defined in Article 3(1) of that Directive;</i></p> <p>(b) <i>small and non-complex institutions defined in point (145) of Article 4(1) of Regulation (EU) No 575/2013, provided they are large undertakings within the meaning of Article 3(4) of Directive 2013/34/EU or that they are small and medium sized undertakings within the meaning of Article 3(2) and (3) of that Directive which are public-interest entities as defined in point (a) of point (1) of Article 2 of that Directive and which are not micro-undertakings as defined in Article 3(1) of that Directive;</i></p> <p>(c) <i>captive insurance undertakings defined in point (2) of Article 13 of Directive 2009/138/EC of the European Parliament and of the Council ( 39), and captive reinsurance undertakings defined in point (5) of Article 13 of that Directive, provided that they are large undertakings within the meaning of Article 3(4) of Directive 2013/34/EU or that they are small and medium sized undertakings within the meaning of Article 3(2) and (3) of that Directive which are public-interest entities as defined in point (a) of point (1) of Article 2 of that Directive and which are not micro-undertakings as defined in Article 3(1) of that Directive.</i></p>
	<p>3. <i>An LSME is allowed to use the derogation in Art. 19a (6) and 29c of the CSRD and prepare its individual sustainability statement using this [draft] Standard when it is not a parent undertaking of a large group. A large group is a group that on a consolidated basis exceeds the limits of at least two of the three following criteria as defined in Art. 3 (7) of Directive 2013/34/EU:</i></p> <p>(a) <i>balance sheet total – EUR 20,000,000,</i></p> <p>(b) <i>net turnover – EUR 40,000,000,</i></p> <p>(c) <i>average number of employees during the financial year – 250.</i></p>

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	<p>4. An LSME, which is a parent undertaking of a large group, is required to present a consolidated sustainability statement in its management report prepared according to the ESRS for large undertakings (Art. 29a and 29b of Directive 2013/34/EU as amended by the CSRD, Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023).</p>
<p>2. Specifically, ESRS specify the information that an undertaking shall disclose about its material impacts, risks and opportunities in relation to environmental, social, and governance sustainability matters. ESRS do not require undertakings to disclose any information on environmental, social and governance topics covered by ESRS when the undertaking has assessed the topic in question as non-material (See Appendix E of this Standard “Flowchart for determining disclosures to be included”).The information disclosed in accordance with ESRS enables users of the sustainability statement to understand the undertaking’s material impacts on people and environment and the material effects of sustainability matters on the undertaking’s development, performance and position.</p>	<p>5. In particular, the ESRS LSME specifies the information that an undertaking shall disclose about its material impacts and material risks and opportunities in relation to environmental, social, and governance sustainability matters. LSME ESRS does not require undertakings to disclose any information on environmental, social and governance topics covered by this standard, when the undertaking has assessed as non-material (See Appendix E flowchart for determining disclosures under ESRS). The information disclosed in accordance with <i>this standard</i> enables users of the sustainability statement to understand the undertaking’s material impacts on people and environment and the material effects of sustainability matters on the undertaking’s development, performance and position.</p>
<p>3. The objective of this Standard (ESRS 1) is to provide an understanding of the architecture of ESRS, the drafting conventions and fundamental concepts used, and the general requirements for preparing and presenting sustainability information in accordance with Directive 2013/34/EU, as amended by Directive (EU) 2022/2464.</p>	<p><del>3. The objective of this Standard (ESRS 1) is to provide an understanding of the architecture of ESRS, the drafting conventions and fundamental concepts used, and the general requirements for preparing and presenting sustainability information in accordance with Directive 2013/34/EU, as amended by Directive (EU) 2022/2464.</del></p>
	<p><b>Section 1: LSME General Requirements</b></p>
	<p>6. This section lays out the general requirements that undertakings shall comply with when preparing and presenting their individual sustainability statement under article 19a (6) and article 29c of the CSRD. This [draft] Standard establishes sustainability reporting requirements for small- and medium-sized undertakings that are proportionate and relevant to their capacities and characteristics and to the scale and complexity of their activities.</p>
<p><b>1. Categories of ESRS Standards, reporting areas and drafting conventions</b></p>	<p><b>1. Categories of disclosures</b></p>
	<p><b>1.1 Complying with [draft] LSME ESRS</b></p> <p>7. The undertaking shall disclose, in accordance with this [draft] Standard, all of its material information concerning negative impacts and risks in relation to environmental, social, and governance matters. This information shall enable the understanding of the undertaking’s negative impacts on those matters and of how they affect its development, performance and position.</p>
	<p>8. The undertaking may disclose (a) material information regarding its positive impacts in relation to environmental, social and governance matters and</p>

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	<i>(b) sustainability-related financial opportunities that generate or are likely to generate material financial effects in the short-, medium- or long-term.</i>
	<i>9. The undertaking shall present its individual sustainability statement containing material sustainability-related information as part of its management report (see chapter 8 Structure of sustainability statement).</i>
<b>1.1 Categories of ESRS standards</b>	<b>1.2 LSME ESRS structure and reporting areas</b>
<p>4. There are three categories of ESRS:</p> <p>a) cross-cutting standards;</p> <p>b) topical standards (Environmental, Social and Governance standards); and</p> <p>c) sector-specific standards.</p> <p>Cross-cutting standards and topical standards are sector-agnostic, meaning that they apply to all undertakings regardless of which sector or sectors the undertaking operates in.</p>	<p>10. This [Draft] ESRS is composed of the following sections:</p> <p>Section 1 General requirements;</p> <p>Section 2 General disclosures;</p> <p>Section 3 Policies, actions and targets</p> <p>Section 4 Environmental disclosures;</p> <p>Section 5 Social disclosures;</p> <p>Section 6 Business conduct disclosures.</p>
<p>5. The cross-cutting standards ESRS 1 General requirements and ESRS 2 General disclosures apply to the sustainability matters covered by topical standards and sector-specific standards.</p>	<p>11. Section 1 and Section 2 of this [draft] Standard are cross-cutting, whereas Section 3, Section 4, Section 5 and Section 6 are topical (environmental, social and business conduct disclosures, respectively) Both cross-cutting sections and topical standards sections are sector-agnostic, meaning that they apply to all undertakings regardless of which sector or sectors the undertaking operates in. The cross-cutting ESRS Section 1 (General requirements) ESRS Section 2 (General disclosures) and Section 3 (Policies, Actions and Targets) apply to the sustainability matters covered in the topical standards sections and sector-specific standards. Section 2 of this [draft] ESRS establishes information to be mandatorily provided by the undertaking at a general level, across all sustainability topics.</p>
<p>6. This standard (ESRS 1) describes the architecture of ESRS standards, explains drafting conventions and fundamental concepts, and sets out general requirements for preparing and presenting sustainability-related information.</p>	<p><del>6. This standard (ESRS 1) describes the architecture of ESRS standards, explains drafting conventions and fundamental concepts, and sets out general requirements for preparing and presenting sustainability-related information.</del></p>
<p>7. ESRS 2 establishes Disclosure Requirements on the information that the undertaking shall provide at a general level across all material sustainability matters on the reporting areas governance, strategy, impact, risk and opportunity management, and metrics and targets.</p>	<p><del>7. ESRS 2 establishes Disclosure Requirements on the information that the undertaking shall provide at a general level across all material sustainability matters on the reporting areas governance, strategy, impact, risk and opportunity management, and metrics and targets.</del></p>
<p>8. Topical ESRS cover a sustainability topic and are structured into topics and sub-topics, and where necessary sub-sub-topics. The table in Application Requirement 16 (AR 16) to this standard provides an overview of the sustainability topics, sub-topics and sub-sub-topics (collectively 'sustainability matters') covered by topical ESRS.</p>	<p>12. The topical sections of this [draft] ESRS cover sustainability topics. Topics are broken down into topics and sub-topics, and where necessary sub-sub-topics. Disclosure requirements are organized in accordance with this topical approach. The table found in Appendix A Application Requirements of this [draft] Standard, paragraph AR 15, provides offers an overview the list of sustainability topics, sub-topics and sub-sub-topics (collectively 'sustainability matters') covered in by [draft] topical sections ESRS.</p>
<p>9. Topical ESRS can include specific requirements that complement the general level Disclosure Requirements of ESRS 2. ESRS 2 Appendix C Disclosure/Application Requirements in topical</p>	<p><del>9. Topical ESRS can include specific requirements that complement the general level Disclosure Requirements of ESRS 2. ESRS 2 Appendix C Disclosure/Application Requirements in topical</del></p>

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<p>ESRS that are applicable jointly with ESRS 2 General Disclosures provides a list of the additional requirements in topical ESRS that the undertaking shall apply in conjunction with the general level disclosure requirements of ESRS 2.</p>	<p><del>ESRS that are applicable jointly with ESRS 2 General Disclosures provides a list of the additional requirements in topical ESRS that the undertaking shall apply in conjunction with the general level disclosure requirements of ESRS 2.</del></p>
<p>10. Sector-specific standards are applicable to all undertakings within a sector. They address impacts, risks and opportunities that are likely to be material for all undertakings in a specific sector and that are not covered, or not sufficiently covered, by topical standards. Sector-specific standards are multi-topical and cover the topics that are most relevant to the sector in question. Sector-specific standards achieve a high degree of comparability.</p>	<p><del>10. Sector-specific standards are applicable to all undertakings within a sector. They address impacts, risks and opportunities that are likely to be material for all undertakings in a specific sector and that are not covered, or not sufficiently covered, by topical standards. Sector-specific standards are multi-topical and cover the topics that are most relevant to the sector in question. Sector-specific standards achieve a high degree of comparability.</del></p>
<p>See below PAR 12.</p>	<p>13. The Disclosure Requirements in this [draft] ESRS cover the following reporting areas:                      (a) Governance (GOV): the governance processes, controls and procedures used to monitor and manage and oversee impacts and risks and opportunities (see <del>ESRS Section 2</del> of this [draft] ESRS, chapter 2 Governance);                      (b) Strategy (SBM): how the undertaking's strategy and business model interact with its material impacts and risks, and opportunities including how the undertaking addresses those impacts and risks and opportunities (see <del>ESRS Section 2</del> of this [draft] ESRS, chapter 3 Strategy);                      (c) Impact and risk and opportunities management (IR): the process(es) by which the undertaking:                      i. identifies impacts and risks and opportunities and assesses their materiality (see <del>ESRS Section 2</del> Disclosure Requirement 9 (IR-1));                      ii. manages material sustainability matters through policies and actions (see <del>ESRS Section 3</del> Disclosure Requirement 11 (IR-3)),                      iii. disclose information about targets if it has set them (see Section 3 Disclosure Requirement 12 (IR-4)),                      iv. engage with own workers, workers in the value chain, affected communities, consumers and end-users, and their representatives on such impacts, to the extent that it has stakeholder engagement in place (see Section 3 Disclosure Requirement 13 (IR-5)),                      v. remediate negative impacts and implements channels for own workers, workers in the value chain, affected communities, consumers and end-users to raise concerns, to the extent that it has remediation activities and channels in place (see Section 3 Disclosure Requirement 14 (IR-6));and                      (d) Metrics (M): how the undertaking measures its performance including the targets it has set and progress towards meeting them (see topical section 4, 5 and 6 of this [draft] ESRS).</p>
<p>11. In addition to the disclosure requirements laid down in the three categories of ESRS, when an undertaking concludes that an impact, risk or opportunity is not covered or not covered with sufficient granularity by an ESRS but is material due to its specific facts and circumstances, it shall provide additional entity-specific disclosures to enable users to understand the undertaking's sustainability-related impacts, risks or opportunities. Application requirements AR 1 to AR 5 provide further guidance regarding entity-specific disclosures.</p>	<p>14. In addition to the disclosure requirements laid down in the sections listed in paragraph 10 when an undertaking concludes that an impact or risk or opportunity is either not covered or not covered with sufficient granularity by a <del>ESRS section</del> of this standard but is material due to its specific facts and circumstances, it shall provide additional entity-specific disclosures to enable users to understand the undertaking's sustainability-related impacts and risks <del>or opportunities</del>. Application requirements AR 1 to AR 4 of this section provide further guidance regarding entity-specific disclosures.</p>

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<p><b>1.2 Reporting areas and minimum content disclosure requirements on policies, actions, targets and metrics</b></p>	
<p>12. The Disclosure Requirements in ESRS 2, in topical ESRS and in sector-specific ESRS are structured into the following reporting areas:</p> <p>(a) Governance (GOV): the governance processes, controls and procedures used to monitor, manage and oversee impacts, risks and opportunities (see ESRS 2, chapter 2 Governance);</p> <p>(b) Strategy (SBM): how the undertaking's strategy and business model interact with its material impacts, risks and opportunities, including how the undertaking addresses those impacts, risks and opportunities (see ESRS 2, chapter 3 Strategy);</p> <p>(c) Impact, risk and opportunity management (IRO): the process(es) by which the undertaking:</p> <ol style="list-style-type: none"> <li>i. identifies impacts, risks and opportunities and assesses their materiality (see IRO-1 in section 4.1 of ESRS 2),</li> <li>ii. manages material sustainability matters through policies and actions (see section 4.2 of ESRS 2).</li> </ol> <p>(d) Metrics and targets (MT): the undertaking's performance, including targets it has set and progress towards meeting them (see ESRS 2, chapter 5 Metrics and targets).</p>	<p>See paragraph 13 above</p>
<p>13. ESRS 2 includes:</p> <p>(a) in section 4.2 Minimum Disclosure Requirements regarding policies (MDR-P) and actions (MDR-A);</p> <p>(b) in section 5 Minimum Disclosure Requirements regarding metrics (MDR-M) and targets (MDR-T).</p> <p>The undertaking shall apply the minimum disclosure requirements regarding policies, actions, metrics and targets together with the corresponding Disclosure Requirements in topical and sector-specific ESRS.</p>	<p><del>13. ESRS 2 includes:</del></p> <p><del>(a) in section 4.2 Minimum Disclosure Requirements regarding policies (MDR-P) and actions (MDR-A);</del></p> <p><del>(b) in section 5 Minimum Disclosure Requirements regarding metrics (MDR-M) and targets (MDR-T).</del></p> <p><del>The undertaking shall apply the minimum disclosure requirements regarding policies, actions, metrics and targets together with the corresponding Disclosure Requirements in topical and sector-specific ESRS.</del></p>
<p><b>1.3 Drafting conventions</b></p>	<p><b>1.3 Drafting conventions</b></p>
<p>14. In all ESRS:</p> <p>(a) the term "impacts" refers to positive and negative sustainability-related impacts that are connected with the undertaking's business, as identified through an impact materiality assessment process (see section 3.4 Impact materiality). It refers both to actual impacts and to potential future impacts.</p> <p>(b) The term "risks and opportunities" refers to the undertaking's sustainability-related financial risks and opportunities, including those deriving from dependencies on natural, human and social resources, as identified through a financial materiality assessment process (see section 3.5).</p>	<p>15. In this ESRS:</p> <p>(a) the term "impacts" refers to <del>positive and negative</del> sustainability-related impacts that are connected with the undertaking's business, as identified through an impact materiality assessment process (see <i>chapter</i> 3.4 Impact materiality). It refers both to actual impacts and to potential future impacts. <i>In this [draft] ESRS the term "impacts" refers only to negative impacts, unless otherwise specified, as positive impacts are disclosed on a voluntary basis; and</i></p> <p>(b) the term "risks and opportunities" refers to the undertaking's sustainability-related financial risks <del>and opportunities</del>, including those deriving from dependencies on natural, human and social resources, as identified through a financial materiality assessment process (see <i>chapter</i> 3.5).</p>

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Collectively, these are referred to as “impacts, risks and opportunities” (IROs). They reflect the double materiality perspective of ESRS described in section 3.	Collectively, these are referred to as “impacts and risks <del>and opportunities</del> ” (IRs). They reflect the double materiality perspective of ESRS described in <i>chapter 3. The disclosure on material opportunities is on voluntary basis only, see Section 2 of this [draft] ESRS 41 to 43).</i>
15. Throughout ESRS terms that are defined in the glossary of definitions (Annex II) are put in bold italic, except when a defined term is used more than once in the same paragraph.	16. <i>In this [draft] Standard, Throughout ESRS,</i> terms that are defined in the glossary of definitions (Annex II) are put in bold italic, except when a defined term is used more than once in the same paragraph.
16. ESRS structure the information to be disclosed under Disclosure Requirements. Each Disclosure Requirement consists of one or more distinct datapoints. The term “datapoint” can also refer to a narrative sub-element of a Disclosure Requirement.	17. <i>The</i> ESRS structure the information <i>that is</i> to be disclosed under Disclosure Requirements. Each Disclosure Requirement consists of one or more distinct datapoints. The term “datapoint” can also refer to a narrative sub-element of a disclosure requirement.
17. In addition to Disclosure Requirements most ESRS also contain Application Requirements. Application Requirements support the application of Disclosure Requirements and have the same authority as other parts of an ESRS.	18. In addition to Disclosure Requirements most <del>ESRS Sections</del> also contain Application Requirements. Application Requirements support the application of Disclosure Requirements and have the same authority as <i>the other parts of this [draft] ESRS.</i>
18. ESRS use the following terms to distinguish between different degrees of obligation on the undertaking to disclose information:  (a) “shall disclose” – indicates that the provision is prescribed by a Disclosure Requirement or datapoint; (b) “may disclose” – indicates voluntary disclosure to encourage good practice.  In addition, ESRS use the term “shall consider” when referring to issues, resources or methodologies that the undertaking is expected to take into account or to use in the preparation of a given disclosure if applicable.	19. <i>This [draft] ESRS</i> uses the following terms to distinguish between different degrees of obligation on the undertaking to disclose information: (a) “shall disclose” – indicates that the provision is prescribed by a Disclosure Requirement or datapoint; (b) “may disclose” – indicates voluntary disclosure to encourage good practice.  In addition, this [draft] ESRS uses the term “shall consider” when referring to issues, resources or methodologies that the undertaking is expected to take into account or to use in the preparation of a given disclosure if applicable.
<b>2. Qualitative characteristics of information</b>	<b>2. Qualitative characteristics of information</b>
19. When preparing its sustainability statement, the undertaking shall apply: (a) the fundamental qualitative characteristics of information, i.e. relevance and faithful representation; and (b) the enhancing qualitative characteristics of information, i.e. comparability, verifiability and understandability.	20. When preparing its sustainability statement, the undertaking shall apply: (a) the fundamental qualitative characteristics of information, i.e., relevance and faithful representation; and (b) the enhancing qualitative characteristics of information, i.e., comparability, verifiability and understandability.
20. These qualitative characteristics of information are defined and described in Appendix B of this Standard.	21. These qualitative characteristics of information are defined and described in Appendix B of this Section of this [draft] ESRS.
<b>3. Double materiality as the basis for sustainability disclosures</b>	<b>3. Double materiality as the basis for sustainability disclosures</b>
21. The undertaking shall report on sustainability matters based on the double materiality principle as defined and explained in this chapter.	22. The undertaking shall report on sustainability matters based on the double materiality principle as defined and explained in this chapter.
<b>3.1 Stakeholders and their relevance to the materiality assessment process</b>	<b>3.1 Stakeholders and their relevance to the materiality assessment process</b>
22. Stakeholders are those who can affect or be affected by the undertaking. There are two main groups of stakeholders: (a) 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	23. Stakeholders are those who can affect or <i>can</i> be affected by the undertaking. There are two main groups of stakeholders: (a) affected stakeholders: individuals or groups <i>of individuals</i> whose interests are affected or could be affected – <i>whether</i> positively or negatively – by the undertaking’s activities and its direct and indirect business relationships across its value chain; and



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(b) 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 undertaking's business partners, trade unions and social partners, civil society and non-governmental organizations, governments, analysts and academics.	(b) 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), <i>as well as</i> and other users of sustainability statements, including the undertaking's business partners, trade unions and social partners, civil society and non-governmental organisations, governments, analysts and academics.
23. Some, but not all, stakeholders may belong to both groups referred to in paragraph 22.	24. Some, but not all, stakeholders may belong to both groups defined in paragraph 23.
24. Engagement with affected stakeholders is central to the undertaking's on-going due diligence process (see chapter 4 Due diligence) and sustainability materiality assessment. This includes its processes to identify and assess actual and potential negative impacts, which then inform the assessment process to identify the material impacts for the purposes of sustainability reporting (see section 3.4 of this Standard).	25. <del>Engagement with affected stakeholders is central to the undertaking's on-going due diligence process (see chapter 4 Due diligence) and sustainability materiality assessment.</del> To the extent that an undertaking engages with affected stakeholders, engagement with them supports the undertaking's sustainability materiality assessment. This includes its processes to identify and assess actual and potential negative impacts, which then inform the assessment process <i>for the identification of</i> to identify the material impacts for the purposes of sustainability reporting (see <i>chapter</i> 3.4 of this <del>Standard</del> Section).
<b>3.2 Material matters and materiality of information</b>	<b>3.2 Material matters and materiality of information</b>
25. Performing a materiality assessment (see sections 3.4 Impact materiality and 3.5 Financial materiality) is necessary for the undertaking to identify the material impacts, risks and opportunities to be reported.	26. Performing a materiality assessment (see chapters 3.4 and 3.5 of this Section) is necessary for the undertaking to identify the material impacts and risks <del>and opportunities that are</del> to be reported. <i>If an undertaking reports on its material positive impacts and/or opportunities on a voluntary basis, these are also covered by the materiality assessment.</i>
26. Materiality assessment is the starting point for sustainability reporting under ESRS. IRO-1 in section 4.1 of ESRS 2, includes general disclosure requirements about the undertaking's process to identify impacts, risks and opportunities and assess their materiality. SBM-3 of ESRS 2 provides general disclosure requirements on the material impacts, risks and opportunities resulting from the undertaking's materiality assessment.	27. <i>The</i> materiality assessment is the starting point for sustainability reporting under this <i>[draft]</i> ESRS. <i>Disclosure Requirement 9 (IR-1) in</i> <del>ESRS Section 2</del> of this <i>[draft]</i> ESRS includes general disclosure requirements <del>about</del> on the undertaking's process to identify impacts and risks <del>and opportunities</del> and assess their materiality. <i>Disclosure Requirement 7 (SMB-3) of</i> <del>ESRS Section 2</del> provides general disclosures requirements on the material impacts and risks <del>and opportunities</del> resulting from the undertaking's materiality assessment.
27. The Application Requirements in Appendix A of this Standard include a list of sustainability matters covered in topical ESRS, categorized by topics, sub-topics and sub-sub-topics, to support the materiality assessment. Appendix E Flowchart for determining disclosures to be included of this Standard provides an illustration of the materiality assessment described in this section.	28. The Application Requirements <i>laid out</i> in Appendix A of this <del>Standard</del> <i>Section</i> , paragraph AR 18, include <del>a</del> <i>the</i> list of sustainability matters covered in topical <i>sections of this [draft]</i> ESRS. <i>They are broken down</i> categorized by topics, sub-topics and sub-sub-topics, to support the materiality assessment. Appendix E Flowchart for determining disclosures to be included of this <i>[draft]</i> Standard provides an <del>illustration</del> <i>illustrative example</i> of the materiality assessment process described in this section.
28. A sustainability matter is "material" when it meets the criteria defined for impact materiality (see section 3.4 of this Standard) or financial materiality (see section 3.5 of this Standard), or both.	29. A sustainability matter is "material" <del>if when</del> it meets the criteria defined for impact materiality (see section 3.4 of this <del>Standard</del> <i>Section</i> ) or financial materiality (see section 3.5 of this <del>Standard</del> <i>Section</i> ) or both.
29. Irrespective of the outcome of its materiality assessment, the undertaking shall always disclose the information required by: ESRS 2 General Disclosures (i.e. all the Disclosure Requirements and data points specified in ESRS 2) and the Disclosure Requirements (including their datapoints) in topical ESRS related to the Disclosure Requirement IRO-1 Description of the process to identify and assess material impacts, risks and opportunities, as listed in ESRS 2 Appendix C Disclosure/Application Requirements in topical ESRS that are applicable jointly with ESRS 2 General Disclosures.	30. Irrespective of the outcome of the materiality assessment, <i>as stated also in paragraph 11 of this section</i> , the undertaking shall always disclose the information required by Section 2 of this <i>[draft]</i> ESRS (i.e., all Disclosure Requirements and data points). <del>Description of the process to identify and assess material impacts, risks and opportunities, as listed in ESRS 2 Appendix C Disclosure/Application Requirements in topical ESRS that are applicable jointly with ESRS 2 General Disclosures.</del>

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<p>30. When the undertaking concludes that a sustainability matter is material as a result of its materiality assessment, on which ESRS 2 IRO-1, IRO-2 and SBM-3 set disclosure requirements, it shall:</p> <p>(a) disclose information according to the Disclosure Requirements (including Application Requirements) related to that specific sustainability matter in the corresponding topical and sector-specific ESRS; and</p> <p>(b) disclose additional entity-specific disclosures (see paragraph 11 and AR 1 to AR 5 of this Standard) when the material sustainability matter is not covered by an ESRS or is covered with insufficient granularity.</p>	<p>31. <del>If, as a result of its materiality assessment</del> When the undertaking concludes that a sustainability matter is material <del>as a result of its materiality assessment, on which ESRS 2 IRO-1, IRO-2 and SBM-3 set disclosure requirements,</del> it shall:</p> <p>(a) disclose information according to the Disclosure Requirements (including Application Requirements) related to that specific sustainability matter in the <del>corresponding topical and sector-specific ESRS</del> relevant sections of this [draft] ESRS; and</p> <p>(b) disclose additional appropriate entity-specific disclosures (see paragraph 15 and AR 1 to AR 4 of this <del>Standard</del> Section) whenever the material sustainability matter is <i>either</i> not covered by this [draft] ESRS or is covered with insufficient granularity.</p>
<p>31. The applicable information prescribed within a Disclosure Requirement, including its datapoints, or an entity-specific disclosure, shall be disclosed when the undertaking assesses, as part of its assessment of material information, that the information is relevant from one or more of the following perspectives:</p> <p>(a) the significance of the information in relation to the matter it purports to depict or explain; or</p> <p>(b) the capacity of such information to meet the users' decision-making needs, including the needs of primary users of general-purpose financial reporting described in paragraph 48 and/or the needs of users whose principal interest is in information about the undertaking's impacts.</p>	<p>32. <del>The</del> Applicable information prescribed within a Disclosure Requirement, including its datapoints, or <i>within</i> an entity-specific disclosure, shall be disclosed when the undertaking <del>determines</del> <i>assesses</i>, as part of its assessment of material information, that <del>the</del> <i>such</i> information is relevant from <i>at least</i> one or more of the following perspectives:</p> <p>(a) the significance of the information in relation to the matter it purports to depict or explain; or</p> <p>(b) the capacity of such information to meet the users' decision-making needs, including the needs of primary users of general-purpose financial reporting described in paragraph 50 and/or the needs of users whose principal interest <del>is</del> <i>lies</i> in information about the undertaking's impacts.</p>
<p>32. If the undertaking concludes that climate change is not material and therefore omits all disclosure requirements in ESRS E1 Climate change, it shall disclose a detailed explanation of the conclusions of its materiality assessment with regard to climate change (see ESRS 2 IRO-2 Disclosure Requirements in ESRS covered by the undertaking's sustainability statement), including a forward-looking analysis of the conditions that could lead the undertaking to conclude that climate change is material in the future. If the undertaking concludes that a topic other than climate change is not material and therefore it omits all the Disclosure Requirements in the corresponding topical ESRS, it may briefly explain the conclusions of its materiality assessment for that topic.</p>	<p>33. If the undertaking concludes that climate change is not material and therefore omits all disclosure requirements related to <del>ESRS</del> E1 Climate change, it shall disclose a detailed explanation of the conclusions of its materiality assessment with regard to climate change (see Section 2 Disclosure Requirement 10 (IR-2) Disclosure Requirements in ESRS covered by the undertaking's sustainability statement). <i>This explanation shall include</i> a forward-looking analysis of the conditions that could lead the undertaking to conclude that climate change is material in the future.</p>
	<p>34. <i>If the undertaking concludes that a topic other than climate change is not material and therefore omits all the corresponding Disclosure Requirements in Section 3 or in the topical Sections of this [draft] ESRS, it may briefly explain the conclusions of its materiality assessment for that topic.</i></p>
<p>33. When disclosing information on policies, actions and targets in relation to a sustainability matter that has been assessed to be material, the undertaking shall include the information prescribed by all the Disclosure Requirements and datapoints in the topical and sector-specific ESRS related to that matter and in the corresponding Minimum Disclosure Requirement on policies, actions, and targets required under ESRS 2. If the undertaking cannot disclose the information prescribed by either the Disclosure Requirements and datapoints in the topical or sector-specific ESRS, or the Minimum Disclosure Requirements in ESRS 2 on policies, actions and targets, because it has not adopted the respective policies, implemented the respective</p>	<p>35. When reporting on policies, actions and targets in relation to a sustainability matter that has been assessed to be material, the undertaking shall <del>include the information prescribed by all the Disclosure Requirements and datapoints in the topical and sector-specific ESRS related to that matter and in the corresponding Minimum Disclosure Requirement on policies, actions, and targets required under ESRS 2.</del> If the undertaking cannot disclose the information prescribed by <del>either the Disclosure Requirements and datapoints in the topical or sector-specific ESRS, or the Minimum Disclosure Requirements in ESRS 2 on policies, actions and targets, because it has not adopted the respective policies, implemented the respective actions or set the respective targets,</del> it shall disclose <del>this to be the case and it may report a timeframe in which it aims to</del></p>

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actions or set the respective targets, it shall disclose this to be the case and it may report a timeframe in which it aims to have these in place.	<del>have these in place.</del> <i>apply the requirements outlined in Section 3 of this [draft] ESRS (see Disclosure Requirement 11 (IR-3) – Policies and actions in relation to sustainability matters, Disclosure Requirement 12 (IR-4) – Targets in relation to sustainability matters).</i>
34. When disclosing information on metrics for a material sustainability matter according to the Metrics and Targets section of the relevant topical ESRS, the undertaking: (a) shall include the information prescribed by a Disclosure Requirement if it assesses such information to be material; and  (b) may omit the information prescribed by a datapoint of a Disclosure Requirement if it assesses such information to be not material and concludes that such information is not needed to meet the objective of the Disclosure Requirement.	36. When disclosing information on metrics for a material sustainability matter <del>according to the Metrics and Targets section of the relevant topical ESRS,</del> <i>the undertaking shall apply the requirements stipulated in Sections 4, 5 and 6 of this [draft] ESRS and it:</i> (a) shall include the information prescribed by a Disclosure Requirement if it assesses such information to be material; and (b) may omit the information prescribed by a datapoint of a Disclosure Requirement if it assesses such information to be not material and concludes that such information is not needed <i>in order</i> to meet the objective of the Disclosure Requirement <i>in question</i> .
35. If the undertaking omits the information prescribed by a datapoint that derives from other EU legislation listed in Appendix B of ESRS 2, it shall explicitly state that the information in question is “not material”.	37. If the undertaking omits the information prescribed by a datapoint <del>that derives</del> <i>derived</i> from other EU legislation listed in Appendix B <i>of Section 2 of this [draft] ESRS,</i> it shall explicitly state that the information in question is “not material”.
36. The undertaking shall establish how it applies criteria, including appropriate thresholds, to determine:  (a) the information it discloses on metrics for a material sustainability matter according to the Metrics and Targets section of the relevant topical ESRS, in accordance with paragraph 34; and  (b) the information to be disclosed as entity-specific disclosures.	38. The undertaking shall establish how it applies <i>qualitative or quantitative</i> criteria, including appropriate thresholds, to determine: (a) the information <del>that is to be disclosed</del> <i>it discloses</i> on metrics for a material sustainability matter <del>according to the Metrics and Targets section of the relevant topical ESRS, in accordance with paragraph 34;</del> and (b) the information <i>that is</i> to be disclosed as entity-specific disclosures.
<b>3.3 Double materiality</b>	<b>3.3 Double materiality</b>
37. Double materiality has two dimensions, namely: impact materiality and financial materiality. Unless specified otherwise, the terms “material” and “materiality” are used throughout ESRS to refer to double materiality.	39. Double materiality has two dimensions, namely: impact materiality and financial materiality. Unless <i>otherwise</i> specified, the terms “material” and “materiality” <del>are</del> used throughout this [draft] ESRS <del>to</del> refer to double materiality.
38. Impact materiality and financial materiality assessments are inter-related and the interdependencies between these two dimensions shall be considered. In general, the starting point is the assessment of impacts, although there may also be material risks and opportunities that are not related to the undertaking’s impacts. A sustainability impact may be financially material from inception or become financially material, when it could reasonably be expected to affect the undertaking’s financial position, financial performance, cash flows, its access to finance or cost of capital over the short-, medium- or long-term. Impacts are captured by the impact materiality perspective irrespective of whether or not they are financially material.	40. Impact materiality and financial materiality assessments are interrelated and the interdependencies between these two dimensions shall be considered. In general, the starting point is the assessment of impacts, although there may also be material risks (and opportunities) that are not related to the undertaking’s impacts. A sustainability impact may be financially material from inception or become financially material when it could reasonably be expected to affect the undertaking’s financial position, financial performance, cash flows, its access to finance or <i>the</i> cost of capital over the short-, medium-or long-term. Impacts are captured by the impact materiality perspective <i>regardless</i> <del>irrespective</del> of whether or not they are financially material.
39. In identifying and assessing the impacts, risks and opportunities in the undertaking's value chain to determine their materiality, the undertaking shall focus on areas where impacts, risks and opportunities are deemed likely to arise, based on the nature of the activities, business relationships, geographies or other factors concerned.	41. <del>When</del> <i>in</i> identifying and assessing the impacts and risks and opportunities in the undertaking's value chain <i>in order</i> to determine their materiality, the undertaking shall focus on areas where <del>impacts, risks and opportunities</del> <i>they</i> are deemed likely to arise, based on the nature of the activities, business relationships, geographies or other <i>relevant risk</i> factors <del>concerned</del> .

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40. The undertaking shall consider how it is affected by its dependencies on the availability of natural, human and social resources at appropriate prices and quality, irrespective of its potential impacts on those resources.	42. The undertaking shall consider how it is affected by its dependencies (if any) on the availability of natural <del>human</del> and social resources at appropriate prices and quality independently of its potential impacts on those resources.
41. An undertaking's principal impacts, risks and opportunities are understood to be the same as the material impacts, risks and opportunities identified under the double materiality principle and therefore reported on in its sustainability statement.	43. An undertaking's principal impacts and risks <del>and opportunities</del> are understood to be the same as the material impacts and risks <del>and opportunities</del> identified <del>with</del> under the double materiality principle and therefore reported in its sustainability statement.
42. The undertaking shall apply the criteria set under sections 3.4 and 3.5 in this Standard, using appropriate quantitative and/or qualitative thresholds. Appropriate thresholds are necessary to determine which impacts, risks and opportunities are identified and addressed by the undertaking as material and to determine which sustainability matters are material for reporting purposes. Some existing standards and frameworks use the term "most significant impacts" when referring to the threshold used to identify the impacts that are described in ESRS as "material impacts."	44. The undertaking shall apply the criteria set under chapters 3.4 and 3.5 <del>in this Standard</del> <i>in this section of this [draft] ESRS</i> using appropriate quantitative and/or qualitative thresholds. Appropriate thresholds are necessary to determine which impacts and risks <del>and opportunities</del> are identified <i>as material</i> and addressed by the undertaking <del>as material</del> and to determine which sustainability matters are material for reporting purposes. Some existing standards and frameworks use the term "most significant impacts" when referring to the threshold used to identify the impacts <del>that are</del> described in <i>this [draft] ESRS</i> as "material impacts."
<b>3.4 Impact materiality</b>	<b>3.4 Impact materiality</b>
43. 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. Impacts include those connected with the undertaking's own operations and upstream and downstream value chain, including through its products and services, as well as through its business relationships. Business relationships include those in the undertaking's upstream and downstream value chain and are not limited to direct contractual relationships.	45. A sustainability matter is material from an impact perspective when it pertains to the undertaking's material actual or potential, <del>positive or negative</del> impacts on people or the environment over the short-, medium- or long-term <i>time</i> . Impacts include those connected with the undertaking's own operations and <i>to its</i> upstream and downstream value chain, including through its products and services, as well as through its business relationships. Business relationships include those in the undertaking's upstream and downstream value chain and are not limited to direct contractual relationships.
44. In this context, impacts on people or the environment include impacts in relation to environmental, social and governance matters.	46. In <i>the context of this [draft] ESRS</i> , impacts on people or the environment include impacts in relation to environmental, social and governance matters.
	47. <i>To the extent that the undertaking adopts contents of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises in its impact management processes, its impact materiality assessment is informed by the due diligence process. Due diligence is the process by which undertakings identify, prevent, mitigate and account for how they address the actual and potential impacts on the environment and people connected with their business.</i>
45. The materiality assessment of a negative impact is informed by the due diligence process defined in the international instruments of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. For actual negative impacts, materiality is based on the severity of the impact, while for potential negative impacts it is based on the severity and likelihood of the impact. Severity is based on the following factors: (a) the scale; (b) scope; and (c) irremediable character of the impact. In the case of a potential negative human rights impact, the severity of the impact takes precedence over its likelihood.	48. <del>The materiality assessment of a negative impact is informed by the due diligence process defined in the international instruments of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.</del> For actual negative impacts, materiality is based on the severity of the impact, <del>while</del> <i>whereas</i> for potential negative impacts it is based on the severity and likelihood of the impact. Severity is based on: (a) the scale; (b) scope; and (c) irremediable character of the impact. In <del>the</del> case of a potential negative human rights impact, the severity of the impact takes precedence over its likelihood.
46. For positive impacts, materiality is based on: (a) the scale and scope of the impact for actual impacts; and (b) the scale, scope and likelihood of the impact for potential impacts.	46. <del>For positive impacts, materiality is based on:</del> <del>(a) the scale and scope of the impact for actual impacts; and</del> <del>(b) the scale, scope and likelihood of the impact for potential impacts.</del>

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<b>3.5 Financial materiality</b>	<b>3.5 Financial materiality</b>
47. 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.	49. The scope of financial materiality for sustainability reporting <i>results from the</i> <del>is an</del> expansion of the scope of materiality used <del>in the process of</del> <i>for</i> determining which information should be included in the undertaking's financial statements.
48. The financial materiality assessment corresponds to the identification of information that is considered material for primary users of general-purpose financial reports in making decisions relating to providing resources to the entity. In particular, information is considered material for primary users of general-purpose financial reports 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 statement.	50. The financial materiality assessment corresponds to the identification of information that is considered material for primary users of general-purpose financial <del>reports</del> <i>reporting</i> in making decisions relating to providing resources to the entity. In particular, information is considered material for primary users of general-purpose financial <del>reports</del> 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 statement.
49. A sustainability matter is material from a financial perspective if it triggers or could reasonably be expected to trigger material financial effects on the undertaking. This is the case when a sustainability matter generates risks or opportunities that have a material influence, or could reasonably be expected to have a material influence, on the undertaking's development, financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium- or long-term. Risks and opportunities may derive from past events or future events. The financial materiality of a sustainability matter is not constrained to matters that are within the control of the undertaking but includes information on material risks and opportunities attributable to business relationships beyond the scope of consolidation used in the preparation of financial statements.	51. A sustainability matter is material from a financial perspective if it triggers or could reasonably be expected to trigger material financial effects on the undertaking. This is the case when a sustainability matter generates <i>or may</i> generate risks <del>or opportunities</del> that have a material influence, or could reasonably be expected to have a material influence, on the undertaking's development, financial position, financial performance, cash flows, access to finance <i>or the</i> cost of capital over the short-, medium- or long-term. Risks <del>and opportunities</del> may derive from past events or future events <i>and may derive from dependencies on natural, human and social resources</i> . <del>The financial materiality of a sustainability matter is not constrained to matters that are within the control of the undertaking but includes information on material risks and opportunities attributable to business relationships beyond the scope of consolidation used in the preparation of financial statements.</del>
	52. The financial materiality of a sustainability matter is not constrained to matters that are within the control of the undertaking but includes information on material risks <del>and opportunities</del> attributable to business relationships <i>with other undertakings, including its subsidiaries, or stakeholders</i> beyond the scope of financial control.
50. Dependencies on natural, human and social resources can be sources of financial risks or opportunities. Dependencies may trigger effects in two possible ways: (a) they may influence the undertaking's ability to continue to use or obtain the resources needed in its business processes, as well as the quality and pricing of those resources; and (b) they may affect the undertaking's ability to rely on relationships needed in its business processes on acceptable terms.	53. Dependencies on natural, <del>human</del> and social resources can <i>constitute</i> be sources of financial risks <del>or opportunities</del> . Dependencies may trigger effects in two possible ways: (a) they may influence the undertaking's ability to continue to use or obtain the resources needed in its business processes, as well as the quality and pricing of those resources; and (b) they may affect the undertaking's ability to rely on relationships needed in its business processes on acceptable terms.
51. The materiality of risks and opportunities is assessed based on a combination of the likelihood of occurrence and the potential magnitude of the financial effects.	54. The materiality of risks <del>and opportunities</del> is assessed based on a combination of the likelihood of occurrence and the potential magnitude of the financial effects.
<b>3.6 Material impacts or risks arising from actions to address sustainability matters</b>	<b>3.6 Material impacts or risks arising from actions to address sustainability matters</b>
52. The undertaking's materiality assessment may lead to the identification of situations in which its actions to address certain impacts or risks, or to benefit from certain opportunities in relation to a sustainability matter, might have material negative impacts or cause material risks in relation to one or more other sustainability matters. For example: (a) an action plan to decarbonise production that involves abandoning certain products might have material negative impacts on the undertaking's own workforce and result in material risks due to redundancy payments; or	55. The undertaking's materiality assessment <i>process</i> may lead to the identification of situations in which its actions <del>to address</del> <i>addressing</i> certain impacts or risks <del>or to benefit from certain opportunities</del> in relation to a sustainability matter might have material negative impacts, or cause material risks, in relation to one or several other sustainability matters. <del>For Example of such actions include:</del> (a) an action plan to decarbonise production <del>that involves abandoning</del> <i>involving the abandonment of</i> certain products, <i>which</i> might have material negative impacts on the undertaking's own workforce and result in material risks due to redundancy payments; or

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<p>(b) an action plan of an automotive supplier to focus on the supply of e-vehicles might lead to stranded assets for the production of supply parts for conventional vehicles.</p>	<p>(b) an action plan of an automotive supplier <del>focusing to focus</del> on the supply of <i>electric</i> vehicles, <i>which</i> might lead to stranded assets <del>for</del> in the production of supply parts for conventional vehicles.</p>
<p>53. In such situations, the undertaking shall:                      (a) disclose the existence of material negative impacts or material risks together with the actions that generate them, with a cross-reference to the topic to which the impacts or risks relate; and                      (b) provide a description of how the material negative impacts or material risks are addressed under the topic to which they relate.</p>	<p>56. In such situations, the undertaking shall:                      (a) <del>disclose</del> <i>mention</i> the existence of material negative impacts or material risks together with the actions that generate them, with a cross-reference to the topic to which the impacts or risks relate; and                      (b) provide a description of how the material negative impacts or material risks are addressed under the topic to which they relate.</p>
<p><b>3.7 Level of disaggregation</b></p>	<p><b>3.7 Level of disaggregation</b></p>
<p>54. When needed for a proper understanding of its material impacts, risks and opportunities, the undertaking shall disaggregate the reported information:                      (a) by country, when there are significant variations of material impacts, risks and opportunities across countries and when presenting the information at a higher level of aggregation would obscure material information about impacts, risks or opportunities; or                      (b) by significant site or by significant asset, when material impacts, risks and opportunities are highly dependent on a specific location or asset.</p>	<p>57. When needed <del>to have for</del> a proper understanding of its material impacts and risks and <del>opportunities</del>, the undertaking shall disaggregate the reported information <i>in a way that reflects the appropriate level at which significant variations of material impacts and/or risks materialise, such as in specific countries and/or specific sites.</i>  <del>(a) by country, when there are significant variations of material impacts, risks and opportunities across countries and when presenting the information at a higher level of aggregation would obscure material information about impacts, risks or opportunities; or</del>  <del>(b) by significant site or by significant asset, when material impacts, risks and opportunities are highly dependent on a specific location or asset.</del></p>
<p>55. When defining the appropriate level of disaggregation for reporting, the undertaking shall consider the disaggregation adopted in its materiality assessment. Depending on the undertaking's specific facts and circumstances, a disaggregation by subsidiary may be necessary.</p>	<p><del>55. When defining the appropriate level of disaggregation for reporting, the undertaking shall consider the disaggregation adopted in its materiality assessment. Depending on the undertaking's specific facts and circumstances, a disaggregation by subsidiary may be necessary.</del></p>
<p>56. Where data from different levels, or multiple locations within a level, is aggregated, the undertaking shall ensure that this aggregation does not obscure the specificity and context necessary to interpret the information. The undertaking shall not aggregate material items that differ in nature.</p>	<p><del>56. Where data from different levels, or multiple locations within a level, is aggregated, the undertaking shall ensure that this aggregation does not obscure the specificity and context necessary to interpret the information. The undertaking shall not aggregate material items that differ in nature.</del></p>
<p>57. When the undertaking presents information disaggregated by sectors, it shall adopt the ESRS sector classification to be specified in a delegated act adopted by the Commission pursuant to article 29b(1) third subparagraph, point (ii), of Directive 2013/34/EU. When a topical or sector specific ESRS requires that a specific level of disaggregation is adopted in preparing a specific item of information, the requirement in the topical or sector-specific ESRS shall prevail.</p>	<p><del>57. When the undertaking presents information disaggregated by sectors, it shall adopt the ESRS sector classification to be specified in a delegated act adopted by the Commission pursuant to article 29b(1) third subparagraph, point (ii), of Directive 2013/34/EU. When a topical or sector specific ESRS requires that a specific level of disaggregation is adopted in preparing a specific item of information, the requirement in the topical or sector-specific ESRS shall prevail.</del></p>
<p><b>4. Due diligence</b></p>	<p><b>4. Due diligence</b></p>
<p>58. The outcome of the undertaking's sustainability due diligence process (referred to as "due diligence" in the international instruments mentioned below) informs the undertaking's assessment of its material impacts, risks and opportunities. ESRS do not impose any conduct requirements in relation to due diligence; nor do they extend or modify the role of the administrative, management or supervisory bodies of the undertaking with regard to the conduct of due diligence.</p>	<p><del>58. The outcome of the undertaking's sustainability due diligence process (referred to as "due diligence" in the international instruments mentioned below) informs the undertaking's assessment of its material impacts, risks and opportunities. ESRS do not impose any conduct requirements in relation to due diligence; nor do they extend or modify the role of the administrative, management or supervisory bodies of the undertaking with regard to the conduct of due diligence.</del></p>
<p>59. Due diligence is the process by which undertakings identify, prevent, mitigate and account for how they address the actual and potential negative impacts on the environment and people</p>	<p><del>59. Due diligence is the process by which undertakings identify, prevent, mitigate and account for how they address the actual and potential negative impacts on the environment and people</del></p>

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<p>connected with their business. These include negative impacts connected with the undertaking's own operations and its upstream and downstream value chain, including through its products or services, as well as through its business relationships. Due diligence is an on-going practice that responds to and may trigger changes in the undertaking's strategy, business model, activities, business relationships, operating, sourcing and selling contexts. This process is described in the international instruments of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.</p>	<p><del>connected with their business. These include negative impacts connected with the undertaking's own operations and its upstream and downstream value chain, including through its products or services, as well as through its business relationships. Due diligence is an on-going practice that responds to and may trigger changes in the undertaking's strategy, business model, activities, business relationships, operating, sourcing and selling contexts. This process is described in the international instruments of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.</del></p>
<p>60. These international instruments identify a number of steps in the due diligence process, including the identification and assessment of negative impacts connected with the undertaking's own operations and its upstream and downstream value chain, including through its products or services, as well as through its business relationships. Where the undertaking cannot address all impacts at once, the due diligence process allows for action to be prioritized based on the severity and likelihood of the impacts. It is this aspect of the due diligence process that informs the assessment of material impacts (see section 3.4 of this Standard). The identification of material impacts also supports the identification of material sustainability risks and opportunities, which are often a product of such impacts.</p>	<p><del>60. These international instruments identify a number of steps in the due diligence process, including the identification and assessment of negative impacts connected with the undertaking's own operations and its upstream and downstream value chain, including through its products or services, as well as through its business relationships. Where the undertaking cannot address all impacts at once, the due diligence process allows for action to be prioritized based on the severity and likelihood of the impacts. It is this aspect of the due diligence process that informs the assessment of material impacts (see section 3.4 of this Standard). The identification of material impacts also supports the identification of material sustainability risks and opportunities, which are often a product of such impacts.</del></p>
<p>61. The core elements of due diligence are reflected directly in Disclosure Requirements set out in ESRS 2 and in the topical ESRS, as illustrated below:</p> <p>(a) embedding due diligence in governance, strategy and business model . This is addressed under:</p> <ul style="list-style-type: none"> <li>i. ESRS 2 GOV-2: Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies;</li> <li>ii. ESRS 2 GOV-3: Integration of sustainability-related performance in incentive schemes; and</li> <li>iii. ESRS 2 SBM-3: Material impacts, risks and opportunities and their interaction with strategy and business model.</li> </ul> <p>(b) engaging with affected stakeholders . This is addressed under:</p> <ul style="list-style-type: none"> <li>i. ESRS 2 GOV-2;</li> <li>ii. ESRS 2 SBM-2: Interests and views of stakeholders;</li> <li>iii. ESRS 2 IRO-1;</li> <li>iv. ESRS 2 MDR-P; and</li> <li>v. Topical ESRS: reflecting the different stages and purposes of stakeholder engagement throughout the due diligence process.</li> </ul> <p>(c) identifying and assessing negative impacts on people and the environment . This is addressed under:</p> <ul style="list-style-type: none"> <li>i. ESRS 2 IRO-1 (including Application Requirements related to specific sustainability matters in the relevant ESRS); and</li> <li>ii. ESRS 2 SBM-3;</li> </ul> <p>(d) taking action to address negative impacts on people and the environment . This is addressed under:</p>	<p><del>61. The core elements of due diligence are reflected directly in Disclosure Requirements set out in ESRS 2 and in the topical ESRS, as illustrated below:</del></p> <p><del>(a) embedding due diligence in governance, strategy and business model . This is addressed under:</del></p> <ul style="list-style-type: none"> <li><del>i. ESRS 2 GOV-2: Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies;</del></li> <li><del>ii. ESRS 2 GOV-3: Integration of sustainability-related performance in incentive schemes; and</del></li> <li><del>iii. ESRS 2 SBM-3: Material impacts, risks and opportunities and their interaction with strategy and business model.</del></li> </ul> <p><del>(b) engaging with affected stakeholders . This is addressed under:</del></p> <ul style="list-style-type: none"> <li><del>i. ESRS 2 GOV-2;</del></li> <li><del>ii. ESRS 2 SBM-2: Interests and views of stakeholders;</del></li> <li><del>iii. ESRS 2 IRO-1;</del></li> <li><del>iv. ESRS 2 MDR-P; and</del></li> <li><del>v. Topical ESRS: reflecting the different stages and purposes of stakeholder engagement throughout the due diligence process.</del></li> </ul> <p><del>(c) identifying and assessing negative impacts on people and the environment . This is addressed under:</del></p> <ul style="list-style-type: none"> <li><del>i. ESRS 2 IRO-1 (including Application Requirements related to specific sustainability matters in the relevant ESRS); and</del></li> <li><del>ii. ESRS 2 SBM-3;</del></li> </ul> <p><del>(d) taking action to address negative impacts on people and the environment . This is addressed under:</del></p>

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<p>i. ESRS 2 MDR-A; and ii. Topical ESRS: reflecting the range of actions, including transition plans, through which impacts are addressed.</p> <p>(e) tracking the effectiveness of these efforts . This is addressed under: i. ESRS 2 MDR-M; ii. ESRS 2 MDR-T; and iii. Topical ESRS: regarding metrics and targets.</p>	<p><del>i. ESRS 2 MDR-A; and ii. Topical ESRS: reflecting the range of actions, including transition plans, through which impacts are addressed.</del></p> <p><del>(e) tracking the effectiveness of these efforts . This is addressed under: i. ESRS 2 MDR-M; ii. ESRS 2 MDR-T; and iii. Topical ESRS: regarding metrics and targets.</del></p>
<p><b>5. Value chain</b></p>	<p><b>4. Value chain</b></p>
<p><b>5.1 Reporting undertaking and value chain</b></p>	<p><b>4.1 Reporting undertaking and value chain</b></p>
<p>62. The sustainability statement shall be for the same reporting undertaking as the financial statements. For example, if the reporting undertaking is a parent company required to prepare consolidated financial statements, the sustainability statement will be for the group. This requirement does not apply where the reporting undertaking is not required to draw-up financial statements or where the reporting undertaking is preparing consolidated sustainability reporting pursuant to Article 48i of Directive 2013/34/EU.</p>	<p><del>62. The sustainability statement shall be for the same reporting undertaking as the financial statements. For example, if the reporting undertaking is a parent company required to prepare consolidated financial statements, the sustainability statement will be for the group. This requirement does not apply where the reporting undertaking is not required to draw-up financial statements or where the reporting undertaking is preparing consolidated sustainability reporting pursuant to Article 48i of Directive 2013/34/EU.</del></p>
<p>63. The information about the reporting undertaking provided in the sustainability statement shall be extended to include information on the material impacts, risks and opportunities connected with the undertaking through its direct and indirect business relationships in the upstream and/or downstream value chain (“value chain information”). In extending the information about the reporting undertaking, the undertaking shall include material impacts, risks and opportunities connected with its upstream and downstream value chain:</p> <p>(a) following the outcome of its due diligence process and of its materiality assessment; and</p> <p>(b) in accordance with any specific requirements related to the value chain in other ESRS.</p>	<p>58. The information about the reporting undertaking provided in the sustainability statement shall be extended to include information on the material impacts and risks <del>and opportunities</del> connected <del>with to</del> the undertaking through its <del>direct and indirect</del> business relationships in the upstream and/or downstream value chain (“value chain information”). <i>Based on the results of the materiality assessment, investment and other business relationships with the undertaking’s subsidiaries are also sources of material impacts and risks, based on the results of materiality assessment.</i> In extending the information about the reporting undertaking, the undertaking shall include material impacts and risks <del>and opportunities</del> connected with its upstream and downstream value chain(s):</p> <p>(a) following the outcome of its <del>due diligence process and</del> materiality assessment and, <i>if applicable, of its due diligence process</i> ; and</p> <p>(b) in accordance with any specific requirements related to the value chain <i>of topical sections of this [draft] ESRS.</i></p>
<p>64. Paragraph 63 does not require information on each and every actor in the value chain, but only the inclusion of material upstream and downstream value chain information. Different sustainability matters can be material in relation to different parts of the undertaking’s upstream and downstream value chain. The information shall be extended to include value chain information only in relation to the parts of the value chain for which the matter is material.</p>	<p><del>59. Paragraph 63 does not require information on each and every actor in the value chain, but only the inclusion of material upstream and downstream value chain information. Different sustainability matters can be material in relation to different parts of the undertaking’s upstream and downstream value chain. The information shall be extended to include value chain information only in relation to the parts of the value chain for which the matter is material. The extension of the information about the reporting undertaking to include value chain information does not require information on each and every actor in the value chain, but only the inclusion of material value chain information.</del></p>
<p>65. The undertaking shall include material value chain information when this is necessary to:</p> <p>(a) allow users of sustainability statements to understand the undertaking’s material impacts, risks and opportunities; and/or</p> <p>(b) produce a set of information that meets the qualitative characteristics of information (see Appendix B of this Standard).</p>	<p>60. The undertaking shall include material value chain information when this is necessary to:</p> <p>(a) allow users of sustainability statements to understand the undertaking’s material impacts and risks <del>and opportunities</del>; and/or</p> <p>(b) produce a set of information that meets the qualitative characteristics of information (see Appendix B of this <del>Standard</del> <i>[draft] Section</i>).</p>



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66. When determining at which level within its own operations and its upstream and downstream value chain a material sustainability matter arises, the undertaking shall use its assessment of impacts, risks and opportunities following the double materiality principle (see chapter 3 of this Standard).	61. When determining at which level within its own operations and its upstream and downstream value chain <del>does</del> a material sustainability matter arises, the undertaking shall use its assessment of impacts and risks <del>and opportunities</del> following the double materiality principle (see chapter 3 of this <del>[draft]</del> Standard).
67. When associates or joint ventures, accounted for under the equity method or proportionally consolidated in the financial statements, are part of the undertaking's value chain, for example as suppliers, the undertaking shall include information related to those associates or joint ventures in accordance with paragraph 63 consistent with the approach adopted for the other business relationships in the value chain. In this case, when determining impact metrics, the data of the associate or joint venture are not limited to the share of equity held, but shall be taken into account on the basis of the impacts that are connected with the undertaking's products and services through its business relationships.	62. <del>If</del> <del>When</del> associates or joint ventures accounted for under the equity method or proportionally consolidated in the financial statements are part of the undertaking's value chain - for example, as suppliers - the undertaking shall include information related to those -associates or joint ventures following paragraph 57, <del>consistent in accordance</del> with the approach adopted for the other business relationships in the value chain. <del>In this case, when determining impact metrics, the data of the associate or joint venture are not limited to the share of equity held, but shall be taken into account on the basis of the impacts that are connected with the undertaking's products and services through its business relationships.</del>
	63. <i>To illustrate this approach, consider a case where a company produces a final product with material sourced by an associate. The equity share is 30%. The undertaking buys 10,000 items from the associate needed to make the final product. The undertaking will treat this supplier the same way they do when reporting on any other type of supplier, i.e., considering the impacts connected to the products that they buy from the supplier, in this case connected with the production of 10,000 items.</i>
<b>5.2 Estimation using sector averages and proxies</b>	<b>4.2 Estimation using sector averages and proxies</b>
68. The undertaking's ability to obtain the necessary upstream and downstream value chain information may vary depending on various factors, such as the undertaking's contractual arrangements, the level of control that it exercises on the operations outside the consolidation scope and its buying power. When the undertaking does not have the ability to control the activities of its upstream and/or downstream value chain and its business relationships, obtaining value chain information may be more challenging.	64. The undertaking's ability to obtain the necessary upstream and downstream value chain information may vary depending on various factors such as the undertaking's contractual arrangements, the level of control that it exercises on the operations outside the consolidation scope and its buying power. <del>If</del> <del>When</del> the undertaking does not have the ability to control the activities of its upstream and/or downstream value chain and its business relationships, obtaining value chain information may be more challenging.
69. There are circumstances where the undertaking cannot collect the information about its upstream and downstream value chain as required by paragraph 63 after making reasonable efforts to do so. In these circumstances, the undertaking shall estimate the information to be reported about its upstream and downstream value chain, by using all reasonable and supportable information, such as sector-average data and other proxies.	65. There are circumstances where the undertaking cannot collect the information about its upstream and downstream value chain as required by paragraph 57 <del>after</del> <del>despite</del> making reasonable efforts to do so. In these circumstances, the undertaking shall estimate the information to be reported about its upstream and downstream value chain, by using all reasonable and supportable information such as sector-average data and other proxies.
70. Obtaining value chain information could also be challenging in the case of SMEs and other upstream and/or downstream value chain entities that are not in the scope of the sustainability reporting required by Articles 19a and 29a of Directive 2013/34/EU (see ESRS 2 BP-2 Disclosures in relation to specific circumstances).	66. Obtaining value chain information could <del>also</del> be particularly challenging <del>for an LSME and other</del> if its upstream and/or downstream value chain entities that are not in the scope of the sustainability reporting required by Articles 19a and 29a of Directive 2013/34/EU ( <del>see ESRS 2 BP-2 Disclosures in relation to specific circumstances</del> )- CSRD, as the LSME may have less control over their value chain and fewer resources to collect data.
	67. <i>The undertaking may rely on and refer to information contained in the ESRS sustainability statement of an actor in its value chain when such an actor publishes mandatory ESRS sustainability statement, if that statement contains the information needed in the preparation of the undertaking's ESRS sustainability statement. If an actor in the value chain that does not prepare the mandatory ESRS sustainability statement nevertheless publishes sustainability information according to other standards or frameworks (such as any voluntary standard issued in the EU [VSME] or GRI Standards, or IFRS Sustainability Disclosures Standards, or EMAS),</i>

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	<i>the undertaking may rely on and refer to information contained in that sustainability statement provided that such information is subject to at least the same level of assurance as its sustainability statement. If there are clear indications that material impacts and risks are not addressed appropriately, then further work on the specific impacts and risks in the value chain may be needed.</i>
71. With reference to policies, actions and targets, the undertaking's reporting shall include upstream and/or downstream value chain information to the extent that those policies, actions and targets involve actors in the value chain. With reference to metrics, in many cases, in particular for environmental matters for which proxies are available, the undertaking may be able to comply with the reporting requirements without collecting data from the actors in its upstream and downstream value chain, especially from SMEs, for example, when calculating the undertaking's GHG Scope 3 emissions.	68. With reference to policies and actions <del>and targets</del> , the undertaking's reporting shall include upstream and/or downstream value chain information to the extent that those policies and actions <del>and targets</del> involve actors in the value chain. <del>With reference to metrics, in many cases, in particular for environmental matters for which proxies are available, the undertaking may be able to comply with the reporting requirements without collecting data from the actors in its upstream and downstream value chain, especially from SMEs, for example, when calculating the undertaking's GHG Scope 3 emissions.</del>
	69. <i>When the undertaking includes value chain information in its metrics, in many cases and in particular for environmental matters in which proxies are available the undertaking may be able to comply with the reporting requirements without collecting data from the actors in its upstream and downstream value chain, for example, when calculating the undertaking's GHG Scope 3 emissions.</i>
72. The incorporation of estimates made using sector-average data or other proxies shall not result in information that does not meet the qualitative characteristics of information (see chapter 2 and section 7.2 Sources of estimation and outcome uncertainty of this Standard).	70. The incorporation of estimates made using sector-average data or other proxies shall not result in information that does not meet the qualitative characteristics of information (see chapter 2 and section 6.2 Sources of estimation and outcome uncertainty of this Section).
<b>6. Time horizons</b>	<b>5. Time horizons</b>
<b>6.1 Reporting period</b>	<b>5.1 Reporting period</b>
73. The reporting period for the undertaking's sustainability statement shall be consistent with that of its financial statements.	71. The reporting period for the undertaking's sustainability statement shall be consistent with that of its financial statements.
<b>6.2 Linking past, present and future</b>	<b>5.2 Linking past, present and future</b>
74. The undertaking shall establish appropriate linkages in its sustainability statement between retrospective and forward-looking information, when relevant, to foster a clear understanding of how historical information relates to future-oriented information.	72. <i>Whenever relevant</i> , the undertaking shall establish appropriate linkages in its sustainability statement between retrospective and forward-looking information, <del>when relevant</del> , to foster a clear understanding of how historical information relates to future-oriented information.
<b>6.3 Reporting progress against the base year</b>	<b>5.3 Reporting progress against the base year</b>
75. A base year is the historical reference date or period for which information is available and against which subsequent information can be compared over time.	73. A base year is the historical reference date or period for which information is available and against which subsequent information can be compared over time.
76. The undertaking shall present comparative information in respect of the base year for amounts reported in the current period when reporting the developments and progress towards a target, unless the relevant Disclosure Requirement already defines how to report progress. The undertaking may also include historical information about achieved milestones between the base year and the reporting period when this is relevant information.	74. The undertaking shall present comparative information in respect of the base year for amounts reported in the current period when reporting the developments and progress towards a target, <i>when a target is adopted</i> , unless the relevant Disclosure Requirement <i>already</i> defines how to report <i>on such</i> progress. The undertaking may also include historical information about achieved milestones between the base year and the reporting period when this is relevant information.
<b>6.4 Definition of short-, medium- and long-term for reporting purposes</b>	<b>5.4 Definition of short-, medium- and long-term for reporting purposes</b>
77. When preparing its sustainability statement, the undertaking shall adopt the following time intervals as of the end of the reporting period: (a) for the short-term time horizon: the period adopted by the undertaking as the reporting period in its financial statements;	75. When preparing its individual sustainability statement, the undertaking shall adopt the following time intervals as of the end of the reporting period: (a) for the short-term time horizon, the period adopted by the undertaking as the reporting period in its financial statements;

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(b) for the medium-term time horizon: from the end of the short-term reporting period defined in (a) up to 5 years; and (c) for the long-term time horizon: more than 5 years.	(b) for the medium-term time horizon, from the end of the short-term reporting period defined in (a) up to five years; and (c) for the long-term time horizon, more than five years.
78. The undertaking shall use an additional breakdown for the long-term time horizon when impacts or actions are expected in a period longer than 5 years if necessary to provide relevant information to users of sustainability statements.	76. The undertaking shall use an additional breakdown for the long-term time horizon when impacts or actions are expected in a period longer than 5 years, if necessary, to provide relevant information to users of sustainability statements.
79. If different definitions of medium- or long-term time horizons are required for specific items of disclosure in other ESRS, the definitions in those ESRS shall prevail.	77. If different definitions of medium- or long-term time horizons are required for specific items of disclosure <i>in a topical section of this [draft] ESRS</i> , the definitions <i>in the topical section</i> shall prevail.
80. There may be circumstances where the use of the medium- or long-term time horizons defined in paragraph 77 results in non-relevant information, as the undertaking uses a different definition for (i) its processes of identification and management of material impacts, risks and opportunities or (ii) the definition of its actions and setting targets. These circumstances may be due to industry-specific characteristics, such as cash flow and business cycles, the expected duration of capital investments, the time horizons over which the users of sustainability statements conduct their assessments or the planning horizons typically used in the undertaking's industry for decision-making. In these circumstances, the undertaking may adopt a different definition of medium- and/or long- term time horizons (see ESRS 2 BP-2, paragraph 9).	78. There may be circumstances where the use of the medium- or long-term time horizons <i>outlined</i> in paragraph 72 results in non-relevant information, as the undertaking uses a different definition for (i) its processes of identification and management of material impacts and risks <del>and opportunities</del> or <i>for</i> (ii) the definition of its actions <del>and setting targets</del> . These circumstances may be due to industry specific characteristics, such as cash flow and business cycles, the expected duration of capital investments, the time horizons over which the users of sustainability statements conduct their assessments <del>or and</del> the planning horizons typically used in the undertaking's industry for decision-making. In these circumstances, the undertaking may adopt a different definition of medium- and/or long-term time horizons (see [draft] <i>Section 2 Disclosure Requirement 2 (BP-2) paragraph 9</i> )
81. References to "short-term", "medium-term", and "long-term" in ESRS refer to the time horizon as determined by the undertaking according to the provisions in paragraphs 77 to 80.	79. References to "short-term", "medium-term", and "long-term" in this <i>[draft] Standard</i> refer to the time horizon as determined by the undertaking according to the provisions in paragraphs 75 to 78.
<b>7. Preparation and presentation of sustainability information</b>	<b>6. Preparation and presentation of sustainability information</b>
82. This chapter provides general requirements to be applied when preparing and presenting sustainability information.	80. This chapter provides general requirements to be <del>applied</del> <i>met</i> when preparing and presenting sustainability information.
<b>7.1 Presenting comparative information</b>	<b>6.1 Presenting comparative information</b>
83. The undertaking shall disclose comparative information in respect of the previous period for all quantitative metrics and monetary amounts disclosed in the current period. When relevant to an understanding of the current period's sustainability statement, the undertaking shall also disclose comparative information for narrative disclosures.	81. The undertaking shall disclose comparative information in respect of the previous period for all quantitative metrics and monetary amounts disclosed in the current period. When relevant to an understanding of the current period's sustainability statement, the undertaking shall also disclose comparative information for narrative <i>sustainability</i> disclosures.
84. When the undertaking reports comparative information that differs from the information reported in the previous period it shall disclose:  (a) the difference between the figure reported in the previous period and the revised comparative figure; and (b) the reasons for the revision of the figure.	82. <del>When</del> <i>If</i> the undertaking reports comparative information that differs from the information reported in the previous period it shall disclose, <i>when this information is compatible with a reasonable effort it shall disclose</i> : (a) the difference between the figure reported in the previous period and the revised comparative figure; and (b) the reasons for the revision of the figure.
85. Sometimes, it is impracticable to adjust comparative information for one or more prior periods to achieve comparability with the current period. For example, data might not have been collected in the prior period(s) in a way that allows either retrospective application of a new definition of a metric or target, or retrospective restatement to correct a prior period error, and it may be impracticable to recreate the information (see ESRS 2 BP-2). When it is	83. <del>Sometimes, it is impracticable</del> <i>When it is not possible with reasonable effort to adjust comparative information for one or more prior periods, the undertaking shall disclose this fact. <del>to</del> achieve comparability with the current period. For example, data might not have been collected in the prior period(s) in a way that allows either retrospective application of a metric or target, or retrospective restatement to correct a prior period error, and it may be impracticable to recreate the information (see Section 2 of this [draft] ESRS BP-2). When it is</i>

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impracticable to adjust comparative information for one or more prior periods, the undertaking shall disclose this fact.	<del>impracticable</del> <i>not possible with reasonable effort</i> to adjust comparative information for one or more prior periods, the undertaking shall disclose this fact.
86. When an ESRS requires the undertaking to present more than one comparative period for a metric or datapoint, the requirements of that ESRS shall prevail.	84. When a <i>topical section of this [draft] ESRS</i> requires the undertaking to present more than one comparative period for a metric or datapoint, the requirements of that section shall prevail.
<b>7.2 Sources of estimation and outcome uncertainty</b>	<b>6.2 Sources of estimation and outcome uncertainty</b>
87. When quantitative metrics and monetary amounts, including upstream and downstream value chain information (see chapter 5 of this Standard), cannot be measured directly and can only be estimated, measurement uncertainty may arise.	85. When quantitative metrics and monetary amounts, including upstream and downstream value chain information (see chapter 4 of this Section), cannot be measured directly and can only be estimated, measurement uncertainty may arise.
88. An undertaking shall disclose information to enable users to understand the most significant uncertainties affecting the quantitative metrics and monetary amounts reported in its sustainability statement.	86. <del>The An</del> undertaking shall disclose information to <i>help enable</i> users to understand the most significant uncertainties affecting the quantitative metrics and monetary amounts reported in its sustainability statement.
89. The use of reasonable assumptions and estimates, including scenario or sensitivity analysis, is an essential part of preparing sustainability-related information and does not undermine the usefulness of that information, provided that the assumptions and estimates are accurately described and explained. Even a high level of measurement uncertainty would not necessarily prevent such an assumption or estimate from providing useful information or meeting the qualitative characteristics of information (see Appendix B of this Standard).	<del>87. The use of reasonable assumptions and estimates, including scenario or sensitivity analysis, is an essential part of preparing sustainability-related information and does not undermine the usefulness of that information, provided that the assumptions and estimates are accurately described and explained.</del> Even a high level of measurement uncertainty would <i>not neither</i> necessarily prevent such an assumption or estimate from <del>providing</del> <i>yielding</i> useful information <del>or nor from</del> meeting the qualitative characteristics of information (see Appendix B of this [draft] Standard).
90. Data and assumptions used in preparing the sustainability statement shall be consistent to the extent possible with the corresponding financial data and assumptions used in the undertaking's financial statements.	88. Data and assumptions used in preparing the sustainability statement shall be consistent to the <i>largest</i> extent possible with the corresponding financial data and assumptions used in the undertaking's financial statements.
91. Some ESRS require the disclosure of information such as explanations about possible future events that have uncertain outcomes. In judging whether information about such possible future events is material, the undertaking shall refer to the criteria in Chapter 3 of this Standard and consider: (a) the potential financial effects of the events (the possible outcome); (b) the severity and likelihood of the impacts on people or the environment resulting from the possible events, taking account of the factors of severity specified in paragraph 45; and (c) the full range of possible outcomes and the likelihood of the possible outcomes within that range.	89. Some <i>topical section of this [draft] ESRS</i> requires the disclosure of information, such as explanations about possible future events that have uncertain outcomes. In judging whether information about such possible future events is material, the undertaking shall refer to the criteria <i>set</i> in Chapter 3 of this <del>Standard</del> Section and consider: (a) the potential financial effects of the events (the possible outcome); (b) <i>the range of</i> severity and likelihood of the impacts on people or the environment resulting from the possible events, taking account of the factors of severity specified in paragraph 48; and <del>(c) the full range of possible outcomes and the likelihood of the possible outcomes within that range.</del>
92. When assessing the possible outcomes, the undertaking shall consider all relevant facts and circumstances, including information about low-probability and high-impact outcomes, which, when aggregated, could become material. For example, the undertaking might be exposed to several impacts or risks, each of which could cause the same type of disruption, such as disruptions to the undertaking's supply chain. Information about an individual source of risk might not be material if disruption from that source is highly unlikely to occur. However, information about the aggregate risk of supply chain disruption from all sources might be material (see ESRS 2 BP-2).	<del>92. When assessing the possible outcomes, the undertaking shall consider all relevant facts and circumstances, including information about low-probability and high-impact outcomes, which, when aggregated, could become material. For example, the undertaking might be exposed to several impacts or risks, each of which could cause the same type of disruption, such as disruptions to the undertaking's supply chain. Information about an individual source of risk might not be material if disruption from that source is highly unlikely to occur. However, information about the aggregate risk of supply chain disruption from all sources might be material (see ESRS 2 BP-2).</del>
<b>7.3 Updating disclosures about events after the end of the reporting period</b>	<b>6.3 Updating disclosures about events after the end of the reporting period</b>
93. In some cases, the undertaking may receive information after the reporting period but before the management report is approved for issuance. If such information provides evidence	90. In some cases, the undertaking may receive information after the reporting period but before the management report is approved for issuance. If such information provides evidence or insights about conditions existing at period end, the undertaking shall, <del>where appropriate,</del>

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or insights about conditions existing at period end, the undertaking shall, where appropriate, update estimates and sustainability disclosures, in the light of the new information.	update estimates and sustainability disclosures, in the light of the new information, <i>if the provision of updated estimates and disclosures is possible with reasonable effort. If this is not possible with reasonable effort, it may provide narrative information describing the conditions existing at period end and the possible implications on the sustainability statement.</i>
94. When such information provides evidence or insights about material transactions, other events and conditions that arise after the end of the reporting period, the undertaking shall, where appropriate, provide narrative information indicating the existence, nature and potential consequences of these post-year end events.	<del>94. When such information provides evidence or insights about material transactions, other events and conditions that arise after the end of the reporting period, the undertaking shall, where appropriate, provide narrative information indicating the existence, nature and potential consequences of these post-year end events.</del>
<b>7.4 Changes in preparation or presentation of sustainability</b>	<b>6.4 Changes in preparation or presentation of sustainability</b>
95. The definition and calculation of metrics, including metrics used to set targets and monitor progress towards them, shall be consistent over time. The undertaking shall provide restated comparative figures, unless it is impracticable to do so (see ESRS 2 BP-2), when it has: (a) redefined or replaced a metric or target; (b) identified new information in relation to the estimated figures disclosed in the preceding period and the new information provides evidence of circumstances that existed in that period.	91. The definition and calculation of metrics, including metrics used to set targets and monitor progress towards them shall be consistent over time ( <i>only in case targets have been specifically set by the undertaking</i> ). Unless it is <del>impracticable</del> <i>not possible with reasonable effort</i> to do so, the undertaking shall provide restated comparative figures, (see Section 2 Disclosure Requirement 2 (BP-2) ), when it has: (f) redefined or replaced a metric or target <i>or else</i> ; (g) identified new information in relation to the estimated figures disclosed in the preceding period and the new information provides evidence of circumstances that existed in that period.
<b>7.5 Reporting errors in prior periods</b>	<b>6.5 Reporting errors in prior periods</b>
96. The undertaking shall correct material prior period errors by restating the comparative amounts for the prior period(s) disclosed, unless it is impracticable to do so. This requirement does not extend to reporting periods before the first year of application of ESRS by the undertaking.	92. The undertaking shall correct material prior period errors by restating the comparative amounts for the prior period(s) disclosed, unless it is <del>impracticable</del> <i>not possible with reasonable effort</i> to do so. This requirement does not extend to reporting periods before the first year of application of ESRS LSME by the undertaking.
97. Prior period errors are omissions from, and misstatements in, the undertaking's sustainability statement for one or more prior periods. Such errors arise from a failure to use, or misuse of, reliable information that: (a) was available when the management report that includes the sustainability statement for those periods was authorized for issuance; and (b) could reasonably be expected to have been obtained and considered in the preparation of sustainability disclosures included in these reports.	93. Prior period errors are omissions from, and misstatements in, the undertaking's sustainability statement for one or more prior periods. Such errors arise from a failure to use, or <i>from the</i> misuse of, reliable information that: (a) was available when the management report <del>that</del> <i>– which</i> includes the sustainability statements for those periods - was authorised for issuance; and (b) could reasonably be expected to have been obtained and considered in the preparation of sustainability disclosures included in these reports.
98. Such errors include: the effects of mathematical mistakes, mistakes in applying the definitions for metrics or targets, oversights or misinterpretations of facts, and fraud.	94. Such <i>prior</i> errors include: the effects <del>of</del> <i>resulting from</i> mathematical mistakes, mistakes in applying the definitions for metrics <del>or targets</del> , oversights or misinterpretations of facts, and fraud.
99. Potential errors in the current period discovered in that period are corrected before the management report is authorized for issuance. However, material errors are sometimes only discovered in a subsequent period.	95. Potential errors in <del>the</del> <i>a</i> current period discovered in that <i>same</i> period are corrected before the management report is authorised for issuance. However, material errors are sometimes <del>only</del> <i>only</i> discovered <i>only</i> in a subsequent period.
100. When it is impracticable to determine the effect of an error on all prior periods presented, the undertaking shall restate the comparative information to correct the error from the earliest date practicable. When correcting disclosures for a prior period, the undertaking shall not use hindsight either in making assumptions about what the management's intentions would have been in a prior period or in estimating the amounts disclosed in a prior period. This requirement applies to correction of both backward-looking and forward- looking disclosures.	96. <del>When</del> <i>If</i> it is <del>impracticable</del> <i>not possible with reasonable effort</i> to determine the effect of an error on all prior <i>presented</i> periods <del>presented</del> , the undertaking shall restate the comparative information to correct the error from the earliest <del>date</del> <i>date-practicable date</i> . When correcting disclosures for a prior period, the undertaking shall not use hindsight either in making assumptions about what the management's intentions would have been in a prior period or in estimating the amounts disclosed in a prior period. This requirement applies to correction of both backward-looking and forward-looking disclosures.

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101. Corrections of errors are distinguished from changes in estimates. Estimates may need to be revised as additional information becomes known (see ESRS 2 BP-2).	97. Corrections of errors are distinguished from changes in estimates. Estimates are to be revised as <i>soon as</i> additional information becomes <del>known</del> <i>available</i> (see Section 2 Disclosure Requirement 2 (BP-2)).
<b>7.6 Consolidated reporting and subsidiary exemption</b>	<b>7.6 Consolidated reporting and subsidiary exemption</b>
102. When the undertaking is reporting at a consolidated level, it shall perform its assessment of material impacts, risks and opportunities for the entire consolidated group, regardless of its group legal structure. It shall ensure that all subsidiaries are covered in a way that allows for the unbiased identification of material impacts, risks and opportunities. Criteria and thresholds for assessing an impact, risk or opportunity as material shall be determined based on chapter 3 of this Standard.	<del>102. When the undertaking is reporting at a consolidated level, it shall perform its assessment of material impacts, risks and opportunities for the entire consolidated group, regardless of its group legal structure. It shall ensure that all subsidiaries are covered in a way that allows for the unbiased identification of material impacts, risks and opportunities. Criteria and thresholds for assessing an impact, risk or opportunity as material shall be determined based on chapter 3 of this Standard.</del>
103. Where the undertaking identifies significant differences between material impacts, risks or opportunities at group level and material impacts, risks or opportunities of one or more of its subsidiaries, the undertaking shall provide an adequate description of the impacts, risks and opportunities, as appropriate, of the subsidiary or subsidiaries concerned.	<del>103. Where the undertaking identifies significant differences between material impacts, risks or opportunities at group level and material impacts, risks or opportunities of one or more of its subsidiaries, the undertaking shall provide an adequate description of the impacts, risks and opportunities, as appropriate, of the subsidiary or subsidiaries concerned.</del>
104. When assessing whether the differences between material impacts, risks or opportunities at group level and material impacts, risks or opportunities of one or more of its subsidiaries are significant, the undertaking may consider different circumstances, such as whether the subsidiary or subsidiaries operate in a different sector than the rest of the group or the circumstances reflected in section 3.7 Level of disaggregation.	<del>104. When assessing whether the differences between material impacts, risks or opportunities at group level and material impacts, risks or opportunities of one or more of its subsidiaries are significant, the undertaking may consider different circumstances, such as whether the subsidiary or subsidiaries operate in a different sector than the rest of the group or the circumstances reflected in section 3.7 Level of disaggregation.</del>
<b>7.7 Classified and sensitive information, and information on intellectual property, know-how or results of innovation</b>	<b>6.6 Classified and sensitive information, and information on intellectual property, know-how or results of innovation</b>
105. The undertaking is not required to disclose classified information or sensitive information, even if such information is considered material.	98. The undertaking is not required to disclose classified information or sensitive information even if such information is considered material.
106. When disclosing information about its strategy, plans and actions, where a specific piece of information corresponding to intellectual property, know-how or the results of innovation is relevant to meet the objective of a Disclosure Requirement, the undertaking may nevertheless omit that specific piece of information if it: (a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question; (b) has commercial value because it is secret; and (c) has been subject to reasonable steps by the undertaking to keep it secret.	99. When disclosing information about its strategy, plans and actions, where a specific piece of information corresponding to intellectual property, know-how or the results of innovation is relevant to meet the objective of a Disclosure Requirement, the undertaking may nevertheless omit that specific piece of information if it: (a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question; (b) has commercial value because it is secret; and (c) has been subject to reasonable steps <i>taken</i> by the undertaking to keep it secret.
107. If the undertaking omits classified information or sensitive information, or a specific piece of information corresponding to intellectual property, know-how or the results of innovation because it meets the criteria established in the previous paragraph, it shall comply with the disclosure requirement in question by disclosing all other required information.	100. If the undertaking omits classified information or sensitive information or a specific piece of information corresponding to intellectual property, know-how or the results of innovation because it meets <del>the criteria established</del> in the previous paragraph's <i>criteria</i> , it shall comply with the disclosure requirement in question by disclosing all other required information.
108. The undertaking shall make every reasonable effort to ensure that beyond the omission of the classified information or sensitive information, or of the specific piece of information corresponding to intellectual property, know-how or the results of innovation, the overall relevance of the disclosure in question is not impaired.	101. The undertaking shall make <del>every</del> reasonable effort to ensure that, beyond the omission of the specific classified information <i>or sensitive information</i> , or of the specific piece of information corresponding to intellectual property, know-how or the results of innovation, the overall relevance of the disclosure in question is not impaired.
<b>7.8 Reporting on opportunities</b>	<b>7.8 Reporting on opportunities</b>

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<p>109. When reporting on opportunities, the disclosure should consist of descriptive information allowing the reader to understand the opportunity for the undertaking or the entire sector. When reporting on opportunities, the undertaking shall consider the materiality of the information to be disclosed. In this context, it shall consider, among other factors:</p> <p>(a) whether the opportunity is currently being pursued and is incorporated in its general strategy, as opposed to a general opportunity for the undertaking or the sector; and</p> <p>(b) whether the inclusion of quantitative measures of anticipated financial effects is appropriate, taking into account the number of assumptions that it could require and consequential uncertainty.</p>	<p><del>109. When reporting on opportunities, the disclosure should consist of descriptive information allowing the reader to understand the opportunity for the undertaking or the entire sector. When reporting on opportunities, the undertaking shall consider the materiality of the information to be disclosed. In this context, it shall consider, among other factors:</del></p> <p><del>(a) whether the opportunity is currently being pursued and is incorporated in its general strategy, as opposed to a general opportunity for the undertaking or the sector; and</del></p> <p><del>(b) whether the inclusion of quantitative measures of anticipated financial effects is appropriate, taking into account the number of assumptions that it could require and consequential uncertainty.</del></p>
	<p><b>6.7 Matters in course of negotiation</b></p> <p>102. <i>The undertaking is not required to disclose information related to impending developments or matters in the course of negotiation, even if such information is considered material.</i></p> <p>103. <i>This exemption could apply, in exceptional cases, where, in the duly justified opinion of the members of the administrative, management and supervisory bodies, acting within the competences assigned to them by national law and having collective responsibility for that opinion, the disclosure of such information would be seriously prejudicial to the commercial position of the undertaking. The exception is applicable provided that the omission does not prevent a fair and balanced understanding of the undertaking's development, performance, and position, and the impact of its activity.</i></p>
<p><b>8. Structure of the sustainability statement</b></p> <p>110. This chapter provides the basis for the presentation of the information about sustainability matters prepared in compliance with Articles 19a and 29a of Directive 2013/34/EU (i.e., the sustainability statement) within the undertaking's management report. Such information is presented in a dedicated section of the management report identified as the sustainability statement. Appendix F Example of structure of ESRS sustainability statement of this Standard provides an illustrative example of a sustainability statement structured according to the requirements of this chapter.</p>	<p><b>7. Structure of the sustainability statement</b></p> <p>104. This chapter provides the basis for the presentation of the information about sustainability matters prepared in compliance with <del>Articles 19a and 29a of Directive 2013/34/EU</del> <i>the CSRD and this [draft] ESRS</i> (i.e., sustainability statement) within the undertaking's management report. Such information is presented in a dedicated section of the management report identified as the sustainability statement. Appendix F Example of structure of ESRS sustainability statements of this <del>Standard</del> <i>Section</i> provides an illustrative example of sustainability <del>statement</del> <i>report</i> structured according to the requirements of <del>laid out</del> <i>in</i> this chapter.</p>
<p><b>8.1 General presentation requirement</b></p> <p>111. Sustainability information shall be presented:</p> <p>(a) in a way that allows a distinction between information required by disclosures in ESRS and other information included in the management report; and</p> <p>(b) under a structure that facilitates access to and understanding of the sustainability statement, in a format that is both human-readable and machine-readable.</p>	<p><b>7.1 General presentation requirement</b></p> <p>105. Sustainability information shall be presented:</p> <p>(a) in a way that allows a distinction between information required by disclosures in this [draft] ESRS and other information included in the management report; and</p> <p>(b) under a structure that facilitates access to and understanding of the sustainability statement, <del>in a format that is both in human and machine-readable</del> <i>formats</i>.</p>
<p><b>8.2 Content and structure of the sustainability statement</b></p> <p>112. Except for the possibility to incorporate information by reference in accordance with section 9.1 Incorporation by reference of this Standard, the undertaking shall report all the applicable disclosures required by ESRS in accordance with chapter 1 of this Standard, within a dedicated section of the management report.</p> <p>113. The undertaking shall include in its sustainability statement the disclosures pursuant to Article 8 of Regulation (EU) 2020/852 of the European Parliament and the Council and to the Commission Delegated Regulations that specify the content and other modalities of those disclosures. The undertaking shall ensure that these disclosures are separately identifiable</p>	<p><b>7.2 Content and structure of the sustainability statement</b></p> <p>106. Except for the possibility to incorporate information by reference in <del>accordance with section chapter 8.1</del> <i>Incorporation by reference of this section</i>, the undertaking shall report all the applicable disclosures (<i>sector-agnostic and entity-specific</i>) required by this [draft] ESRS as per chapter 1 of this <i>Section</i>, within a <del>dedicated</del> <i>single</i> section of the management report.</p> <p>107. <i>In its sustainability statement</i>, the undertaking shall <del>include report, in its sustainability statement,</del> the disclosures pursuant to Article 8 of Regulation (EU) 2020/852 of the European Parliament and the Council and <del>to the</del> <i>Commission Delegated Regulations</i> that specify the content of those disclosures. The undertaking shall ensure that these disclosures are separately</p>

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<p>within the sustainability statement. The disclosures relating to each of the environmental objectives defined in the Taxonomy Regulation shall be presented together in a clearly identifiable part of the environmental section of the sustainability statement. These disclosures are not subject to the provisions of ESRS, with the exception of this paragraph and the first sentence of paragraph 115 of this standard.</p>	<p>identifiable within the sustainability statement. <del>The Disclosures relating</del> <i>related</i> to each of the environmental objectives defined in the Taxonomy Regulation shall be presented together in a clearly identifiable part of the environmental section of the sustainability statement. These disclosures are not subject to the provisions of ESRS with the exception of this paragraph and the first sentence of paragraph 105 of this Standard.</p>
<p>114. When the undertaking includes in its sustainability statement additional disclosures stemming from (i) other legislation which requires the undertaking to disclose sustainability information, or (ii) generally accepted sustainability reporting standards and frameworks, including non-mandatory guidance and sector-specific guidance, published by other standard setting bodies (such as technical material issued by the International Sustainability Standards Board or the Global Reporting Initiative), such disclosures shall: (a) be clearly identified with an appropriate reference to the related legislation, standard or framework (see ESRS 2 BP-2, paragraph 15); (b) meet the requirements for qualitative characteristics of information specified in chapter 2 and Appendix B of this standard.</p>	<p>108. <del>When</del> <i>If</i> the undertaking includes in its individual sustainability statement additional disclosures stemming from (i) other legislation - which requires the undertaking to disclose sustainability information - or (ii) generally accepted sustainability reporting standards and frameworks - including non-mandatory guidance and sector-specific guidance, published by other standard-setting bodies (such as technical material issued by the International Sustainability Standards Board or the Global Reporting Initiative) - such disclosures shall: (a) be clearly identified with an appropriate reference to the related legislation, standard or framework (see <i>Section 2</i> Disclosure Requirement 2 (BP-2), paragraph 15); (b) meet the requirements set for qualitative characteristics of information specified in chapter 2 and Appendix B of this <del>Standard</del> <i>Section</i>.</p>
<p>115. The undertaking shall structure its sustainability statement in four parts, in the following order: general information, environmental information (including disclosures pursuant to Article 8 of Regulation (EU) 2020/852), social information and governance information. Respecting the provision in section 3.6 Material impacts or risks arising from actions to address sustainability matters of this Standard, when information provided in one part contains information to be reported in another part, the undertaking may refer in one part to information presented in another part, avoiding duplications. The undertaking may apply the detailed structure illustrated in Appendix F of this Standard.</p>	<p>109. The undertaking shall structure its sustainability statement in four parts in the following order: (i) general information, (ii) environmental information (including disclosures pursuant to Article 8 of Regulation (EU) 2020/852), (iii) social information and (iv) governance information. <i>While</i> respecting the provision in this chapter 3.6 Material impacts or risks arising from actions to address sustainability matters of this <i>[draft]</i> Standard, when information provided in one part <del>contains also covers</del> information to be reported in another part, <del>the undertaking may refer in one part to information presented in another part,</del> <i>thereby</i> avoiding duplications. The undertaking may apply the detailed structure illustrated in Appendix F of this <i>[draft]</i> <del>Standard</del> <i>Section</i>.</p>
<p>116. The disclosures required by sector-specific ESRS shall be grouped by reporting area and, where applicable, by sustainability topic. They shall be presented alongside the disclosures required by ESRS 2 and the corresponding topical ESRS.</p>	<p><del>116. The disclosures required by sector-specific ESRS shall be grouped by reporting area and, where applicable, by sustainability topic. They shall be presented alongside the disclosures required by ESRS 2 and the corresponding topical ESRS.</del></p>
<p>117. Where the undertaking develops material entity-specific disclosures in accordance with paragraph 11 it shall report those disclosures alongside the most relevant sector-agnostic and sector-specific disclosures.</p>	<p>110. Where the undertaking develops material entity-specific disclosures <del>in accordance with paragraph 11,</del> it shall report those disclosures alongside the most relevant <del>sector-agnostic and sector-specific disclosure</del> in this <i>[draft]</i> ESRS.</p>
<p><b>9. Linkages with other parts of corporate reporting and connected information</b></p>	<p><b>8. Linkages with other parts of corporate reporting and connected information</b></p>
<p>118. The undertaking shall provide information that enables users of its sustainability statement to understand the connections between different pieces of information in the statement, and the connections between the information in the sustainability statement and other information that the undertaking discloses in other parts of its corporate reporting.</p>	<p>111. The undertaking shall provide information that enables users of its sustainability statement to understand the connections between different pieces of information in the statement, and the connections between the information in the sustainability statement and other information that the undertaking discloses in other parts of its corporate reporting.</p>
<p><b>9.1 Incorporation by reference</b></p>	<p><b>8.1 Incorporation by reference</b></p>
<p>119. Provided that the conditions in paragraph 120 are met, information prescribed by a Disclosure Requirement of an ESRS, including a specific datapoint prescribed by a Disclosure Requirement, may be incorporated in the sustainability statement by reference to: (a) another section of the management report; (b) the financial statements; (c) the corporate governance statement (if not part of the management report);</p>	<p>112. Provided that the conditions in paragraph 109 are met, information prescribed by a Disclosure Requirement of this <i>[draft]</i> ESRS, including a specific datapoint prescribed by a Disclosure Requirement, may be incorporated in the sustainability statement by reference to: (a) another section of the management report; (b) the financial statements; (c) the corporate governance statement (if not part of the management report);</p>



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<p>(d) the remuneration report required by Directive 2007/36/EC of the European Parliament and of the Council ;                      (e) the universal registration document, as referred to in Article 9 of Regulation (EU) 2017/1129 ; and                      (f) public disclosures under Regulation (EU) No 575/2013 of the European Parliament and of the Council (Pillar 3 disclosures) . If the undertaking incorporates by reference information from Pillar 3 disclosures, it shall ensure that the information matches the scope of consolidation used for the sustainability statement by complementing the incorporated information with additional elements as necessary.</p>	<p>(d) the remuneration report required by Directive 2007/36/EC of the European Parliament and of the Council ;                      (e) the universal registration document, as referred to in Article 9 of Regulation 2017/1129 6 ; and                      (f) public disclosures under Regulation 575/2013 of the European Parliament and of the Council (Pillar 3 disclosures) .                      If the undertaking incorporates by reference information from Pillar 3 disclosures, it shall ensure that the information matches the scope of consolidation used for the sustainability statement by complementing the incorporated information with additional elements as necessary.</p>
<p>120. The undertaking may incorporate information by reference to the documents, or part of the documents, listed in paragraph 119, provided that the disclosures incorporated by reference:                      (a) constitute a separate element of information and are clearly identified in the document concerned as addressing the relevant Disclosure Requirement, or the relevant specific datapoint prescribed by a Disclosure Requirement;                      (b) are published before or at the same time as the management report;                      (c) are in the same language as the sustainability statement;                      (d) are subject to at least the same level of assurance as the sustainability statement; and                      (e) meet the same technical digitalisation requirements as the sustainability statement.</p>	<p>113. The undertaking may incorporate information by reference to the documents, or part of the documents, listed in paragraph 109, provided that the disclosures incorporated by reference:                      (a) constitute a separate element of information and are clearly identified in the <i>relevant</i> document <del>concerned</del> as addressing the relevant Disclosure Requirement, or the relevant specific datapoint prescribed by a Disclosure Requirement;                      (b) are published before or at the same time as the management report;                      (c) are in the same language as the sustainability statement;                      (d) are subject to at least the same level of assurance as the sustainability statement; and                      (e) meet the same technical digitalisation requirements as the sustainability statement.</p>
<p>121. Provided that the conditions established in paragraph 120 are met, information prescribed by a Disclosure Requirement of an ESRS, including a specific datapoint prescribed by a Disclosure Requirement, may be incorporated in the sustainability statement by reference to the undertaking's report prepared according to EU Eco-Management and Audit Scheme (EMAS) Regulation (EU) No 1221/2009 . In this case, the undertaking shall ensure that the information incorporated by reference is produced using the same basis for preparation of ESRS information, including scope of consolidation and treatment of value chain information.</p>	<p>114. Provided that these conditions established in paragraph 109 are met, information prescribed by a Disclosure Requirement of this [draft] ESRS - including a specific datapoint prescribed by a Disclosure Requirement - may be incorporated in the sustainability statement by reference to the undertaking's report prepared according to EU Eco Management and Audit Scheme (EMAS) Regulation (EU) No. 1221/2009. In this case, the undertaking shall ensure that the information incorporated by reference is produced using the same basis for preparation of ESRS information, including scope of consolidation and treatment of value chain information.</p>
<p>122. In the preparation of its sustainability statement using incorporation by reference, the undertaking shall consider the overall cohesiveness of the reported information and ensure that the incorporation by reference does not impair the readability of the sustainability statement. Appendix G Example of incorporation by reference of this Standard is an illustrative example of incorporation by reference (See ESRS 2 BP-2).</p>	<p>115. In the preparation of its sustainability statement using incorporation by reference, the undertaking shall consider the overall cohesiveness of the reported information and ensure that the incorporation by reference does not impair the readability of the sustainability statement. Appendix G Example of incorporation by reference of this [draft] Standard <i>is offers</i> an illustrative example of incorporation by reference (See <i>Section 2 Disclosure Requirement 2</i> (BP-2) ).</p>
<p><b>9.2 Connected information and connectivity with financial statements</b></p>	<p><b>8.2 Connected information and connectivity with financial statements</b></p>
<p>123. The undertaking shall describe the relationships between different pieces of information. Doing so could require connecting narrative information on governance, strategy and risk management to related metrics and targets. For example, in providing connected information, the undertaking may need to explain the effect or likely effect of its strategy on its financial statements or financial plans, or explain how its strategy relates to metrics and targets used to measure progress against performance. Furthermore, the undertaking may need to explain how its use of natural resources and changes within its supply chain could amplify, change or reduce its material impacts, risks and opportunities. It may need to link this information to information about current or anticipated financial effects on its production costs, to its strategic response to mitigate such impacts or risks, and to its related investment in new assets. The undertaking may also need to link narrative information to the related metrics and targets and</p>	<p><del>123. The undertaking shall describe the relationships between different pieces of information. Doing so could require connecting narrative information on governance, strategy and risk management to related metrics and targets. For example, in providing connected information, the undertaking may need to explain the effect or likely effect of its strategy on its financial statements or financial plans, or explain how its strategy relates to metrics and targets used to measure progress against performance. Furthermore, the undertaking may need to explain how its use of natural resources and changes within its supply chain could amplify, change or reduce its material impacts, risks and opportunities. It may need to link this information to information about current or anticipated financial effects on its production costs, to its strategic response to mitigate such impacts or risks, and to its related investment in new assets. The undertaking may</del></p>

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to information in the financial statements. Information that describes connections shall be clear and concise.	also need to link narrative information to the related metrics and targets and to information in the financial statements. Information that describes connections shall be clear and concise.
124. When the sustainability statement includes monetary amounts or other quantitative data points that exceed a threshold of materiality and that are presented in the financial statements (direct connectivity between information disclosed in sustainability statement and information disclosed in financial statements), the undertaking shall include a reference to the relevant paragraph of its financial statements where the corresponding information can be found.	<del>124. When the sustainability statement includes monetary amounts or other quantitative data points that exceed a threshold of materiality and that are presented in the financial statements (direct connectivity between information disclosed in sustainability statement and information disclosed in financial statements), the undertaking shall include a reference to the relevant paragraph of its financial statements where the corresponding information can be found.</del>
125. The sustainability statement may include monetary amounts or other quantitative datapoints that exceed a threshold of materiality and that are either an aggregation of, or a part of, monetary amounts or quantitative data presented in the undertaking's financial statements (indirect connectivity between information disclosed in sustainability statement and information disclosed in financial statements). If this is the case, the undertaking shall explain how these amounts or datapoints in the sustainability statement relate to the most relevant amounts presented in the financial statements. This disclosure shall include a reference to the line item and/or to the relevant paragraphs of its financial statements where the corresponding information can be found. Where appropriate, a reconciliation may be provided, and it may be presented in a tabular form.	<del>125. The sustainability statement may include monetary amounts or other quantitative datapoints that exceed a threshold of materiality and that are either an aggregation of, or a part of, monetary amounts or quantitative data presented in the undertaking's financial statements (indirect connectivity between information disclosed in sustainability statement and information disclosed in financial statements). If this is the case, the undertaking shall explain how these amounts or datapoints in the sustainability statement relate to the most relevant amounts presented in the financial statements. This disclosure shall include a reference to the line item and/or to the relevant paragraphs of its financial statements where the corresponding information can be found. Where appropriate, a reconciliation may be provided, and it may be presented in a tabular form.</del>
126. In the case of information not covered by paragraphs 124 and 125, the undertaking shall explain, based on a threshold of materiality, the consistency of significant data, assumptions, and qualitative information included in its sustainability statement with the corresponding data, assumptions and qualitative information included in the financial statements. This may occur when the sustainability statement includes: (a) monetary amounts or other quantitative data linked to monetary amounts or other quantitative data presented in the financial statements; or (b) qualitative information linked to qualitative information presented in the financial statements.	<del>126. In the case of information not covered by paragraphs 124 and 125, the undertaking shall explain, based on a threshold of materiality, the consistency of significant data, assumptions, and qualitative information included in its sustainability statement with the corresponding data, assumptions and qualitative information included in the financial statements. This may occur when the sustainability statement includes: (a) monetary amounts or other quantitative data linked to monetary amounts or other quantitative data presented in the financial statements; or (b) qualitative information linked to qualitative information presented in the financial statements.</del>
127. Consistency as required by paragraph 126 shall be at the level of a single datapoint and shall include a reference to the relevant line item or paragraph of notes to the financial statements. When significant data, assumptions and qualitative information are not consistent, the undertaking shall state that fact and explain the reason.	<del>127. Consistency as required by paragraph 126 shall be at the level of a single datapoint and shall include a reference to the relevant line item or paragraph of notes to the financial statements. When significant data, assumptions and qualitative information are not consistent, the undertaking shall state that fact and explain the reason.</del>
128. Examples of items for which the explanation in paragraph 126 is required, are: (a) when the same metric is presented as of the reporting date in financial statements and as a forecast for future periods in the sustainability statement; and (b) when macroeconomic or business projections are used to develop metrics in the sustainability statement and they are also relevant in estimating the recoverable amount of assets, the amount of liabilities or provisions in financial statements.	<del>128. Examples of items for which the explanation in paragraph 126 is required, are: (a) when the same metric is presented as of the reporting date in financial statements and as a forecast for future periods in the sustainability statement; and (b) when macroeconomic or business projections are used to develop metrics in the sustainability statement and they are also relevant in estimating the recoverable amount of assets, the amount of liabilities or provisions in financial statements.</del>
129. Topical and sector-specific ESRS may include requirements to include reconciliations or to illustrate consistency of data and assumptions for specific Disclosure Requirements. In such cases, the requirements in those ESRS shall prevail.	<del>129. Topical and sector-specific ESRS may include requirements to include reconciliations or to illustrate consistency of data and assumptions for specific Disclosure Requirements. In such cases, the requirements in those ESRS shall prevail.</del>
	116. The information provided in the undertaking's sustainability statements shall be coherent with what is reported in the financial statements and, where applicable, in other parts of the

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	<i>undertaking's corporate reporting. This information shall be presented in a way that facilitates an understanding of the linkages that exist with the information reported in different documents (i.e., by using appropriate cross-references or by explaining how the different pieces of information or assumptions used relate amongst each other).</i>
	<i>117. In particular, as this standard follows an individual perspective, the undertaking may explain how the monetary amounts presented in its sustainability statement relate to its individual and/or consolidated financial statements.</i>
	<i>118. Topical Sections of this [Draft] ESRS may define requirements in order to include reconciliations or to illustrate consistency of data and assumptions for specific Disclosure Requirements. In such cases, the requirements in these Sections shall prevail.</i>
<b>10 Transitional provisions</b>	<b>9. Transitional provisions</b>
<b>10.1 Transitional provision related to entity-specific disclosures</b>	<del><b>10.1 Transitional provision related to entity-specific disclosures</b></del>
<b>10.2 Transitional provision related to chapter 5 Value chain</b>	<b>9.1. Transitional provision related to chapter 4. Value chain</b>
132. For the first 3 years of the undertaking's sustainability reporting under the ESRS, in the event that not all the necessary information regarding its upstream and downstream value chain is available, the undertaking shall explain the efforts made to obtain the necessary information about its upstream and downstream value chain, the reasons why not all of the necessary information could be obtained, and its plans to obtain the necessary information in the future.	119. For the first 3 years of the undertaking's sustainability reporting under the [draft] ESRS, in the event that not all the necessary information regarding its upstream and downstream value chain is available, the undertaking shall explain the efforts it has made to obtain the necessary information about its upstream and downstream value chain, the reasons why not all of the necessary information could be obtained and its plans for obtaining such information in the future.
133. For the first 3 years of its sustainability reporting under the ESRS, in order to take account of the difficulties that undertakings may encounter in gathering information from actors throughout their value chain and in order to limit the burden for SMEs in the value chain: (a) when disclosing information on policies, actions and targets in accordance with ESRS2 and other ESRS, the undertaking may limit upstream and downstream value chain information to information available in-house, such as data already available to the undertaking and publicly available information; and (b) when disclosing metrics, the undertaking is not required to include upstream and downstream value chain information, except for datapoints derived from other EU legislation, as listed in ESRS 2 Appendix B.	120. For the first three years of its sustainability reporting under this [draft] ESRS, in order to account for the difficulties that <del>undertakings</del> it may encounter <del>when in</del> gathering information from actors <del>throughout its value chain the undertaking and in order to limit the burden for SMEs in</del> <del>(a) when disclosing information on policies, actions and targets in accordance with ESRS2 and other ESRS, the undertaking</del> may limit upstream and downstream value chain information to information available in-house, such as data already available to the undertaking and publicly available information – <i>when disclosing information on policies, actions and targets in accordance with Section 3 of these [draft] ESRS; and</i> <del>(b) when disclosing metrics, the undertaking</del> is not required to include upstream and downstream value chain information except for datapoints derived from other EU legislation as listed in Section 2, Appendix B, when disclosing metrics.
130. The extent to which sustainability matters are covered by ESRS is expected to evolve as further Disclosure Requirements are developed. Therefore, the need for entity-specific disclosures is likely to decrease over time, in particular as a result of the future adoption of sector specific standards.	130. The extent to which sustainability matters are covered by ESRS is expected to evolve as further Disclosure Requirements are developed. Therefore, the need for entity-specific disclosures is likely to decrease over time, in particular as a result of the future adoption of sector specific standards.
131. When defining its entity-specific disclosures, the undertaking may adopt transitional measures for their preparation in the first three annual sustainability statements under which it may as a priority: (a) introduce in its reporting those entity-specific disclosures that it reported in prior periods, if these disclosures meet or are adapted to meet the qualitative characteristics of information referred to under chapter 2 of this Standard; and	131. When defining its entity-specific disclosures, the undertaking may adopt transitional measures for their preparation in the first three annual sustainability statements under which it may as a priority: <del>(a) introduce in its reporting those entity-specific disclosures that it reported in prior periods, if these disclosures meet or are adapted to meet the qualitative characteristics of information referred to under chapter 2 of this Standard; and</del>

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(b) complement its disclosures prepared on the basis of the topical ESRS with an appropriate set of additional disclosures to cover sustainability matters that are material for the undertaking in its sector(s), using available best practice and/or available frameworks or reporting standards, such as IFRS industry-based guidance and GRI Sector Standards.	<del>(b) complement its disclosures prepared on the basis of the topical ESRS with an appropriate set of additional disclosures to cover sustainability matters that are material for the undertaking in its sector(s), using available best practice and/or available frameworks or reporting standards, such as IFRS industry-based guidance and GRI Sector Standards.</del>
<b>10.3 Transitional provision related to section 7.1 Presenting comparative information</b>	<b>9.2 Transitional provision related to chapter 6.1 Presenting comparative information</b>
136. To ease the first-time application of this Standard, the undertaking is not required to disclose the comparative information required by section 7.1 Presenting comparative information in the first year of preparation of the sustainability statement under the ESRS. For disclosure requirements listed in Appendix C List of phased-in Disclosure Requirements, this transitional provision applies with reference to the first year of mandatory application of the phased-in disclosure requirement.	121. To ease the first-time <del>application</del> <i>implementation</i> of this [draft] ESRS, the undertaking is not required to disclose the comparative information required by this Section, chapter 6.1 Presenting comparative information, in the first year of preparation of the sustainability statement under this [draft] ESRS. For disclosure requirements listed in Appendix C: List of phased-in Disclosure Requirements, this transitional provision applies with reference to the first year of mandatory application of the phased-in disclosure requirement.
<b>10.4 Transitional provision: List of Disclosure Requirements that are phased-in</b>	<b>9.3 Transitional provision: List of Disclosure Requirements that are phased-in for [draft] ESRS to year 2 or subsequent years</b>
137. Appendix C List of phased-in Disclosure Requirements in this Standard sets phase-in provisions for the Disclosure Requirements or datapoints of Disclosure Requirements in ESRS that may be omitted or that are not applicable in the first year(s) of preparation of the sustainability statement under the ESRS.	122. Appendix C List of phased-in Disclosure Requirements in this <i>Section</i> sets phase-in provisions for the Disclosure Requirements or datapoints of Disclosure Requirements in <i>in this [draft] ESRS</i> that may be omitted or that are not applicable in the first year(s) of preparation of the sustainability statement under this <i>[draft] ESRS</i> . <i>The phased-in provisions are only applicable to LSME that do not opt-out or cannot opt-out according to Art. 19 a (7) of Directive (EU) 2022/2464.</i>
<b>Appendix A: Application Requirements</b> This appendix is an integral part of ESRS 1 and has the same authority as the other parts of the Standard.	<b>Appendix A: Application Requirements</b> This appendix is an integral part of <i>this [draft] ESRS</i> and has the same authority as the other parts of the <i>[draft] Standard</i> .
<b>Entity specific disclosures</b>	<b>Entity specific disclosures</b>
AR 1. The entity-specific disclosures shall enable users to understand the undertaking's impacts, risks and opportunities in relation to environmental, social or governance matters.	AR 1. <del>The</del> Entity-specific disclosures shall enable users to understand the undertaking's impacts and risks <del>and opportunities</del> in relation to environmental, social or governance matters.
AR 2. When developing entity-specific disclosures, the undertaking shall ensure that: (a) the disclosures meet the qualitative characteristics of information as set out in chapter 2 Qualitative characteristics of information; and (b) its disclosures include, where applicable, all material information related to the reporting areas of governance; strategy; impact, risk and opportunity management; and metrics and targets (see ESRS 2 chapters 2 to 5).	AR 2. When developing entity-specific disclosures, the undertaking shall ensure that: (a) the disclosures meet the qualitative characteristics of information as set out in chapter 2 Qualitative characteristics of information; and (b) its disclosures include, where applicable, all material information related to the reporting areas of governance; strategy; impact and risk <del>and opportunity</del> management and metrics and targets (see <i>Section 2 chapters 2 to 4, Section 3 DR 11 and DR 12 and topical Sections of this [draft] ESRS</i> ).
AR 3. When determining the usefulness of metrics for inclusion in its entity-specific disclosures, the undertaking shall consider whether: (a) its chosen performance metrics provide insight into: i. how effective its practices are in reducing negative outcomes and/or increasing positive outcomes for people and the environment (for impacts); and/or ii. the likelihood that its practices result in financial effects on the undertaking (for risks and opportunities); (b) the measured outcomes are sufficiently reliable, meaning that they do not involve an excessive number of assumptions and unknowns that would render the metrics too arbitrary to provide a faithful representation; and	AR 3. When determining the usefulness of metrics for inclusion in its entity-specific disclosures, the undertaking shall consider whether: (a) its chosen performance metrics provide insight into: i. how effective its practices are in reducing negative outcomes <del>and/or increasing positive</del> for people and the environment ( <del>for</del> <i>regarding impacts</i> ); and/or ii. the likelihood that its practices result in financial effects on the undertaking ( <del>for</del> <i>regarding risks and opportunities</i> ); (b) the measured outcomes are sufficiently reliable, meaning that they do not involve an excessive number of assumptions and unknowns that would render the metrics too arbitrary to <del>constitute</del> <i>provide</i> a faithful representation; and

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(c) it has provided sufficient contextual information to interpret performance metrics appropriately, and whether variations in such contextual information may impact the comparability of the metrics over time.	(c) it has provided sufficient contextual information to interpret performance metrics appropriately. <del>and whether variations in such contextual information may impact the comparability of the metrics over time.</del>
AR 4. When developing its entity-specific disclosures, the undertaking shall carefully consider: (a) comparability between undertakings, while still ensuring relevance of the information provided, recognising that comparability may be limited for entity- specific disclosures. The undertaking shall consider whether the available and relevant frameworks, initiatives, reporting standards and benchmarks (such as technical material issued by the International Sustainability Standards Board or the Global Reporting Initiative) provide elements that can support comparability to the maximum extent possible; and (b) comparability over time: consistency of methodologies and disclosures is a key factor for achieving comparability over time.	AR 4. When developing its entity-specific disclosures, the undertaking shall carefully consider: (a) comparability between undertakings, while still ensuring relevance of the information provided, recognising that comparability may be limited for entity- specific disclosures; <del>The undertaking shall consider whether the available and relevant frameworks, initiatives, reporting standards and benchmarks (such as technical material issued by the International Sustainability Standards Board or the Global Reporting Initiative) provide elements that can support comparability to the maximum extent possible-</del> and (b) comparability over time: consistency of methodologies and disclosures is a key factor for achieving comparability over time.
AR 5. Further guidance for developing entity-specific disclosures can be found by considering the information required under topical ESRS that addresses similar sustainability matters.	<del>AR 5. Further guidance for developing entity-specific disclosures can be found by considering the information required under topical ESRS that addresses similar sustainability matters.</del>
	AR 5. When developing its entity-specific disclosures, the undertaking shall consider whether the available and relevant frameworks, initiatives, reporting standards and benchmarks (such as technical material issued by the International Sustainability Standards Board, the Global Reporting Initiative [or sector specific ESRS]) provide elements that can support comparability to the maximum extent possible. In particular, the undertaking may complement its disclosures, prepared on the basis of the topical Sections of this [draft] ESRS, with an appropriate set of additional disclosures to cover sustainability matters that are material to the undertaking in its sector(s), by using available best practices and/or available industry-based frameworks or reporting standards [NOTE TO THE CONSTITUENTS: THIS ASPECT MAY BE ADJUSTED REFLECTING THE OUTCOME OF THE CONSULTATION ON THE APPROACH TO SECTORS FOR SME].
	AR 6. The need for entity-specific disclosures is particularly important for financial undertakings subject to [draft] ESRS LSME as the sustainability matters in these sectors are very specific. These additional disclosures may derive from sustainable finance legislation or generally accepted sustainability reporting standards and frameworks applicable to financial actors, including non-mandatory standards and guidance. EFRAG expects to issue sector ESRS dedicated to the financial sector that will further enhance reporting standards.
<b>Double materiality</b>	<b>Double materiality</b>
<b>Stakeholders and their relevance to the materiality assessment process</b>	<b>Stakeholders and their relevance to the materiality assessment process</b>
AR. 6 In addition to the categories of stakeholder listed in paragraph 22, common categories of stakeholders are: 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 7. In addition to the categories of stakeholder listed in paragraph 25, common categories of stakeholders are: 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 7. Nature may be considered as a silent stakeholder. In this case, ecological data and data on the conservation of species may support the undertaking's materiality assessment.	AR 8. Nature may be considered as a silent stakeholder. In this case, ecological data and data on the conservation of species may support the undertaking's materiality assessment.
AR 8. Materiality assessment is informed by dialogue with affected stakeholders. The undertaking may engage with affected stakeholders or their representatives (such as employees or trade unions), along with users of sustainability reporting and other experts, to	AR 9. <i>If the undertaking has engaged with affected stakeholders</i> , materiality assessment is informed by the dialogue with <del>affected stakeholders</del> <i>them</i> . The undertaking may engage with affected stakeholders or their representatives (such as employees or trade unions), along with

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provide inputs or feedback on its conclusions regarding its material impacts, risks and opportunities.	users of sustainability reporting and other experts, to provide inputs or feedback on its conclusions regarding its material impacts and risks and opportunities.
	<p><b>Double materiality</b></p> <p><i>AR 10. If there is a high number of actors in the value chain, when performing its materiality assessment the undertaking is not expected to account for each and every one of those individual actors. However, in the first instance it may assess the value chain at a more aggregated level, identifying general areas where the likelihood of material impacts and risks is the greatest. For example, this could be done by main groups of suppliers depending on their operating contexts and based on the characteristics of the business model and/or based on specific activities, business relationships, geographies or other factors giving rise to the heightened likelihood of adverse impacts and financial risks (see Section 2 IR – Processes to identify and assess material impacts, paragraph 49 a). A more granular approach is expected to be applied in case specific sustainability issues are identified – for instance, due to size/geography or the nature of products/services. In this case, the undertaking is expected to focus on the specific actor(s) involved.</i></p>
<b>Assessment of impact materiality</b>	<b>Assessment of impact materiality</b>
<p>AR 9. In assessing impact materiality and determining the material matters to be reported, the undertaking shall consider the following three steps:</p> <p>(a) understanding of the context in relation to its impacts including its activities, business relationships, and stakeholders;</p> <p>(b) identification of actual and potential impacts (both negative and positive), including through engaging with stakeholders and experts. In this step, the undertaking may rely on scientific and analytical research on impacts on sustainability matters;</p> <p>(c) assessment of the materiality of its actual and potential impacts and determination of the material matters. In this step, the undertaking shall adopt thresholds to determine which of the impacts will be covered in its sustainability statement.</p>	<p>AR 11. In assessing impact materiality and determining the material matters to be reported, the undertaking shall consider the following three steps:</p> <p>(a) understanding of the context in relation to its impacts including its activities, business relationships, and stakeholders;</p> <p>(b) <i>identifying</i> actual and potential impacts (both negative and positive), including, through by engaging with <i>relevant</i> stakeholders and experts. In this step, the undertaking may rely on scientific and analytical research on impacts on sustainability matters;</p> <p>(c) <i>assessing</i> the materiality of its actual and potential impacts and <i>determining the matters that are material</i>. In this step, the undertaking shall adopt thresholds to determine which of the impacts will be covered in its sustainability statement.</p>
<b>Characteristics of severity</b>	<b>Characteristics of severity</b>
<p>AR 10. The severity is determined by the following factors:</p> <p>(a) scale: how grave the negative impact is or how beneficial the positive impact is for people or the environment;</p> <p>(b) scope: how widespread the negative or positive impacts are. In the case of environmental impacts, the scope may be understood as the extent of environmental damage or a geographical perimeter. In the case of impacts on people, the scope may be understood as the number of people adversely affected; and</p> <p>(c) irremediable character: whether and to what extent the negative impacts could be remediated, i.e., restoring the environment or affected people to their prior state.</p>	<p>AR 12. The severity is determined by the following factors:</p> <p>(a) scale: how grave the negative impact is <del>or how beneficial the positive impact is</del> for people or the environment;</p> <p>(b) scope: how widespread the negative <del>or positive</del> impacts are. In the case of environmental impacts, the scope may be understood as the extent of environmental damage or a geographical perimeter. In the case of impacts on people, the scope may be understood as the number of people adversely affected; and</p> <p>(c) irremediable character: whether and to what extent the negative impacts could be remediated, i.e., restoring the environment or affected people to their prior state.</p>
<p>AR 11. Any of the three characteristics (scale, scope, and irremediable character) can make a negative impact severe. In the case of a potential negative human rights impact, the severity of the impact takes precedence over its likelihood.</p>	<p>AR 13. Any <i>one</i> of the three characteristics (scale, scope, and irremediable character) can <i>render make</i> a negative impact severe. In the case of a potential negative human rights impact, the severity of the impact takes precedence over its likelihood.</p>
<b>Impacts connected with the undertaking</b>	<b>Impacts connected with the undertaking</b>
AR 12. As an illustration:	AR 14. <i>Consider the following cases by way of As an illustration:</i>

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<p>(a) if the undertaking uses cobalt in its products that is mined using child labour, the negative impact (i.e., child labour) is connected with the undertaking's products through the tiers of business relationships in its upstream value chain. These relationships include the smelter and minerals trader and the mining enterprise that uses child labour; and</p> <p>(b) if the undertaking provides financial loans to an enterprise for business activities that, in breach of agreed standards, result in the contamination of water and land surrounding the operations, this negative impact is connected with the undertaking through its relationship with the enterprise it provides the loans to.</p>	<p>(a) if the <del>undertaking uses</del> cobalt in <del>its</del> <i>the undertaking's products that is</i> has been mined using child labour, the negative impact (i.e., child labour) is connected with the undertaking's products through the tiers of business relationships in its upstream value chain. These relationships include the smelter and minerals trader <del>and</del> <i>as well as</i> the mining enterprise that uses child labour; and</p> <p>(b) if the undertaking provides financial loans to an enterprise for business activities <i>which that</i>, in breach of agreed standards, result in the contamination of water and land surrounding the operations, this negative impact is <i>then</i> connected <del>with</del> <i>to</i> the undertaking through its relationship with the enterprise it provides the loans to.</p>
<p><b>Assessment of financial materiality</b></p>	<p><b>Assessment of financial materiality</b></p>
<p>AR 13. The following are examples of how impacts and dependencies are sources of risks or opportunities:</p> <p>(a) when the undertaking's business model depends on a natural resource – for example water – it is likely to be affected by changes in the quality, availability and pricing of that resource;</p> <p>(b) when the undertaking's activities result in negative impacts, e.g., on local communities, the activities could become subject to stricter government regulation and/or the impact could trigger consequences of a reputational nature. These might have negative effects on the undertaking's brand and higher recruitment costs might arise; and</p> <p>(c) when the undertaking's business partners face material sustainability-related risks, the undertaking could be exposed to related consequences as well.</p>	<p>AR 15. The following are examples of how impacts and dependencies <del>are</del> <i>constitute</i> sources of risks <del>or opportunities</del>:</p> <p>(a) when the undertaking's business model depends, on a natural resource – for example water – it is likely to be affected by changes in the quality, availability and pricing of that resource;</p> <p>(b) when the undertaking's activities result in negative impacts, e.g., on local communities, the activities could become subject to stricter government regulation and/or the impact could trigger consequences of a reputational nature. These <del>might</del> have negative effects on the undertaking's brand and higher recruitment costs might arise; and</p> <p>(c) when the undertaking's business partners face material sustainability-related risks, the undertaking could be exposed to related consequences as well.</p>
<p>AR 14. The identification of risks and opportunities that affect or could reasonably be expected to affect the undertaking's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium- or long-term is the starting point for financial materiality assessment. In this context, the undertaking shall consider:</p> <p>(a) the existence of dependencies on natural and social resources as sources of financial effects (see paragraph 50);</p> <p>(b) their classification as sources of:</p> <p>i. risks (contributing to negative deviation in future expected cash inflows or increase in deviation in future expected cash outflows and/or negative deviation from an expected change in capitals not recognised in the financial statements); or</p> <p>ii. opportunities (contributing to positive deviation in future expected cash inflows or decrease in deviation in future cash outflows and/or positive deviation from expected change in capitals not recognised in financial statements).</p>	<p>AR 16. The identification of risks <del>and opportunities</del> that affect, or could reasonably be expected to affect the undertaking's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium- or long-term is the starting point for financial materiality assessment. In this context, the undertaking shall consider:</p> <p>(a) the existence of dependencies <del>on</del> <i>from</i> natural and social resources as sources of financial effects (see paragraph <i>51 of this section</i>);</p> <p>(b) their classification as sources of risks (contributing to negative deviation in future expected cash inflows or increase in deviation in future expected cash outflows and/or negative deviation from an expected change in capitals not recognised in the financial statements). <del>ii. opportunities (contributing to positive deviation in future expected cash inflows or decrease in deviation in future cash outflows and/or positive deviation from expected change in capitals not recognised in financial statements).</del></p>
<p>AR 15. Once the undertaking has identified its risks and opportunities, it shall determine which of them are material for reporting. This shall be based on a combination of (i) the likelihood of occurrence and (ii) the potential magnitude of financial effects determined on the basis of appropriate thresholds. In this step it shall consider the contribution of those risks and opportunities to financial effects in the short-, medium- and long-term based on:</p> <p>(a) scenarios/forecasts that are deemed likely to materialise; and</p> <p>(b) potential financial effects related to sustainability matters deriving either from situations with a below the "more likely than not" threshold or assets/liabilities not, or not yet, reflected in financial statements. This includes:</p>	<p>AR 17. Once the undertaking has identified its risks <del>and opportunities</del>, it shall determine which of them are material for reporting <i>purposes</i>. This shall be based on a combination of (i) the likelihood of occurrence and (ii) the potential <del>magnitude</del> <i>size</i> of financial effects determined on the basis of appropriate thresholds. In this step it shall consider the contribution of those risks <del>and opportunities</del> to financial effects in the short-, medium- and long-term <i>time</i> based on:</p> <p>(a) scenarios/forecasts that are deemed likely to materialise; and (b) potential financial effects related to sustainability matters deriving either from situations with a below the "more likely than not" threshold or assets/liabilities not <del>(or not yet)</del> reflected in financial statements. This includes:</p>

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<p>i. potential situations that following the occurrence of future events may affect cash flow generation potential;</p> <p>ii. capitals that are not recognised as assets from an accounting and financial reporting perspective but have a significant influence on financial performance, such as natural, intellectual (organisational), human, social and relationship capitals; and</p> <p>iii. possible future events that may have an influence on the evolution of such capitals.</p>	<p>i. potential situations that following the occurrence of future events may affect cash flow generation potential;</p> <p>ii. capitals that are not recognised as assets from an accounting and financial reporting perspective but have a significant influence on financial performance, such as natural, intellectual (organisational), human, social and relationship capitals; and</p> <p>iii. possible future events that may have an influence on the evolution of such capitals.</p>
<p><b>Sustainability matters to be included in the materiality assessment</b></p>	<p><b>Sustainability matters to be included in the materiality assessment</b></p>
<p>AR 16. When performing its materiality assessment, the undertaking shall consider the following list of sustainability matters covered in the topical ESRS. When, as a result of the undertaking's materiality assessment (see ESRS 2 IRO-1), a given sustainability matter in this list is assessed to be material, the undertaking shall report according to the corresponding Disclosure Requirements of the relevant topical ESRS. Using this list is not a substitute for the process of determining material matters. This list is a tool to support the undertaking's materiality assessment. The undertaking still needs to consider its own specific circumstances when determining its material matters. The undertaking, where necessary, also shall develop entity-specific disclosures on material impacts, risks and opportunities not covered by ESRS as described in paragraph 11 of this Standard.</p> <p>TABLE</p>	<p>AR 18. When performing its materiality assessment, the undertaking shall consider the following list of sustainability matters covered in the topical <i>sections of this [draft] ESRS</i>. When, as a result of the undertaking's materiality assessment (see Section 2 Disclosure Requirement 9 (IR-1) ), a given sustainability matter in this list is assessed to be material, the undertaking shall report according to the corresponding Disclosure Requirements of the relevant topical sections. Using this list is not a substitute for the process of determining material matters. This list is <i>only meant to serve</i> as a tool to support the undertaking's materiality assessment. The undertaking still needs to consider its own specific circumstances when determining its material matters. The undertaking, where necessary <i>according to paragraph 14 above</i>, shall also develop entity-specific disclosures on material impacts and risks <del>and opportunities</del> not covered by <del>in this</del> [draft] ESRS as described in paragraph 15 of this Section.</p> <p>SAME TABLE AS SET 1</p>
<p><b>Estimation using sector averages and proxies</b></p>	<p><b>4.2 Application requirements – Estimation using sector averages and proxies</b></p>
<p>AR 17. When the undertaking cannot collect upstream and downstream value chain information as required by paragraph 63 after making reasonable efforts to do so, it shall estimate the information to be reported using all reasonable and supportable information that is available to the undertaking at the reporting date without undue cost or effort. This includes, but is not limited to, internal and external information, such as data from indirect sources, sector average data, sample analyses, market and peer groups data, other proxies or spend-based data.</p>	<p>AR 19. When, as required by paragraph 57 of this Section, collecting value chain information is not possible with reasonable effort, the undertaking shall estimate the information to be reported using all reasonable and supportable information. This includes, but is not limited to, internal and external information such as data from indirect sources, sector-average data, sample analyses, market and peer groups data, other proxies or spend-based data.</p>
	<p>AR 20. <i>When the LSME has a large number of actors in its upstream or downstream value chain, it may not be able without unreasonable effort to collect direct data from them when such data are either indispensable input to the materiality assessment (see paragraph 41 of this Section) or information necessary in order to prepare the LSME's value chain disclosure for ESRS reporting (see paragraph 63 of this Section). In this case, the LSME will use proxies or sector data under the provisions of BP-2 – Disclosures in relation to specific circumstances.</i></p>
	<p>AR 21. <i>Subject to the provisions set out in the Disclosure Requirements of this [draft] Standard, the LSME is expected to provide explanations of its efforts if such efforts are in place (and of the extent of the effectiveness of such efforts) to influence the practices of the actors in its upstream and downstream value chain (such as developing products that are maximally recyclable and proposing lto consumers or end-users) and to contribute to the elaboration of proxies or sector data.</i></p>
	<p>AR 22. <i>When extending the information about the reporting undertaking to include value chain information in accordance with paragraph 65the elements of the value chain with material impacts and risks are reported on. For instance, based on the materiality assessment, the</i></p>



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	<i>undertaking may consider the matters working conditions and affected communities to be material for a group of farmers, while the CO2 emissions may be considered material in other parts of the value chain..</i>

## ESRS LSME ED Section 2 – General disclosures and Section 3 – Policies, Actions and Targets

SET 1 ESRS 2 (version July 2023)	LSME ESRS ED Section 2 and 3
ESRS 2 GENERAL DISCLOSURES	SECTION 2 - GENERAL DISCLOSURES
<p><b>Objective</b> 1. This ESRS sets out the disclosure requirements that apply to all undertakings regardless of their sector of activity (i.e., sector agnostic) and apply across sustainability topics (i.e., cross-cutting). This ESRS covers the reporting areas defined in ESRS 1 <i>General requirements</i> section 1.2 <i>Cross-cutting Standards and reporting areas</i>.</p>	<p><b>Objective</b> <i>1. This Section covers governance and strategy areas defined in Section 1 General requirements of this [draft] ESRS, chapter 1.2 Reporting areas and minimum content disclosure requirements on policies, actions, targets and metrics and it is applicable in conjunction with Section 3 "Policies, actions and targets" and the topical sections of this [draft] ESRS.</i></p>
<p>2. In the preparation of disclosures under this Standard, the undertaking shall apply the Disclosure Requirements (including their datapoints) set in topical ESRS, as listed in Appendix C of this Standard Disclosure/Application Requirements in topical ESRS that are applicable jointly with ESRS 2 General Disclosures. The undertaking shall apply the requirements listed in Appendix C: (a) in all instances for the requirements in topical standards related to Disclosure Requirement IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities; and (b) for all other requirements listed in appendix C, only if the sustainability topic is material based on the undertaking's materiality assessment (see ESRS 1 chapter 3 Double materiality as the basis for sustainability disclosures).</p>	<p><del>2. In the preparation of disclosures under this Standard, the undertaking shall apply the Disclosure Requirements (including their datapoints) set in topical ESRS, as listed in Appendix C of this Standard Disclosure/Application Requirements in topical ESRS that are applicable jointly with ESRS 2 General Disclosures. The undertaking shall apply the requirements listed in Appendix C: (a) in all instances for the requirements in topical standards related to Disclosure Requirement IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities; and (b) for all other requirements listed in appendix C, only if the sustainability topic is material based on the undertaking's materiality assessment (see ESRS 1 chapter 3 Double materiality as the basis for sustainability disclosures).</del></p>
<p><b>BP-1 – General basis for preparation of the sustainability statements</b></p> <p><b>3. The undertaking shall disclose the general basis for preparation of its sustainability statement.</b></p>	<p><b>Disclosure requirement 1 (BP-1) – General basis for preparation of the sustainability statements</b></p> <p><b>2. The undertaking shall disclose the general basis for preparation of its sustainability statement.</b></p>
<p>4. The objective of this Disclosure Requirement is to provide an understanding of how the undertaking prepares its sustainability statement, including the scope of consolidation, the upstream and downstream value chain information and, where relevant, whether the undertaking has used any of the options for omitting information referred to in points d) and e) in the following paragraph.</p>	<p>3. The objective of this Disclosure Requirement is to provide an understanding of how the undertaking prepares its sustainability statement, <i>on an individual basis, under art. 19a (6) of the Directive 2013/34/EU of the European Parliament and of the Council.</i>, including <del>the scope of consolidation</del>, the upstream and downstream value chain information and, where relevant, whether the undertaking has used any of the options for omitting information referred to in points c) <del>and e)</del> in the following paragraph.</p>
<p>5. The undertaking shall disclose the following information:</p>	<p>5. The undertaking shall disclose the following information;</p>

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SET 1 ESRS 2 (version July 2023)	LSME ESRS ED Section 2 and 3
<p>(a) whether the sustainability statement has been prepared on a consolidated or individual basis;</p> <p>(b) for consolidated sustainability statement:</p> <p>i) a confirmation that the scope of consolidation is the same as for the financial statements, or, where applicable, a declaration that the reporting undertaking is not required to draw-up financial statements or that the reporting undertaking is preparing consolidated sustainability reporting pursuant to Article 48i of Directive 2013/34/EU; and</p> <p>ii) where applicable, an indication of which subsidiary undertakings included in the consolidation are exempted from annual or consolidated sustainability reporting pursuant to Articles 19a(9) or 29a(8) of Directive 2013/34/EU;</p> <p>(c) to what extent the sustainability statements cover the undertaking's upstream and downstream value chain (see ESRS 1 section 5.1 Reporting undertaking and value chain);</p> <p>d) whether the undertaking has used the option to omit a specific piece of information corresponding to intellectual property, know-how or the results of innovation (see [draft] ESRS 1 section 7.7 Information on intellectual property, know-how or results of innovation); and</p> <p><del>(e) for undertakings based in an EU member state that allows for the exemption from disclosure of impending developments or matters in the course of negotiation, as provided for in articles 19a(3) and 29a(3) of Directive 2013/34/EU, whether the undertaking has used that exemption.</del></p>	<p><del>(a) whether the sustainability statement have been prepared on a consolidated or individual basis;</del></p> <p><del>(b) for consolidated sustainability statement,</del></p> <p><del>i) a confirmation that the scope of consolidation is the same as for the financial statement; and</del></p> <p><del>ii) where applicable, an indication of which subsidiary undertakings included in the consolidation are exempted from annual or consolidated sustainability reporting;</del></p> <p>(a) to what extent the sustainability statement covers the undertaking's upstream and downstream value chain, <i>including the extent of coverage of information about its subsidiaries, based on the results of the undertaking's materiality assessment, specifying, if applicable, the related reporting scope (see [draft] Section 1 section 4.1 Reporting undertaking and value chain)</i>;</p> <p>(b) whether the undertaking has used the option to omit a specific piece of information corresponding to intellectual property, know-how or the results of innovation (see [draft] Section 1 paragraph 6.6 Information on intellectual property, know-how or results of innovation); and</p> <p><del>(e) for undertakings based in an EU member state that allows for the exemption from disclosure of impending developments or matters in the course of negotiation, as provided for in articles 19a(3) and 29a(3) of Directive 2013/34/EU, whether the undertaking has used that exemption.</del></p> <p><i>(c) whether the undertaking has used the exemption to not disclose information relating to impending developments or matters in the course of negotiation (see [draft] Section 1 6.7 Matters in course of negotiation).</i></p>
<p><b>BP-2 – Disclosures in relation to specific circumstances</b></p>	<p><b>Disclosure requirement 2 (BP-2) – Disclosures in relation to specific circumstances</b></p>
<p>6. The undertaking shall provide disclosures in relation to specific circumstances.</p>	<p>5. The undertaking shall provide disclosures in relation to specific circumstances.</p>
<p>7. The objective of this Disclosure Requirement is to provide an understanding of the effect of these specific circumstances on the preparation of the sustainability statement.</p>	<p>6. The objective of this Disclosure Requirement is to provide an understanding of the effect of these specific circumstances on the preparation of the sustainability statement.</p>
<p>8. The undertaking may report this information alongside the disclosures to which they refer.</p>	<p>7. The undertaking may report this information alongside the disclosures to which they refer.</p>
<p><b>Time horizons</b></p>	<p><b>Time horizons</b></p>

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<p>9. When the undertaking has deviated from the medium- or long-term time horizons defined by ESRS 1 section 6.4 Definition of short-, medium- and long-term for reporting purposes, it shall describe:</p> <p>(a) its definitions of medium- or long-term time horizons; and (b) the reasons for applying those definitions.</p>	<p>8. When the undertaking has deviated from the medium- or long-term time horizons defined by [draft] Section 1 chapter 6.4 Definition of short-, medium- and long-term for reporting purposes, it shall describe:</p> <p>(a) its definitions of medium- or long-term time horizons; and (b) the reasons for applying those definitions</p>
<p><b>Value chain estimation</b></p> <p>10. When metrics include upstream and/or downstream value chain data estimated using indirect sources, such as sector-average data or other proxies, the undertaking shall:</p> <p>a) identify the metrics; and b) describe the basis for preparation; c) describe the resulting level of accuracy; and d) where applicable, the planned actions to improve the accuracy in the future (see [draft] ESRS 1 chapter 5 Value chain).</p>	<p><b>Value chain estimation</b></p> <p>9. When metrics include upstream and/or downstream value chain data, <i>including data of the subsidiaries</i>, estimated using indirect sources, such as sector-average data or other proxies, the undertaking shall:</p> <p>a) identify the metrics; <i>and</i> b) describe the basis for preparation, <i>including how data of the subsidiaries have been considered.</i> <del>c) describe the resulting level of accuracy; and</del> <del>d) where applicable, the planned actions to improve the accuracy in the future (see [draft] ESRS 1 chapter 5 Value chain).</del></p>
<p><b>Sources of estimation and outcome uncertainty</b></p> <p>11. In accordance with ESRS 1 section 7.2 Sources of estimation and outcome uncertainty, the undertaking shall:</p> <p>(a) identify the quantitative metrics and monetary amounts it has disclosed that are subject to a high level of measurement uncertainty; (b) in relation to each quantitative metric and monetary amount identified:</p> <p>i. disclose information about the sources of measurement uncertainty (for example, the dependence of the amount on the outcome of a future event, on a measurement technique or on the availability and quality of data from the entity's upstream and/or downstream value chain); and ii. disclose the assumptions, approximations and judgements the entity has made in measuring it.</p>	<p><b>Sources of estimation and outcome uncertainty</b></p> <p>10. In accordance with [draft] Section 1 chapter 6.2 Sources of estimation and outcome uncertainty, the undertaking shall <i>identify the quantitative metrics and monetary amounts it has disclosed that are subject to a high level of measurement uncertainty and disclose information to enable users to understand those uncertainties (such as the description of the sources of uncertainties and the key assumptions made in the measurement). When disclosing forward-looking information, the undertaking may indicate that it considers such information to be uncertain</i></p>
<p>12. When disclosing forward-looking information, the undertaking may indicate that it considers such information to be uncertain.</p>	<p><b>Merged above</b></p>
<p><b>Changes in preparation or presentation of sustainability information</b></p> <p>13. When changes in the preparation and presentation of sustainability information occur compared to the previous reporting period(s), (see ESRS 1 section 7.4 Changes in preparation or presentation in sustainability information), the undertaking shall:</p>	<p><b>Changes in preparation or presentation of sustainability information</b></p> <p>11. When changes in the preparation and presentation of sustainability information occur compared to the previous reporting period(s), (see [draft] Section 1 chapter 6.4 Changes in preparation or presentation in sustainability information), the undertaking shall:</p>

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<p>a) explain the changes and explain the reasons for those changes, including why the replaced metric provides more useful information; and</p> <p>b) disclose revised comparative figures, unless it is impracticable to do so. When it is impracticable to adjust comparative information for one or more prior periods, the undertaking shall disclose that fact; and</p> <p>(c) disclose the difference between the figure disclosed in the preceding period and the revised comparative figure.</p>	<p>a) explain the changes; <del>and explain the reasons for those changes, including why the replaced metric provides more useful information; and</del></p> <p>b) <i>where possible with reasonable effort</i>, provide restated comparative figures <del>disclose revised comparative figures, unless it is impracticable to do so. When it is impracticable to adjust comparative information for one or more prior periods, the undertaking shall disclose that fact; and</del></p> <p>(c) <i>where possible with reasonable effort</i>, disclose the difference between the figure disclosed in the preceding period and the revised comparative figure.</p>
<p><b>Reporting errors in prior periods</b> 14. When the undertaking identifies material prior period errors (see ESRS 1 section 7.5 Reporting errors in prior periods), it shall disclose:</p> <p>(a) the nature of the prior period material error;</p> <p>(b) to the extent practicable, the correction for each prior period included in the sustainability statement; and</p> <p>(c) if correction of the error is not practicable, the circumstances that led to the existence of that condition.</p>	<p><b>Reporting errors in prior periods</b> 12. When <del>the undertaking identifies</del> material prior period errors <i>exist</i> (see ESRS 1 section 6.5 Reporting errors in prior periods), <del>it</del> <i>the undertaking</i> shall disclose:</p> <p>(a) the nature of the prior period material error;</p> <p>(b) <del>to the extent</del> <i>where possible practicable with reasonable effort</i>, the correction for each prior period disclosed; and</p> <p>(c) if correction of the error is not <i>possible with reasonable effort</i>, <del>practicable</del>, the circumstances that led to the existence of that condition.</p>
<p><b>Disclosures stemming from local legislations or generally accepted sustainability reporting pronouncements</b></p> <p>15. When the undertaking includes in its sustainability statement information stemming from other legislation which requires the undertaking to disclose the sustainability information or from generally accepted sustainability reporting standards and frameworks (see ESRS 1 section 8.2 Content and structure of the sustainability statements), in addition to the information prescribed by ESRS, it shall disclose this fact. In case of partial application of other reporting standards or frameworks, the undertaking shall provide a precise reference to the paragraphs of the standard or framework applied.</p>	<p><b>Disclosures stemming from local legislations or generally accepted sustainability reporting pronouncements</b></p> <p>13. When the undertaking includes in its <i>individual</i> sustainability statement information stemming from other legislation which requires the undertaking to disclose the sustainability information or from generally accepted sustainability reporting standards and frameworks (see <i>[draft] Section 1</i> chapter 7.2 Content and structure of the sustainability statements), in addition to the information prescribed by <i>[draft] ESRS</i>, it shall disclose this fact. In case of partial application of other reporting pronouncements, the undertaking shall provide a precise reference to the paragraphs of the standard or framework applied.</p>
<p><b>Incorporation by reference</b></p> <p>16. When the undertaking incorporates information by reference (see ESRS 1 section 9.1 Incorporation by reference), it shall disclose a list of the disclosure requirements of ESRS, or the specific datapoints mandated by a Disclosure Requirement, that have been incorporated by reference.</p>	<p><b>Incorporation by reference</b></p> <p>14. When the undertaking incorporates information by reference (see <i>[draft] Section 1</i> chapter 9.1 Incorporation by reference), it shall disclose a list of the disclosure requirements of <i>this [draft] ESRS</i>, or the specific datapoints mandated by a Disclosure Requirement, that have been incorporated by reference.</p>
<p><b>Use of phase-In provisions in accordance with Appendix C of ESRS 1</b></p>	<p><b>Use of phase-In provisions in accordance with Appendix C of ESRS Section 1</b></p>

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<p>17. If an undertaking or group not exceeding on its balance sheet date the average number of 750 employees during the financial year decides to omit the information required by ESRS E4, ESRS S1, ESRS S2, ESRS S3 or ESRS S4 in accordance with Appendix C of ESRS 1, it shall nevertheless disclose whether the sustainability topics covered respectively by ESRS E4, ESRS S1, ESRS S2, ESRS S3 and ESRS S4 have been assessed to be material as a result of the undertaking's materiality assessment. In addition, if one or more of these topics has been assessed to be material, the undertaking shall, for each material topic:</p> <p>a) disclose the list of matters (i.e., topic, sub-topic or sub-sub-topic) in AR 16 ESRS 1 Appendix A that are assessed to be material and how the undertaking's business model and strategy take account of the impacts of the undertaking related to those matters. The undertaking may identify the matter at the level of topic, sub-topic or sub-sub-topic;</p> <p>b) briefly describe any time-bound targets it has set related to the matters in question, the progress it has made towards achieving those targets, and whether its targets related to biodiversity and ecosystems are based on conclusive scientific evidence;</p> <p>c) briefly describe its policies in relation to the matters in question;</p> <p>d) briefly describe actions it has taken to identify, monitor, prevent, mitigate, remediate or bring an end to actual or potential adverse impacts related to the matters in question, and the result of such actions; and</p> <p>e) disclose metrics relevant to the matters in question.</p>	<p><del>17. If an undertaking or group not exceeding on its balance sheet date the average number of 750 employees during the financial year decides to omit the information required by ESRS E4, ESRS S1, ESRS S2, ESRS S3 or ESRS S4 in accordance with Appendix C of ESRS 1, it shall nevertheless disclose whether the sustainability topics covered respectively by ESRS E4, ESRS S1, ESRS S2, ESRS S3 and ESRS S4 have been assessed to be material as a result of the undertaking's materiality assessment. In addition, if one or more of these topics has been assessed to be material, the undertaking shall, for each material topic:</del></p> <p><i>15. If an undertaking decides to apply phased-in provisions according to Section 1 Appendix C in relation to the topics biodiversity, own workforce, value chain workers, affected communities, consumers and end-users, it shall nevertheless disclose whether the respective sustainability topics have been assessed to be material as a result of the undertaking's materiality assessment. In addition, if one or more of these topics has been assessed to be material, the undertaking shall, for each material topic:</i></p> <p>(a) disclose the list of matters (i.e., topic, sub-topic or sub-sub-topic) in AR 16 Section 1 Appendix A that are assessed to be material and how the undertaking's business model and strategy take account of the impacts of the undertaking related to those matters. The undertaking may identify the matter at the level of topic, sub-topic or sub-sub-topic;</p> <p>(b) <del>briefly describe any time-bound targets it has set related to the matters in question.</del> <i>If the undertaking has set sustainability-related targets in relation to the matters in question, it shall disclose the progress it has made towards achieving those targets, and whether its targets related to biodiversity and ecosystems are based on conclusive scientific evidence;</i></p> <p>(c) briefly describe its policies in relation to the matters in question;</p> <p>(d) briefly describe actions it has taken to identify, monitor, prevent, mitigate, remediate or bring an end to actual or potential adverse impacts related to the matters in question, and the result of such actions; and</p> <p>(e) disclose metrics relevant to the matters in question.</p>
<p><b>2. Governance</b></p> <p>18. The objective of this chapter is to set disclosure requirements that enable an understanding</p>	<p><b>2. Governance</b></p>

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of the governance processes, controls and procedures put in place to monitor, manage and oversee sustainability matters.	16. The objective of this chapter is to set disclosure requirements that enable an understanding of the governance processes, controls and procedures put in place to monitor, manage and oversee sustainability matters.
<b>GOV-1 – The role of the administrative, management and supervisory bodies</b>  19. The undertaking shall disclose the composition of the administrative, management and supervisory bodies, their roles and responsibilities and access to expertise and skills with regard to sustainability matters.	<b>Disclosure requirement 3 (GOV-1) – The role of the administrative, management and supervisory bodies</b>  17. The undertaking shall disclose the composition of the administrative, management and supervisory bodies, their roles and responsibilities and access to expertise and skills with regard to sustainability matters.
20. The objective of this Disclosure Requirement is to provide an understanding of: (a) the composition and diversity of the administrative, management and supervisory bodies;  (b) the roles and responsibilities of the administrative, management and supervisory bodies in exercising oversight of the process to manage material impacts, risks and opportunities, including management’s role in these processes; and  (c) the expertise and skills of its administrative, management and supervisory bodies on sustainability matters or access to such expertise and skills.	18. The objective of this Disclosure Requirement is to provide an understanding of: (a) the composition and diversity of the administrative, management and supervisory bodies;  (b) the roles and responsibilities of the administrative, management and supervisory bodies in exercising oversight of the process to manage material impacts <i>and</i> risks <del>and opportunities</del> , including management’s role in these processes; and  (c) the expertise <del>and skills</del> of its administrative, management and supervisory bodies on sustainability matters or access to such expertise and skills.
21. The undertaking shall disclose the following information about the composition and diversity of the members of the undertaking’s administrative, management and supervisory bodies: (a) the number of executive and non-executive members; (b) representation of employees and other workers;  (c) experience relevant to the sectors, products and geographic locations of the undertaking; (d) percentage by gender and other aspects of diversity that the undertaking considers. The board’s gender diversity shall be calculated as an average ratio of female to male board members; and (e) the percentage of independent board members. For undertakings with a unitary board, this corresponds to the percentage of independent non-executive board members. For undertakings with a dual board, it corresponds to the percentage of independent members of the supervisory body.	19. The undertaking shall <del>describe</del> disclose the following information about the composition and diversity of the members of <del>the undertaking’s</del> its administrative, management and supervisory bodies, including: a) if applicable, the number of executive and non-executive members and the representation of employees and other workers, and the percentage of independent board members; and b) the percentage by gender and other aspects of diversity that the undertaking considers. The board’s gender diversity shall be calculated as an average ratio of female to male board members <del>(c) experience relevant to the sectors, products and geographic locations of the undertaking;</del>  <b>-(The deleted content of point e on the unitary board has been moved as Application requirement in Section 2)</b>
22. The undertaking shall disclose the following information about the roles and responsibilities of the administrative, management and supervisory bodies:	20. The undertaking shall disclose <i>a description of management’s role in the governance processes, controls and procedures used to monitor, manage and oversee impacts and risks, including:</i> <del>the following information about the roles and responsibilities of the administrative, management and supervisory bodies:</del> (a) <i>whether a governance body (administrative, management or supervisory bodies), or an individual in the undertaking’s organisation (such as management level or another employee) is</i>

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<p>(a) the identity of the administrative, management and supervisory bodies (such as a board committee or similar) or individual(s) within a body responsible for oversight of impacts, risks and opportunities;</p> <p>(b) how each body's or individual's responsibilities for impacts, risks and opportunities are reflected in the undertaking's terms of reference, board mandates and other related policies;</p> <p>(c) a description of management's role in the governance processes, controls and procedures used to monitor, manage and oversee impacts, risks and opportunities, including:</p> <p>i) whether that role is delegated to a specific management-level position or committee and how oversight is exercised over that position or committee;</p> <p>ii) information about the reporting lines to the administrative, management and supervisory bodies;</p> <p>iii) whether dedicated controls and procedures are applied to the management of impacts, risks and opportunities and, if so, how they are integrated with other internal functions; and</p> <p>(d) how the administrative, management and supervisory bodies and senior executive management oversee the setting of targets related to material impacts, risks and opportunities, and how they monitor progress towards them.</p>	<p><del>responsible for oversight of sustainability impacts and risks the identity of the administrative, management and supervisory bodies (such as a board committee or similar) or individual(s) within a body responsible for oversight of impacts, risks and opportunities;</del></p> <p><del>(b) how each body's or individual's responsibilities for impacts, risks and opportunities are reflected in the undertaking's terms of reference, board mandates and other related policies;</del></p> <p><i>(b) if applicable, a brief description of the process for oversight of sustainability impacts and risks a description of management's role in the governance processes, controls and procedures used to monitor, manage and oversee impacts, risks and opportunities, including:</i></p> <p><del>i) whether that role is delegated to a specific management-level position or committee and how oversight is exercised over that position or committee;</del></p> <p><del>ii) information about the reporting lines to the administrative, management and supervisory bodies;</del></p> <p><del>(c) if whether dedicated controls and procedures are applied to the management of impacts, risks and opportunities and, if so, a brief description of them, including how they are integrated with other internal functions;</del></p> <p><del>(d) how the administrative, management and supervisory bodies and senior executive management oversee the setting of targets related to material impacts, risks and opportunities, and how they monitor progress towards them.</del></p> <p><i>(d) a brief description of the process to inform the administrative, management and supervisory bodies, including their relevant committees, about (i) material impacts and risks and (ii) the policies, actions, targets adopted to address them and (iii) the respective results and metrics is in place, if such process is in place. This description may include information on how frequently those bodies are informed about sustainability matters and the person in charge of this process; and (content taken from Set 1 ESRS 2 GOV-2 par. 26a))</i></p> <p><i>(e) If applicable, a brief description of how the administrative, management and supervisory bodies determine whether appropriate skills and expertise are available or will be developed to oversee sustainability matters.</i></p>
<p>23. The disclosure shall include a description of how the administrative, management and supervisory bodies ensure the availability of the appropriate skills and expertise to oversee sustainability matters, including:</p> <p>(a) the sustainability-related expertise that the bodies, as a whole, either directly possess or can leverage, for example through access to experts or training; and</p> <p>(b) how those skills and expertise relate to the undertaking's material impacts, risks and opportunities.</p>	<p><del>23. The disclosure shall include a description of how the administrative, management and supervisory bodies ensure the availability of the appropriate skills and expertise to oversee sustainability matters, including:</del></p> <p><b>23. The disclosure shall include a (the non-deleted parts of paragraph 23 of set 1 were included in point e) above) description of how the administrative, management and supervisory bodies ensure the availability of the appropriate skills and expertise to oversee sustainability matters, including:</b></p> <p><del>(a) the sustainability-related expertise that the bodies, as a whole, either directly possess or can leverage, for example through access to experts or training; and</del></p> <p><del>(b) how those skills and expertise relate to the undertaking's material impacts, risks and opportunities.</del></p>



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<b>GOV-2 Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies</b>	<del>GOV-2 Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies (included par. 26 a) of this DR in GOV-1 above)</del>
<b>GOV-3 Integration of sustainability-related performance in incentive schemes</b>	<del>GOV-3 Integration of sustainability-related performance in incentive schemes</del>
<b>GOV-4 - Statement on due diligence</b>  30. The undertaking shall disclose a mapping of the information provided in its sustainability statement about the due diligence process.	<b>Disclosure Requirement 4 (GOV-2) – Due diligence</b> <b>("report if you have" plugged in component)</b>  21. The undertaking shall disclose <i>whether it has adopted</i> a mapping of the information provided in its sustainability statement about the a due diligence process <i>with regard to sustainability matters</i> .
31. The objective of this Disclosure Requirement is to facilitate an understanding of the undertaking's due diligence process with regard to sustainability matters.	22. The objective of this Disclosure Requirement is to facilitate an understanding of the undertaking's due diligence process with regard to sustainability matters.
32. The main aspects and steps of due diligence referred to under ESRS 1 chapter 4 Due diligence are related to a number of cross-cutting and topical Disclosure Requirements under the ESRS. The undertaking shall provide a mapping that explains how and where its application of the main aspects and steps of the due diligence process are reflected in its sustainability statement, to allow a depiction of the actual practices of the undertaking with regard to due diligence.	<del>24. The main aspects and steps of due diligence referred to under ESRS 1 chapter 4 Due diligence are related to a number of cross-cutting and topical Disclosure Requirements under the ESRS. The undertaking shall provide a mapping that explains how and where its application of the main aspects and steps of the due diligence process are reflected in its sustainability statement, to allow a depiction of the actual practices of the undertaking with regard to due diligence. The undertaking shall disclose whether it has adopted due diligence process(es) or not.</del>  25. <i>If the undertaking has implemented such processes, it shall briefly illustrate how and where the due diligence process(es) are reflected in its sustainability statements.</i>
33. This disclosure requirement does not mandate any specific behavioural requirements with regard to due diligence actions and does not extend or modify the role of administrative, management and supervisory bodies as mandated by other legislation or regulation.	<del>26. This disclosure requirement does not mandate any specific behavioural requirements with regard to due diligence actions and does not extend to or modify the role of administrative, management and supervisory bodies as mandated by other legislation or regulation.</del> <b>(Moved to AR of Section 2)</b>
<b>Disclosure Requirement GOV-5 - Risk management and internal controls over sustainability reporting</b> <b>3. Strategy</b> 37. This chapter sets disclosure requirements that enable an understanding of: a) the elements of the undertaking's strategy that relate to or affect sustainability matters, its business model and its value chain; b) how the interests and views of the undertaking's stakeholders are taken into account by the undertaking's strategy and business model; and c) the outcome of the undertaking's assessment of material impacts, risks and opportunities, including how they inform its strategy and business model.	<del><b>Disclosure Requirement GOV-5 – Risk management and internal controls over sustainability reporting</b></del> <b>3. Strategy</b> 25. This chapter sets disclosure requirements that enable an understanding of: a) the elements of the undertaking's strategy that relate to or affect sustainability matters, its business model and its value chain; <del>b) how the interests and views of the undertaking's stakeholders are taken into account by the undertaking's strategy and business model; and</del> b) the outcome of the undertaking's assessment of material impacts and risks <del>and opportunities</del> including how they inform its strategy and business model.

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<p><b>Disclosure Requirement SBM-1 – Strategy, business model and value chain</b> 38. The undertaking shall disclose the elements of its strategy that relate to or impact sustainability matters, its business model and its value chain.</p>	<p><b>Disclosure Requirement 5 (SBM-1) – Strategy, business model and value chain</b> 26. The undertaking shall disclose the elements of its strategy that relate to or impact sustainability matters, its business model and its value chain.</p>
<p>39. The objective of this Disclosure Requirement is to describe the key elements of the undertaking's general strategy that relate to or affect sustainability matters, and the key elements of the undertaking's business model and value chain, in order to provide an understanding its exposure to impacts, risks and opportunities and where they originate.</p>	<p>27. The objective of this Disclosure Requirement is to describe the key elements of the undertaking's general strategy that relate to or affect sustainability matters, and the key elements of the undertaking's business model and value chain, in order to provide an understanding its exposure to impacts <del>and risks and opportunities</del> and where they originate.</p>
<p>40. The undertaking shall disclose the following information about the key elements of its general strategy that relate to or affect sustainability matters:</p> <p>(a) a description of:</p> <ul style="list-style-type: none"> <li>i. significant groups of products and/or services offered, including changes in the reporting period (new/removed products and/or services);</li> <li>ii. significant markets and/or customer groups served, including changes in the reporting period (new/removed markets and/or customer groups);</li> <li>iii. headcount of employees by geographical areas; and</li> </ul> <p>iv. where applicable and material, products and services that are banned in certain markets;</p> <p>(b) a breakdown of total revenue, as included in its financial statements, by significant ESRS sectors. When the undertaking provides segment reporting as required by IFRS 8 Operating segments in its financial statements, this sector revenue information shall be, as far as possible, reconciled with IFRS 8 information;</p> <p>(c) a list of the additional ESRS sectors beyond the ones reflected under paragraph 40(b), such as activities that give rise to intercompany revenues, in which the undertaking develops significant activities, or in which it is or may be connected to material impacts. The identification of these additional ESRS sectors shall be consistent with the way these have been considered by the undertaking when performing its materiality assessment and with the way it discloses material sector-specific information;</p> <p>(d) where applicable, a statement indicating, together with the related revenues, that the undertaking is active in:</p>	<p>28. The undertaking shall disclose the following information about the key elements of its general strategy that relate to or affect sustainability matters:</p> <p>(a) a description of:</p> <ul style="list-style-type: none"> <li>i. significant groups of products and/or services offered, including changes in the reporting period (new/removed products and/or services);</li> <li>ii. significant markets and/or customer groups served, including changes in the reporting period (new/removed markets and/or customer groups);</li> <li><del>iii. headcount of employees by geographical areas; and</del></li> <li><i>iii. main countries of operation of the parent undertaking and of the subsidiaries that are connected with material impacts or risks; and</i></li> </ul> <p>iv. where applicable and material, products and services that are banned in certain markets.</p> <p><del>(b) a breakdown of total revenue, as included in its financial statements, by significant ESRS sectors. When the undertaking provides segment reporting as required by IFRS 8 Operating segments in its financial statements, this sector revenue information shall be, as far as possible, reconciled with IFRS 8 information;</del></p> <p><i>(b) a the list of significant ESRS sectors where the undertaking or its subsidiaries is/are or may be connected to material impacts. The list of sectors shall be consistent with the way sectors have been considered by the undertaking when performing its materiality assessment (which as part of the value chain also includes its subsidiaries) and with the way it discloses material sector information; beyond the ones reflected under paragraph 40(b), such as activities that give rise to intercompany revenues, in which the undertaking develops significant activities, or in which it is or may be connected to material impacts. The identification of these additional ESRS sectors shall be consistent with the way these have been considered by the undertaking when performing its materiality assessment and with the way it discloses material sector-specific information;</i></p>

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<p>i. the fossil fuel (coal, oil and gas) sector, (i.e., it derives revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council, including a disaggregation of revenues derived from coal, from oil and from gas, as well as the revenues derived from Taxonomy-aligned economic activities related to fossil gas as required under Article 8(7)(a) of Commission Delegated Regulation 2021/2178;</p> <p>ii. chemicals production, i.e., its activities fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006;</p> <p>iii. controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons); and/or</p> <p>iv. the cultivation and production of tobacco;</p> <p>(e) its sustainability-related goals in terms of significant groups of products and services, customer categories, geographical areas and relationships with stakeholders;</p> <p>(f) an assessment of its current significant products and/or services, and significant markets and customer groups, in relation to its sustainability-related goals; and</p> <p>(g) the elements of the undertaking's strategy that relate to or impact sustainability matters, including the main challenges ahead, critical solutions or projects to be put in place, when relevant for sustainability reporting.</p>	<p>(d) where applicable, a statement indicating, together with the related revenues, that the undertaking is active in:</p> <p>i. the fossil fuel (coal, oil and gas) sector, (i.e., it derives revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council, including a disaggregation of revenues derived from coal, from oil and from gas, as well as the revenues derived from Taxonomy-aligned economic activities related to fossil gas as required under Article 8(7)(a) of Commission Delegated Regulation 2021/2178;</p> <p>ii. chemicals production, i.e., its activities fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006;</p> <p>iii. controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons); and/or</p> <p>iv. the cultivation and production of tobacco;</p> <p>(d) its sustainability-related goals, <i>if applicable</i>, in terms of significant groups of products and services, customer categories, geographical areas and relationships with stakeholders.</p> <p><del>(f) an assessment of its current significant products and/or services, and significant markets and customer groups, in relation to its sustainability-related goals; and</del></p> <p><del>(g) the elements of the undertaking's strategy that relate to or impact sustainability matters, including the main challenges ahead, critical solutions or projects to be put in place, when relevant for sustainability reporting.</del></p>
<p>41. If the undertaking is based in an EU Member State that allows for an exemption from the disclosure of the information referred to in Article 18, paragraph 1, sub-point (a) of Directive 2013/34/EU22, and if the undertaking has made use of that exemption, it may omit the breakdown of revenue by significant ESRS sector required by paragraph 40(b). In this case the undertaking shall nevertheless disclose the list of ESRS sectors that are significant for the undertaking.</p>	<p><del>41. If the undertaking is based in an EU Member State that allows for an exemption from the disclosure of the information referred to in Article 18, paragraph 1, sub-point (a) of Directive 2013/34/EU22, and if the undertaking has made use of that exemption, it may omit the breakdown of revenue by significant ESRS sector required by paragraph 40(b). In this case the undertaking shall nevertheless disclose the list of ESRS sectors that are significant for the undertaking.</del></p>
<p>42. The undertaking shall disclose a description of its business model and value chain, including:</p> <p>(a) its inputs and its approach to gathering, developing and securing those inputs;</p> <p>(b) its outputs and outcomes in terms of current and expected benefits for customers, investors and other stakeholders; and</p> <p>(c) the main features of its upstream and downstream value chain and the undertaking's position in its value chain, including a description of the main business actors (such as key suppliers, customers, distribution channels and end-users) and their relationship to the undertaking. When the undertaking has multiple value chains, the disclosure shall cover the key value chains.</p>	<p>29. The undertaking shall disclose a description of its business model and value chain, including:</p> <p>(a) its inputs and its approach to gathering, developing and securing those inputs;</p> <p>(b) its outputs and outcomes in terms of current and expected benefits for customers, investors and other stakeholders; <del>and</del></p> <p>(c) the main features of its upstream and downstream value chain and the undertaking's position in its value chain, <del>including a description of the main business actors (such as key suppliers, customers distribution channels and end-users) and their relationship to the undertaking; and</del> When the undertaking has multiple value chains, the disclosure shall cover the key value chains.</p> <p><i>(d) if applicable, the subsidiaries that are connected with material impacts and risks.</i></p>
<p><b>Disclosure Requirement SBM-2 – Interests and views of stakeholders</b></p>	<p><b>Disclosure Requirement 6 (SBM-2) – Interests and views of stakeholders</b>  <b>("report if you have" plugged in component)</b></p>

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43. The undertaking shall disclose how the interests and views of its stakeholders are taken into account by the undertaking's strategy and business model.	30. <del>If the undertaking engages with stakeholders, it shall disclose how their</del> <del>The undertaking shall disclose how the</del> interests and views are taken into account by <del>in the undertaking's</del> its strategy and business model.
44. The objective of this Disclosure Requirement is to provide an understanding of how stakeholders' interests and views inform the undertaking's strategy and business model.	31. The objective of this Disclosure Requirement is to <del>provide</del> <i>understand the extent to which</i> provide an understanding of how stakeholders' interests and views inform the undertaking's strategy and business model.
<p>45. The undertaking shall disclose a summarised description of:</p> <p>(a) its stakeholders engagement, including: i) the undertaking's key stakeholders; ii) whether engagement with them occurs and for which categories of stakeholders; iii) how it is organised; iv) its purpose; and v) how its outcome is taken into account by the undertaking;</p> <p>(b) the undertaking's understanding of the interests and views of its key stakeholders as they relate to the undertaking's strategy and business model, to the extent that these were analysed during the undertaking's sustainability due diligence process and/or materiality assessment process (see Disclosure Requirement IRO-1 of this Standard);</p> <p>(c) where applicable, amendments to its strategy and/or business model, including: i) how the undertaking has amended or expects to amend its strategy and/or business model to address the interests and views of its stakeholders; ii) any further steps that are being planned and in what timeline; and iii) whether these steps are likely to modify the relationship with and views of stakeholders; and</p> <p>(d) whether and how the administrative, management and supervisory bodies are informed about the views and interests of affected stakeholders with regard to the undertaking's sustainability-related impacts.</p>	<p>32. <del>If the undertaking engages with its key stakeholders</del> <del>The undertaking</del> it shall disclose a summarised description of: (a) its stakeholders engagement, including: i) the undertaking's key stakeholders; ii) whether engagement with them occurs and for which categories of stakeholders; <del>iii) how it is organised;</del> <del>iv) its purpose; and</del> <i>iii) how its outcome is taken into account by the undertaking, where applicable, in amending its strategy and / or its business model;</i></p> <p>(b) the undertaking's understanding of the interests and views of its key stakeholders as they relate to the undertaking's strategy and business model, to the extent that these were analysed during the <del>undertaking's sustainability due diligence process(es) and/or</del> materiality assessment process (see Disclosure Requirement IRO-1 of this [draft] ESRS); <del>and</del></p> <p>(c) where applicable, amendments to its strategy and/or business model <b>(included in point iii) above)</b>, including: <del>i) how the undertaking has amended or expects to amend its strategy and/or business model to address the interests and views of its stakeholders;</del> <del>ii) any further steps that are being planned and in what timeline; and</del> <del>iii) whether these steps are likely to modify the relationship with and views of stakeholders.</del></p> <p><del>(d) whether and how the administrative, management and supervisory bodies are informed about the views and interests of affected stakeholders with regard to the undertaking's sustainability-related impacts.</del></p>
<p><b>Disclosure Requirement SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model</b></p>	<p><b>Disclosure Requirement 7 (SBM-3) - Material impacts and risks and opportunities and their interaction with strategy and business model</b></p>
46. The undertaking shall disclose its material impacts, risks and opportunities and how they interact with its strategy and business model.	33. The undertaking shall disclose its material <i>negative</i> impacts <i>and</i> risks <del>and opportunities</del> and how they interact with its strategy and business model.
47. The objective of this Disclosure Requirement is to provide an understanding of the material impacts, risks and opportunities as they result from the undertaking's materiality assessment	34. The objective of this Disclosure Requirement is to provide an understanding of the material <i>negative</i> impacts <i>and</i> risks <del>and opportunities</del> as they result from the undertaking's materiality

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<p>and how they originate from and trigger adaptation of the undertaking's strategy and business model including its resources allocation. The information to be disclosed about the management of the undertaking's material impacts, risks and opportunities is prescribed in topical ESRS and in sector-specific standards, which shall be applied in conjunction with the Minimum Disclosure Requirements on policies, actions and targets established in this Standard.</p>	<p>assessment and how they originate from and trigger adaptation of the undertaking's strategy and business model including its resources allocation. The information to be disclosed about the management of the undertaking's material impacts and risks and opportunities is prescribed <i>in Section 2 of this [draft] ESRS</i>, and in sector-specific standards, which shall be applied in conjunction with the Minimum Disclosure Requirements on policies, actions and targets established in this Standard.</p>
<p>48. The undertaking shall disclose:</p> <p>(a) a brief description of its material impacts, risks and opportunities resulting from its materiality assessment (see Disclosure Requirement IRO-1 of this standard), including a description of where in its business model, its own operations and its upstream and downstream value chain these material impacts, risks and opportunities are concentrated;</p> <p>(b) the current and anticipated effects of its material impacts, risks and opportunities on its business model, value chain, strategy and decision-making, and how it has responded or plans to respond to these effects, including any changes it has made or plans to make to its strategy or business model as part of its actions to address particular material impacts or risks, or to pursue particular material opportunities;</p> <p>(c) with reference to the undertaking's material impacts:</p> <ol style="list-style-type: none"> <li>i. how the undertaking's material negative and positive impacts affect (or, in the case of potential impacts, are likely to affect) people or the environment;</li> <li>ii. whether and how the impacts originate from or are connected to the undertaking's strategy and business model;</li> <li>iii. the reasonably expected time horizons of the impacts; and</li> <li>iv. whether the undertaking is involved with the material impacts through its activities or because of its business relationships, describing the nature of the activities or business relationships concerned;</li> </ol> <p>(d) the current financial effects of the undertaking's material risks and opportunities on its financial position, financial performance and cash flows and the material risks and opportunities for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements;</p>	<p>35. The undertaking shall disclose <del>(a) a brief description of its material impacts, risks and opportunities resulting from its materiality assessment (see Disclosure Requirement IRO-1 of this standard), including a description of where in its business model, its own operations and its upstream and downstream value chain these material impacts, risks and opportunities are concentrated;</del> <i>its material negative impacts and risks resulting from its materiality assessment (see Disclosure Requirement IR-1 of this [draft] ESRS)</i>. <i>The disclosure shall include the following:</i></p> <p><del>(b) the current and anticipated effects of its material impacts, risks and opportunities on its business model, value chain, strategy and decision-making, and how it has responded or plans to respond to these effects, including any changes it has made or plans to make to its strategy or business model as part of its actions to address particular material impacts or risks, or to pursue particular material opportunities;</del>  <i>if the undertaking has adjusted or plans to adjust its strategy and/or business model to address a material sustainability matter, it shall describe the current or planned changes to its strategy or business model(s);</i></p> <p><i>(a) the undertaking's material negative impacts, including:</i></p> <ol style="list-style-type: none"> <li>i. <i>a brief description of how its material negative and positive impacts affect (or, in the case of potential impacts, are likely to affect) people or the environment;</i></li> <li>ii. <i>whether and how its material impacts originate from or are connected to the undertaking's strategy and business model;</i></li> <li>iii. <i>the reasonably expected time horizons of the impacts; and</i></li> <li>iv. <i>whether the undertaking is involved with the material impacts through its activities or because of its business relationships (including its subsidiaries), describing the nature of the activities or business relationships concerned;</i></li> </ol> <p><del>(c) the current financial effects of the undertaking's material risks and opportunities on its financial position, financial performance and cash flows and the material risks and opportunities for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements;</del></p>

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<p>(e) the anticipated financial effects of the undertaking's material risks and opportunities on its financial position, financial performance and cash flows over the short-, medium- and long-term, including the reasonably expected time horizons for those effects. This shall include how the undertaking expects its financial position, financial performance and cash flows to change over the short, medium- and long-term, given its strategy to manage risks and opportunities, taking into consideration:</p> <ul style="list-style-type: none"> <li>i. its investment and disposal plans (for example, capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas and asset retirements), including plans the undertaking is not contractually committed to; and</li> <li>ii. its planned sources of funding to implement its strategy.</li> </ul> <p>(f) information about the resilience of the undertaking's strategy and business model regarding its capacity to address its material impacts and risks and to take advantage of its material opportunities. The undertaking shall disclose a qualitative and, when applicable, a quantitative analysis of the resilience, including how the analysis was conducted and the time horizons that were applied as defined in ESRS 1 (see ESRS 1 chapter 6 Time horizons). When providing quantitative information, the undertaking may disclose single amounts or ranges;</p> <p>(g) changes to the material impacts, risks and opportunities compared to the previous reporting period; and</p> <p>(h) a specification of those impacts, risks and opportunities that are covered by ESRS Disclosure Requirements as opposed to those covered by the undertaking using additional entity-specific disclosures.</p>	<p>(d) the anticipated financial effects of the undertaking's material risks <del>and opportunities</del> on its financial position, financial performance and cash flows over the short-, medium- and long-term, including the reasonably expected time horizons for those effects. This <del>shall</del> <i>may</i> include how the undertaking expects its financial position, financial performance and cash flows to change over the short, medium- and long-term, given its strategy to manage risks <del>and opportunities</del>, taking into consideration:</p> <ul style="list-style-type: none"> <li>i. its investment and disposal plans (for example, capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas and asset retirements), including plans the undertaking is not contractually committed to; and</li> <li>ii. its planned sources of funding to implement its strategy.</li> </ul> <p><del>(f) information about the resilience of the undertaking's strategy and business model regarding its capacity to address its material impacts and risks and to take advantage of its material opportunities. The undertaking shall disclose a qualitative and, when applicable, a quantitative analysis of the resilience, including how the analysis was conducted and the time horizons that were applied as defined in ESRS 1 (see ESRS 1 chapter 6 Time horizons). When providing quantitative information, the undertaking may disclose single amounts or ranges;</del></p> <p>(e) changes to the material impacts, <del>and risks and opportunities</del> compared to the previous reporting period; and</p> <p>(f) specification of those <i>negative impacts, and risks and opportunities</i> that are covered by Disclosure Requirements included in this <i>[draft]</i> ESRS as opposed to those covered by the undertaking using additional entity-specific disclosure.</p>
<p>49. The undertaking may disclose the descriptive information required in paragraph 46 alongside the disclosures provided under the corresponding topical ESRS, in which case it shall still present a statement of its material impacts, risks and opportunities alongside its disclosures prepared under this chapter of ESRS 2.</p>	<p>36. The undertaking may disclose the descriptive information required in paragraph 35 alongside the disclosures provided under the corresponding topical Sections of this <i>[draft]</i> ESRS. <del>in which case</del> <i>If the undertaking decides to do so</i>, it shall still present a statement of its material <i>negative impacts, and risks and opportunities</i> alongside its disclosures prepared under this chapter of <del>ESRS 2</del>.</p> <p><i>37. When disclosing information on material impacts and risks resulting from its materiality assessment, the undertaking shall apply the topic specific information in Application Requirements SBM-3, for the topics that are material.</i></p> <p><i>40. In particular some information (summarised in Table of AR 16 of this Section) are related to Appendix B List of datapoints in cross-cutting and topical sections that are required by EU law of this Section.</i></p>
	<p><b>Voluntary Disclosure 8 (SBM-4) – Material opportunities (LSME optional component)</b></p> <p>39. <i>The undertaking may disclose its material sustainability related positive impacts and/or its material sustainability related financial opportunities.</i></p>

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	<p>40. Regarding opportunities, the undertaking shall not report on those for which the undertaking has not put in place or does not plan to put in place concrete actions to pursue them, accompanied by the necessary resources.</p> <p>41. When disclosing on its material positive impacts and/or material opportunities, the undertaking shall include:                      (a) a description of them, how they originate, the sustainability matter to which they are linked and their expected time horizon;                      (b) how it results in financial effects for the undertaking; and                      (c) the actions that the undertaking has put or plans to put in place to pursue the opportunity, including the resources that have been mobilised.</p> <p>42. Quantitative financial effects deriving from opportunities may be disclosed only when they meet the qualitative characteristics of information, including reliability and shall be accompanied by an illustration of the methodology for calculation and main assumptions used.</p>
<p><b>4. Impact, risk and opportunity management</b>  <b>4.1 Disclosures on the materiality assessment process</b></p> <p>50. This chapter sets disclosure requirements that enable an understanding of:                      (a) the process to identify material impacts, risks and opportunities; and                      (b) the information that, as a result of its materiality assessment, the undertaking has included in its sustainability statement.</p>	<p><b>4. Impact and risk management</b></p> <p>43. This chapter sets disclosure requirements that enable an understanding of:                      (a) the processes to identify material impacts, <del>and risks and opportunities</del>; and                      (b) the information that, as a result of its materiality assessment, the undertaking has included in its sustainability statement.</p> <p><b>4.1 Disclosures on the materiality assessment process</b></p>
<p><b>Disclosure Requirement IRO-1 - Description of the process to identify and assess material impacts, risks and opportunities</b></p> <p>51. The undertaking shall disclose its process to identify its impacts, risks and opportunities and to assess which ones are material.</p>	<p><b>Disclosure Requirement 9 (IR-1) - Description of the processes to identify and assess material impacts and risks</b></p> <p>44. The undertaking shall provide a description of its processes to identify its impacts, <del>and risks and opportunities</del> and to assess which ones are material.</p>
<p>52. The objective of this Disclosure Requirement is to provide an understanding of the process through which the undertaking identifies impacts, risks and opportunities and assesses their materiality, as the basis for determining the disclosures in its sustainability statement (see ESRS 1 chapter 3 and its related Application Requirements, which set out requirements and principles regarding the process to identify and assess material impacts, risks and opportunities based on the principle of double materiality).</p>	<p>45. The objective of this Disclosure Requirement is to provide an understanding of the process through which the undertaking identifies impacts, <del>and risks and opportunities</del> and assesses their materiality, as the basis for determining the disclosures in its sustainability <del>statement</del> <i>reporting</i> (see <i>Section 1 of this [draft]</i> ESRS chapter 3 and its related Application Requirements, which set out requirements and principles regarding the process to identify and assess material impacts and risks based on the principle of double materiality). <i>If the undertaking discloses on a voluntary basis positive impacts or opportunities, it shall disclose the process through which it identifies them and assesses their materiality.</i></p>
<p>53. The undertaking shall disclose the following information:                      (a) a description of the methodologies and assumptions applied in the described process;</p>	<p>46. The undertaking shall disclose the following information:  <del>(a) a description of the methodologies and assumptions applied in the described process</del></p>

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<p>(b) an overview of the process to identify, assess, prioritise and monitor the undertaking's potential and actual impacts on people and the environment, informed by the undertaking's due diligence process, including an explanation of whether and how the process:</p> <p>i. focusses on specific activities, business relationships, geographies or other factors that give rise to heightened risk of adverse impacts;</p> <p>ii. considers the impacts with which the undertaking is involved through its own operations or as a result of its business relationships;</p> <p>iii. includes consultation with affected stakeholders to understand how they may be impacted and with external experts;</p> <p>iv. prioritises negative impacts based on their relative severity and likelihood, (see ESRS 1 section 3.4 Impact materiality) and, if applicable, positive impacts on their relative scale, scope and likelihood, and determines which sustainability matters are material for reporting purposes, including the qualitative or quantitative thresholds and other criteria used as prescribed by ESRS 1 section 3.4 Impact materiality;</p> <p>(c) an overview of the process used to identify, assess, prioritise and monitor risks and opportunities that have or may have financial effects. The disclosure shall include:</p> <p>i. how the undertaking has considered the connections of its impacts and dependencies with the risks and opportunities that may arise from those impacts and dependencies;</p> <p>ii. how the undertaking assesses the likelihood, magnitude, and nature of effects of the identified risk and opportunities (such as the qualitative or quantitative thresholds and other criteria used as prescribed by ESRS 1 section 3.3 Financial materiality);</p>	<p>(a) an overview of the process to identify, assess, and prioritise <del>and monitor</del> the undertaking's potential and actual <i>negative impacts in relation to sustainability matters (a list of sustainability matters is defined in Section 1 AR 15) based on their relative severity and, for potential impacts, also likelihood (see [draft] section 1, chapter 3.4 Impact materiality);</i> <del>on people and the environment, informed by the undertaking's due diligence process, including an explanation of whether and how the process:</del></p> <p>47. <i>The undertaking shall include the datapoints that derive from other EU legislation set in AR AR 17 and AR 28 of this Section 2.</i></p> <p>48. <i>When disclosing information on the processes to identify and assess material negative impacts and risks, the undertaking shall apply the topic specifications set in Application Requirements IR-1 (paragraphs from AR 28 to AR 44 of this Section 2).</i></p> <p>49. <i>Regarding the process of assessing impacts, the undertaking may include an explanation of whether and how the process:</i></p> <p>(a) focusses on specific <del>areas activities, business relationships, geographies or other factors that give rise</del> due to heightened risk of adverse impacts;</p> <p>(b) considers the impacts with which the undertaking is involved through its own operations or as a result of its business relationships, <i>including its subsidiaries;</i></p> <p>(c). includes consultation with affected stakeholders to understand how they may be impacted and with external experts;</p> <p>(d) prioritises negative impacts based on their relative severity and likelihood, (see [draft] Section 1 chapter 3.4 Impact materiality) and, if applicable, positive impacts on their relative <del>scale, scope and likelihood,</del> and determines which sustainability matters are material for reporting purposes, including the qualitative or quantitative thresholds and other criteria used as prescribed by Section 1 chapter 3.4 Impact materiality;</p> <p><b>(With par. 46 above)</b> (b) an overview of the process <del>used</del> to identify, assess, and prioritise <del>and monitor</del> risks and opportunities that have or may have financial effects (see <i>draft Section 1 chapter 3.5 Financial materiality</i>); <del>The disclosure shall include:</del></p> <p><del>i. how the undertaking has considered the connections of its impacts and dependencies with the risks and opportunities that may arise from those impacts and dependencies;</del></p> <p>50. <i>Regarding the process of assessing risks, the undertaking may include a description of:</i></p> <p>(a) how the undertaking assesses the likelihood, magnitude, and nature of effects of the identified risk <del>and opportunities</del> (such as the qualitative or quantitative thresholds and other criteria used as prescribed by Section 1 chapter 3.5 Financial materiality);</p>



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<p>iii. how the undertaking prioritises sustainability-related risks relative to other types of risks, including its use of risk-assessment tools;</p> <p>(d) a description of the decision-making process and the related internal control procedures;</p> <p>(e) the extent to which and how the process to identify, assess and manage impacts and risks is integrated into the undertaking's overall risk management process and used to evaluate the undertaking's overall risk profile and risk management processes;</p> <p>(f) the extent to which and how the process to identify, assess and manage opportunities is integrated into the undertaking's overall management process where applicable;</p> <p>(g) the input parameters it uses (for example, data sources, the scope of operations covered and the detail used in assumptions); and</p> <p>(h) whether and how the process has changed compared to the prior reporting period, when the process was modified for the last time and future revision dates of the materiality assessment.</p>	<p>(b) how the undertaking prioritises sustainability-related risks relative to other types of risks, including its use of risk-assessment tools;</p> <p><del>(d) a description of the decision-making process and the related internal control procedures;</del></p> <p><del>(e) the extent to which and how the process to identify, assess and manage impacts and risks is integrated into the undertaking's overall risk management process and used to evaluate the undertaking's overall risk profile and risk management processes;</del></p> <p><del>(f) the extent to which and how the process to identify, assess and manage opportunities is integrated into the undertaking's overall management process where applicable;</del></p> <p><b>(With par. 46 above)</b> (c) the input parameters it uses (for example, data sources, the scope of operations covered and the detail used in assumptions); and</p> <p><b>(With par. 46 above)</b> (d) whether and how the process has changed compared to the prior reporting period, when the process was modified for the last time and future revision dates of the materiality assessment.</p> <p><i>51. The undertaking may address all sustainability matters in the same location or present the relevant information separately in the topical sections of the sustainability statement.</i></p>
<p><b>Disclosure Requirement IRO-2 – Disclosure Requirements in ESRS covered by the undertaking's sustainability statement</b></p>	<p><b>Disclosure Requirement 10 (IR-2) – Disclosure Requirements in ESRS LSME covered by the undertaking's sustainability statement</b></p>
<p>54. The undertaking shall report on the Disclosure Requirements complied with in its sustainability statements.</p>	<p>52. The undertaking shall report on the Disclosure Requirements complied with in its sustainability statement.</p>
<p>55. The objective of this Disclosure Requirement is to provide an understanding of the Disclosure Requirements included in the undertaking's sustainability statement and of the topics that have been omitted as not material, as a result of the materiality assessment.</p>	<p>53. The objective of this Disclosure Requirement is to provide an understanding of the Disclosure Requirements included in the undertaking's sustainability reporting and of the topics that have been omitted as not material, as a result of the materiality assessment.</p>
<p>56. The undertaking shall include a list of the Disclosure Requirements complied with in preparing the sustainability statement, following the outcome of the materiality assessment (see ESRS 1 chapter 3), including the page numbers and/or paragraphs where the related disclosures are located in the sustainability statement. This may be presented as a content index. The undertaking shall also include a table of all the datapoints that derive from other EU legislation as listed in Appendix B of this standard, indicating where they can be found in the sustainability statement and including those that the undertaking has assessed as not material, in which case the undertaking shall indicate "Not material" in the table in accordance with ESRS 1 paragraph 35.</p>	<p>54. The undertaking shall include a list of the Disclosure Requirements complied with in preparing the sustainability statement, following the outcome of the materiality assessment (see <i>Section 1 of this [draft] ESRS</i>, chapter 3), including the page numbers and/or paragraphs where the related disclosures are located in the sustainability statement. This may be presented as a content index. The undertaking shall also include a table of all the datapoints that derive from other EU legislation as listed in Appendix B of this standard, indicating where they can be found in the sustainability statement and including those that the undertaking has assessed as not material, in which case the undertaking shall indicate "Not material" in the table in accordance with <i>Section 1</i> paragraph 38.</p>
<p>57. If the undertaking concludes that climate change is not material and therefore omits all disclosure requirements in ESRS E1 Climate change, it shall disclose a detailed explanation of the conclusions of its materiality assessment with regard to climate change (see ESRS 2 IRO-2 Disclosure Requirements in ESRS covered by the undertaking's sustainability statement), including a forward-looking analysis of the conditions that could lead the undertaking to conclude that climate change is material in the future.</p>	<p>55. If the undertaking concludes that climate change is not material and therefore omits all disclosure requirements in ESRS E1 Climate change, it shall disclose a detailed explanation of the conclusions of its materiality assessment with regard to climate change (<del>see ESRS 2 IRO-2 Disclosure Requirements in ESRS covered by the undertaking's sustainability statement</del> see <i>Section 1 paragraph 34</i>) including a forward-looking analysis of the conditions that could lead the undertaking to conclude that climate change is material in the future.</p>

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58. If the undertaking concludes that a topic other than climate change is not material and therefore omits all the Disclosure Requirements in the corresponding topical ESRS, it may provide a brief explanation of the conclusions of its materiality assessment for that topic.	56. If the undertaking concludes that a topic other than climate change is not material and therefore omits all the Disclosure Requirements in <del>the corresponding topical ESRS Sections 3, 4, 5 and 6 of this [draft] ESRS</del> , it may provide a brief explanation of the conclusions of its materiality assessment for that topic.
59. The undertaking shall provide an explanation of how it has determined the material information to be disclosed in relation to the impacts, risks and opportunities that it has assessed to be material, including the use of thresholds and/or how it has implemented the criteria in ESRS 1 section 3.2 Material matters and materiality of information.	57. The undertaking shall provide an explanation of how it has determined the material information to be disclosed in relation to the impacts, <del>and risks and opportunities</del> that it has assessed to be material, including the use of thresholds and/or how it has implemented the criteria in Section 1 chapter 3.2 Material matters and materiality of information.
<p><b>4.2 Minimum disclosure requirements on policies and actions</b></p> <p>60. This section sets out minimum disclosure requirements to be included when the undertaking discloses information on its policies and actions to prevent, mitigate and remediate actual and potential material impacts, to address material risks and/or to pursue material opportunities (collectively, to "manage material sustainability matters"). They shall be applied together with the Disclosure Requirements, including Application Requirements, provided in the relevant topical and sector specific ESRS. They shall also be applied when the undertaking prepares entity-specific disclosures.</p>	<p><b>4.2 Minimum disclosure requirements on policies and actions</b>  <b>SECTION 3 – POLICIES, ACTIONS AND TARGETS</b>  <b>Objective</b>  <b>(new objective due to the centralised disclosures on policies, actions and targets)</b></p> <p>1. This <del>[draft] Section sets out minimum disclosure requirements to be included when the undertaking discloses information on its</del> information required:  <i>(a) in relation to policies, actions and targets to prevent, mitigate and remediate actual and potential material negative impacts and to address material risks and/or to pursue material opportunities</i> (collectively, to "manage material sustainability matters") <i>for a material matter, either as this is required by Disclosure Requirements in the topical Sections of this Standard, or on an entity-specific basis;</i>  <i>(b) about the undertaking's processes for engaging with own workers, workers in the value chain, affected communities, consumers and end-users, and their representatives about impacts and, if the undertaking has in place those processes;</i>  <i>(c) about the undertaking's processes to remediate negative impacts and channels for own workforce, value chain workers, affected communities, consumers and end-users to raise concerns, if the undertaking has in place those processes.</i></p> <p>2. This <del>[draft] Section covers impact and risk management and policies, actions and targets areas defined in Section 1 General requirements of this [draft] ESRS, and it is applicable in conjunction with Section 2 "General disclosures" and the topical Sections of this [draft] ESRS.</del></p> <p>3. <i>The undertaking shall apply the requirements in this Section, when it concludes that the corresponding topic is material (according to chapter 3.3 Double materiality, 3.4 Impact materiality and 3.5 Financial materiality of Section 1). Following the undertaking's assessment of the materiality of the information according to paragraph 36 of Section 1, the sustainability statement shall include those disclosures prescribed in this Section that are assessed to be material.</i></p> <p>4. <i>The requirements in this Section shall be considered when the undertaking reports on a voluntary basis on material positive impacts and/or opportunities.</i></p>

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<p>61. The corresponding disclosures shall be located alongside disclosures prescribed by the relevant ESRS. When a single policy or same actions address several interconnected sustainability matters, the undertaking may disclose the required information in its reporting under one topical ESRS and cross reference to it in its reporting under other topical ESRS.</p>	<p>11. The corresponding disclosures <i>related to policies and actions</i> shall be located alongside disclosures prescribed by the relevant <i>topical sections</i> ESRS. When a single policy or same actions address several interconnected sustainability matters, the undertaking may disclose the required information in its reporting under one topical <i>section</i> ESRS and cross reference to it in its reporting under other topical <i>section</i> ESRS.</p> <p>12. <i>When disclosing information on policies and actions in relation to a material sustainability, subject to paragraphs 33 and 34 of Section 1 of this [draft] ESRS, the undertaking shall apply the additional topical requirements set in Application Requirements IR-3 (AR XX to AR XX).</i></p> <p>13. <i>In particular, for policies and actions in relation to a material matter, the undertaking shall include the datapoints derived from EU legislation (summarised in Table of AR 51).</i></p>
<p>62. If the undertaking cannot disclose the information on policies and actions required under relevant ESRS, because it has not adopted policies and/or actions with reference to the specific sustainability matter concerned, it shall disclose this to be the case, and provide reasons for not having adopted policies and/or actions. The undertaking may disclose a timeframe in which it aims to adopt them.</p>	<p>14. If the undertaking <del>cannot disclose the information on policies and actions required under relevant ESRS, because</del> has not adopted policies and/or actions with reference to the specific material sustainability matter concerned, it shall <del>disclose state</del> this to be the case <del>and provide reasons for not having adopted policies and/or actions.</del> <i>If the undertaking may also disclose the timeline for implementing them, if it has such plans a timeframe in which it aims to adopt them.</i></p>
<p><b>Minimum Disclosure Requirement – Policies MDR-P – Policies adopted to manage material sustainability matters</b></p> <p>63. The undertaking shall apply the minimum disclosure requirements defined in this provision when it discloses the policies it has in place with regard to each sustainability matter identified as material.</p>	<p><b>Disclosure Requirement 11 (IR-3) – Policies and actions in relation to sustainability matters (New centralised disclosures on policies and actions)</b></p> <p>5. The undertaking shall <del>apply the minimum disclosure requirements defined in this provision when it discloses the policies it has in place with regard to each sustainability matter identified as material.</del> <i>disclose information on its policies adopted and actions that have been taken or that are planned to manage material sustainability matters.</i></p>
<p>64. The objective of this Minimum Disclosure Requirement is to provide an understanding of the policies that the undertaking has in place to prevent, mitigate and remediate actual and potential impacts, to address risks and to pursue opportunities.</p>	<p>6. The objective of this <del>Minimum Disclosure Requirement is to provide an understanding of the policies that the undertaking has in place to prevent, mitigate and remediate actual and potential impacts, to address risks and to pursue opportunities</del> <i>set the information that shall be provided when reporting on policies and actions in relation to a material matter.</i></p> <p>7. <i>For each sustainability matter that it considers material, the undertaking shall disclose:</i>  <i>(a) Policies that it has in place to prevent, mitigate and remediate actual and potential impacts and to address risks;</i>  <i>(b) Key actions taken and/or planned to address material impacts and risks, and where applicable achieve the objectives of related policies.</i></p>
<p>65. The undertaking shall disclose information about policies adopted to manage material sustainability matters. The disclosure shall include the following information:</p> <p>(a) a description of the key contents of the policy, including its general objectives and which material impacts, risks or opportunities the policy relates to and the process for</p>	<p>8. <del>The undertaking shall disclose information about policies adopted to manage material sustainability matters. The disclosure</del> <i>When providing disclosures on policies, the undertaking shall include the following information:</i></p> <p>a) A description of the key contents of the policy, including its general objectives and which material impacts, <del>or risks or opportunities</del> the policy is relating to;</p>

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<p>monitoring;</p> <p>(b) a description of the scope of the policy, or of its exclusions, in terms of activities, upstream and/or downstream value chain, geographies and if relevant, affected stakeholder groups;</p> <p>(c) the most senior level in the undertaking's organisation that is accountable for the implementation of the policy;</p> <p>(d) a reference, if relevant, to the third-party standards or initiatives the undertaking commits to respect through the implementation of the policy;</p> <p>(e) if relevant, a description of the consideration given to the interests of key stakeholders in setting the policy; and</p> <p>(f) if relevant, whether and how the undertaking makes the policy available to potentially affected stakeholders, and stakeholders who need to help implement it.</p>	<p>b) A description of the scope of the policy, <del>or of its exclusions</del>, in terms of activities, upstream and/or downstream value chain, geographies and, if relevant, affected stakeholder groups;</p> <p>c) The most senior level in the undertaking's organisation that is accountable for the implementation of the policy;</p> <p>d) A reference, if relevant, to the third-party standards or initiatives the undertaking commits to respect through the implementation of the policy;</p> <p>e) If relevant, a description of the consideration given to the interest of key stakeholders in setting the policy; and</p> <p>f) If relevant, whether and how the undertaking makes the policy available to potentially affected stakeholders, and stakeholders who need to help implement it.</p>
<p><b>Minimum Disclosure Requirement – Actions MDR-A – Actions and resources in relation to material sustainability matters</b></p> <p>66. The undertaking shall apply the requirements for the content of disclosures in this provision when it describes the actions through which it manages each material sustainability matter including action plans and resources allocated and/or planned.</p>	<p><b>Disclosure Requirement 11 (IR-3) – Policies and actions in relation to sustainability matters</b> <b>(New centralised disclosures on policies and actions)</b></p> <p><del>5. The undertaking shall apply the requirements for the content of disclosures in this provision when it describes the actions through which it manages each material sustainability matter including action plans and resources allocated and/or planned</del> <i>disclose information on its policies adopted and actions that have been taken or that are planned to manage material sustainability matters.</i></p>
<p>67. The objective of this Minimum Disclosure Requirement is to provide an understanding of the key actions taken and/or planned to prevent, mitigate and remediate actual and potential impacts, and to address risks and opportunities, and where applicable achieve the objectives and targets of related policies.</p>	<p><del>6. The objective of this Minimum Disclosure Requirement is to provide an understanding of the key actions taken and/or planned to prevent, mitigate and remediate actual and potential impacts, and to address risks and opportunities, and where applicable achieve the objectives and targets of related policies</del> <i>set the information that shall be provided when reporting on policies and actions in relation to a material matter.</i></p>
<p>68. Where the implementation of a policy requires actions, or a comprehensive action plan, to achieve its objectives, as well as when actions are implemented without a specific policy, the undertaking shall disclose the following information:</p> <p>(a) the list of key actions taken in the reporting year and planned for the future, their expected outcomes and, where relevant, how their implementation contributes to the achievement of policy objectives and targets;</p> <p>(b) the scope of the key actions (i.e., coverage in terms of activities, upstream and/or downstream value chain, geographies and, where applicable, affected stakeholder groups);</p> <p>(c) the time horizons under which the undertaking intends to complete each key action;</p> <p>(d) if applicable, key actions taken (along with results) to provide for and cooperate in or support the provision of remedy for those harmed by actual material impacts;</p> <p>(e) if applicable, quantitative and qualitative information regarding the progress of actions or action plans disclosed in prior periods.</p>	<p><del>9. Where the implementation of a policy requires actions, or a comprehensive action plan, to achieve its objectives, as well as when actions are implemented without a specific policy</del> <i>When providing disclosures on actions</i>, the undertaking shall disclose the following information:</p> <p>a) the list of key actions taken in the reporting year and planned for the future, and their expected outcomes and, where relevant, how their implementation contributes to the achievement of policy objectives and targets;</p> <p>b) the scope of the key actions (i.e., coverage in terms of activities, upstream and/or downstream value chain geographies and, where applicable, affected stakeholder groups);</p> <p>c) the time horizons under which the undertaking intends to complete each key action;</p> <p>d) if applicable, key actions taken (along with results) to provide for and cooperate in or support the provision of remedy for those harmed by actual material impacts;</p> <p>e) if applicable, quantitative and qualitative information regarding the progress of actions or action plans disclosed in prior periods.</p>
<p>69. Where the implementation of an action plan requires significant operational expenditures (Opex) and/or capital expenditures (Capex) the undertaking shall:</p>	<p>10. Where the implementation of an action plan requires significant operational expenditures (Opex) and/or capital expenditures (Capex) the undertaking shall:</p>

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<p>(a) describe the type of current and future financial and other resources allocated to the action plan, including if applicable, the relevant terms of sustainable finance instruments, such as green bonds, social bonds and green loans, the environmental or social objectives, and whether the ability to implement the actions or action plan depends on specific preconditions, e.g., granting of financial support or public policy and market developments;</p> <p>(b) provide the amount of current financial resources and explain how they relate to the most relevant amounts presented in the financial statements; and</p> <p>(c) provide the amount of future financial resources.</p>	<p>a) describe the type of current and future financial and other resources allocated to the action plan, including if applicable, the relevant terms of sustainable finance instruments, such as green bonds, social bonds and green loans, the environmental or social objectives, and whether the ability to implement the actions or action plan depends on specific preconditions, e.g., granting of financial support or public policy and market developments;</p> <p>b) provide the amount of current financial resources and explain how they relate to the most relevant amounts presented in the financial statements; and</p> <p>c) provide the amount of future financial resources.</p>
<p><b>5. Metrics and targets</b></p>	<p><b>5. Metrics and targets</b></p>
<p>70. This chapter sets out Minimum Disclosure Requirements that shall be included when the undertaking discloses information on its metrics and targets related to each material sustainability matter. They shall be applied together with the Disclosure Requirements, including Application Requirements, provided in the relevant topical ESRS. They shall also be applied when the undertaking prepares entity-specific disclosures.</p>	<p><del>70. This chapter sets out Minimum Disclosure Requirements that shall be included when the undertaking discloses information on its metrics and targets related to each material sustainability matter. They shall be applied together with the Disclosure Requirements, including Application Requirements, provided in the relevant topical ESRS. They shall also be applied when the undertaking prepares entity-specific disclosures.</del></p>
<p>71. The corresponding disclosures shall be located alongside disclosures prescribed by the topical ESRS.</p>	<p><del>71. The corresponding disclosures shall be located alongside disclosures prescribed by the topical ESRS.</del></p>
<p>72. If the undertaking cannot disclose the information on targets required under the relevant topical ESRS, because it has not set targets with reference to the specific sustainability matter concerned, it shall disclose this to be the case, and provide reasons for not having adopted targets. The undertaking may disclose a timeframe in which it aims to adopt them.</p>	<p><del>72. If the undertaking cannot disclose the information on targets required under the relevant topical ESRS, because it has not set targets with reference to the specific sustainability matter concerned, it shall disclose this to be the case, and provide reasons for not having adopted targets. The undertaking may disclose a timeframe in which it aims to adopt them.</del></p>
<p><b>Minimum disclosure requirement – Metrics MDR-M – Metrics in relation to material sustainability matters</b></p>	<p><del><b>Minimum disclosure requirement – Metrics MDR-M – Metrics in relation to material sustainability matters</b></del></p>
<p><b>Minimum Disclosure Requirement – Targets MDR-T – Tracking effectiveness of policies and actions through targets</b></p>	<p><b>Disclosure Requirement 12 (IR-4) – Targets in relation to sustainability matters (New centralised disclosures on targets) (LSME “report if you have” pugged in component)</b></p>
<p>78. The undertaking shall apply the requirements for the content of disclosures in this provision when it discloses information about the targets it has set with regard to each material sustainability matter.</p>	<p><del>78. The undertaking shall apply the requirements for the content of disclosures in this provision when it discloses information about the targets it has set with regard to each material sustainability matter. – 15. If the undertaking has set sustainability-related targets, it shall disclose information about these targets.</del></p>
<p>79. The objective of this Minimum Disclosure Requirement is to provide for each material sustainability matter an understanding of:</p> <p>(a) whether and how the undertaking tracks the effectiveness of its actions to address material impacts, risks and opportunities, including the metrics it uses to do so;</p> <p>(b) measurable time-bound outcome-oriented targets set by the undertaking to meet the policy's objectives, defined in terms of expected results for people, the environment or the undertaking regarding material impacts, risks and opportunities;</p> <p>(c) the overall progress towards the adopted targets over time;</p> <p>(d) in the case that the undertaking has not set measurable time-bound outcome-oriented targets, whether and how it nevertheless tracks the effectiveness of its actions to address</p>	<p><del>79. The objective of this Minimum Disclosure Requirement is to provide for each material sustainability matter an understanding of:</del></p> <p><del>(a) whether and how the undertaking tracks the effectiveness of its actions to address material impacts, risks and opportunities, including the metrics it uses to do so;</del></p> <p><del>(b) measurable time-bound outcome-oriented targets set by the undertaking to meet the policy's objectives, defined in terms of expected results for people, the environment or the undertaking regarding material impacts, risks and opportunities;</del></p> <p><del>(c) the overall progress towards the adopted targets over time;</del></p> <p><del>(d) in the case that the undertaking has not set measurable time-bound outcome-oriented targets, whether and how it nevertheless tracks the effectiveness of its actions to address</del></p>

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<p>material impacts, risks and opportunities and measures the progress in achieving its policy objectives; and (e) whether and how stakeholders have been involved in target setting for each material sustainability matter.</p>	<p><del>material impacts, risks and opportunities and measures the progress in achieving its policy objectives; and (e) whether and how stakeholders have been involved in target setting for each material sustainability matter.</del> 16. <i>The objective of this Disclosure Requirement is to provide an understanding on how the undertaking has set measurable time-oriented targets to monitor progresses overtime and track effectiveness of its actions in relation to material sustainability impacts and risks, if such targets have been implemented.</i></p>
<p>80. The undertaking shall disclose the measurable, outcome-oriented and time-bound targets on material sustainability matters it has set to assess progress. For each target, the disclosure shall include the following information:</p> <p>(a) a description of the relationship of the target to the policy objectives; (b) the defined target level to be achieved, including, where applicable, whether the target is absolute or relative and in which unit it is measured;</p> <p>(c) the scope of the target, including the undertaking's activities and/or its upstream and/or downstream value chain where applicable and geographical boundaries; (d) the baseline value and base year from which progress is measured; (e) the period to which the target applies and if applicable, any milestones or interim targets;</p> <p>(f) the methodologies and significant assumptions used to define targets, including where applicable, the selected scenario, data sources, alignment with national, EU or international policy goals and how the targets consider the wider context of sustainable development and/or local situation in which impacts take place; (g) whether the undertaking's targets related to environmental matters are based on conclusive scientific evidence; (h) whether and how stakeholders have been involved in target setting for each material sustainability matter; (i) any changes in targets and corresponding metrics or underlying measurement methodologies, significant assumptions, limitations, sources and processes to collect data adopted within the defined time horizon. This includes an explanation of the rationale for those changes and their effect on comparability (see Disclosure Requirement BP-2 Disclosures in relation to specific circumstances of this Standard); and (j) the performance against its disclosed targets, including information on how the target is monitored and reviewed and the metrics used, whether the progress is in line with what had been initially planned, and an analysis of trends or significant changes in the performance of the undertaking towards achieving the target.</p>	<p><del>The undertaking shall disclose the measurable, outcome-oriented and time-bound targets on material sustainability matters it has set to assess progress. For each target, the disclosure shall include the following information:</del> 17. <i>If the undertaking has implemented targets with regards to each material sustainability matter, it shall disclose the following:</i></p> <p>a) <del>a description of the relationship of the target to the relevant policy objectives;</del> b) the defined <del>target</del> level of ambition (<i>quantitative and qualitative depending on the nature of the target</i>) to be achieved, including, where applicable, whether the target is absolute or relative and in which unit it is measured;</p> <p>c) the scope of the target (<i>operations, upstream and/or downstream value chain, subsidiaries, geographical boundaries or activities</i>); d) <i>if applicable</i>, the baseline value and base year from which progress is measured; e) <del>the period to which the target applies and if applicable, any milestones or interim targets; the timeframe to achieve the target;</del> f) the methodologies and significant assumptions used to define targets, including where applicable, the selected scenario, data sources, alignment with <i>science-based methodologies</i>, and national, EU or international policy goals <del>and how the targets consider the wider context of sustainable development and/or local situation in which impacts take place;</del></p> <p>g) any changes in targets and corresponding metrics or underlying measurement methodologies, <i>and significant assumptions limitations, sources and processes to collect data adopted within the defined time horizon</i> <del>This includes</del> <i>together with</i> an explanation of the rationale for those changes and their effect on comparability (see Disclosure Requirement BP-2 Disclosures in relation to specific circumstances of this Standard);</p> <p>h) <del>(j) the performance against its disclosed targets, including information on how the target is monitored and reviewed and the metrics used, whether the progress is in line with what had been initially planned, and an analysis of trends or significant changes in the performance of the undertaking towards achieving the target.</del> <i>the overall progress towards the defined target.</i></p> <p>17. <i>When disclosing the information according to paragraph 66, the undertaking shall consider publicly claimed targets, or targets communicated to investors or lenders.</i></p>

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	<p>18. The targets may cover the undertaking's own operations and/or the value chain.</p> <p>19. When disclosing the information required by paragraph 67, the undertaking shall apply the requirements set in the topic-specific Application Requirements IR 4.</p> <p>20. In particular, the undertaking shall include the datapoint deriving from EU legislation specified in AR 87.</p>
<p>81. If the undertaking has not set any measurable outcome-oriented targets:</p> <p>(a) it may disclose whether such targets will be set and the timeframe for setting them, or the reasons why the undertaking does not plan to set such targets;</p> <p>(b) it shall disclose whether it nevertheless tracks the effectiveness of its policies and actions in relation to the material sustainability-related impact, risk and opportunity, and if so:</p> <p>i. any processes through which it does so;</p> <p>ii. the defined level of ambition to be achieved and any qualitative or quantitative indicators it uses to evaluate progress, including the base period from which progress is measured.</p>	<p><del>81. If the undertaking has not set any measurable outcome-oriented targets:</del></p> <p><del>(a) it may disclose whether such targets will be set and the timeframe for setting them, or the reasons why the undertaking does not plan to set such targets;</del></p> <p><del>(b) it shall disclose whether it nevertheless tracks the effectiveness of its policies and actions in relation to the material sustainability-related impact, risk and opportunity, and if so:</del></p> <p><del>i. any processes through which it does so;</del></p> <p><del>ii. the defined level of ambition to be achieved and any qualitative or quantitative indicators it uses to evaluate progress, including the base period from which progress is measured.</del></p>
<p><b>Appendix A: Application Requirements</b></p>	<p><b>Appendix A: Application Requirements – Section 2 General disclosures</b></p>
<p><b>1. Basis for preparation</b></p>	<p><b>1. Basis for preparation</b></p>
<p><b>Disclosure Requirement BP-1 – General basis for preparation of sustainability statements</b></p> <p>AR 1. When describing to what extent the sustainability statement covers the undertaking's upstream and downstream value chain (see ESRS 1 section 5.1 Reporting undertaking and value chain), the undertaking may distinguish between:</p> <p>(a) the extent to which its materiality assessment of impacts, risks and opportunities extends to its upstream and/or downstream value chain;</p> <p>(b) the extent to which its policies, actions and targets extend to its value chain; and</p> <p>(c) the extent to which it includes upstream and/or downstream value chain data when disclosing on metrics.</p>	<p><b>Disclosure Requirement 1 (BP-1) – General basis for preparation of the sustainability statements</b></p> <p>AR 1. When describing to what extent the sustainability statement covers the undertaking's upstream and downstream value chain (see <i>[draft]</i> Section 1 section 4.1 Reporting undertaking and value chain), the undertaking may distinguish between:</p> <p>(a) the extent to which its materiality assessment of impacts, <i>and</i> risks <del>and opportunities</del> extends to its upstream and/or downstream value chain, <i>with separate identification of how subsidiaries are treated</i>;</p> <p>(b) the extent to which its policies, <i>and</i> actions <del>and targets</del> extend to its value chain, <i>with separate identification of how subsidiaries are treated</i>; and</p> <p>(c) the extent to which it includes upstream and/or downstream value chain data in disclosing on metrics, <i>with separate identification of how subsidiaries are treated</i>.</p>
<p><b>Disclosure Requirement BP-2 – Disclosures in relation to specific circumstances</b></p> <p>AR 2. The undertaking may disclose whether it relies on any European standards approved by the European Standardisation System (ISO/IEC or CEN/CENELEC standards), as well as the extent to which data and processes that are used for sustainability reporting purposes have been verified by an external assurance provider and found to conform to the corresponding ISO/IEC or CEN/CENELEC standard.</p>	<p><b>Disclosure Requirement 2 (BP-2) – Disclosures in relation to specific circumstances</b></p> <p>AR 2. The undertaking may disclose whether it relies on any European standards approved by the European Standardisation System (ISO/IEC or CEN/CENELEC standards), as well as the extent to which data and processes that are used for sustainability reporting purposes have been verified by an external assurance provider and found to conform to the corresponding ISO/IEC or CEN/CENELEC standard.</p>

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<b>2. Governance</b>	<b>2. Governance</b>
<p><b>Disclosure Requirement GOV-1 – The role of the administrative, management and supervisory bodies</b></p> <p>AR 3. In describing the role and responsibilities of the administrative, management and supervisory bodies with regard to sustainability matters, the undertaking may specify:</p> <p>(a) the aspects of sustainability over which oversight is exercised with regard to the environmental, social and governance matters the undertaking may be facing, including:</p> <p>i. any assessment of and changes to sustainability-related aspects of the undertaking's strategy and business model;</p> <p>ii. the identification and assessment of material risks, opportunities and impacts;</p> <p>iii. related policies and targets, action plans and dedicated resources; and</p> <p>iv. sustainability reporting;</p> <p>(b) the form such oversight takes for each of the above aspects: i.e., information, consultation or decision-making; and</p> <p>(c) the way such oversight is organised and formalised, i.e., processes by which the administrative, management and supervisory bodies engage with these aspects of sustainability.</p>	<p><b>Disclosure Requirement 3 (GOV-1) – The role of the administrative, management and supervisory bodies</b></p> <p><b>(AR 3 corresponds with paragraph 21 e) from ESRS 2 General disclosures)</b></p> <p>AR 3. For undertakings with a unitary board, the percentage of independent board members corresponds to the percentage of independent non-executive board members and for undertakings with a dual board, it corresponds to the percentage of independent members of the supervisory body.</p> <p>AR 4. In describing the roles and responsibilities of the administrative, management and supervisory bodies with regard to sustainability matters, the undertaking may specify:</p> <p>(a) the aspects of sustainability over which oversight is exercised, with regard to environmental, social and governance matters the undertaking may be facing, including:</p> <p>i. any assessment of and changes to sustainability-related aspects of the undertaking's strategy and business model;</p> <p>ii. the identification and assessment of material risks, opportunities and impacts;</p> <p>iii. related policies (<i>and targets</i>), action plans and dedicated resources; and</p> <p>iv. sustainability reporting;</p> <p>(b) the form such oversight takes for each of the above aspects: i.e., information, consultation or decision-making; and</p> <p>(c) the way such oversight is organised and formalised, i.e., processes by which the administrative, management and supervisory bodies engage with these aspects of sustainability.</p>
<p>AR 4. In describing the undertaking's organisation of governance regarding sustainability matters, a description of complex governance structure may be complemented by their presentation in the form of a diagram.</p>	<p><del>AR 4. In describing the undertaking's organisation of governance regarding sustainability matters, a description of complex governance structure may be complemented by their presentation in the form of a diagram.</del></p>
<p>AR 5. The description of the level of expertise or access to expertise of the administrative, management and supervisory bodies may be substantiated by illustrating the composition of the bodies, including members on whom these bodies rely for expertise to oversee sustainability matters, and how they leverage that expertise as a body. In the description, the undertaking shall consider how the expertise and skills are relevant to the undertaking's material impacts, risks and opportunities and whether the bodies and/or its members have access to other sources of expertise, such as specific experts and training and other educational initiatives to update and develop sustainability-related expertise within these bodies.</p>	<p>AR 5. The description of the level of expertise or access to expertise of the administrative, management and supervisory bodies may be substantiated by illustrating the composition of the bodies, including members on whom these bodies rely for expertise to oversee sustainability matters, and how they leverage that expertise as a body. In the description, the undertaking shall consider how the expertise and skills are relevant to the undertaking's material impacts, risks and opportunities and whether the bodies and/or its members have access to other sources of expertise, such as specific experts and training and other educational initiatives to update and develop sustainability-related expertise within these bodies.</p>
<p><b>Disclosure Requirement GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies</b></p>	<p><del><b>Disclosure Requirement GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies</b></del></p>
<p><b>Disclosure Requirement GOV-3 – Integration of sustainability-related performance in incentive schemes</b></p>	<p><del><b>Disclosure Requirement GOV-3 – Integration of sustainability-related performance in incentive schemes</b></del></p>



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<b>Disclosure Requirement GOV-4 – Statement on due diligence</b>	<b>Disclosure Requirement GOV-2 – Statement on due diligence</b>  <i>AR 6. This disclosure requirement does not mandate any specific behavioural requirements with regard to due diligence actions and does not extend to or modify the role of administrative, management and supervisory bodies as mandated by other legislation or regulation.</i>
<b>Disclosure Requirement GOV-5 – Risk management and internal controls over sustainability reporting</b>	<b>Disclosure Requirement GOV-5 – Risk management and internal controls over sustainability reporting</b>
<b>3. Strategy</b>	<b>3. Strategy</b>
<b>Disclosure Requirement SBM-1 Strategy, business model and value chain</b>  AR 12. To provide the information on sectors required by paragraph 40, the undertaking shall map its significant activities in accordance with ESRS sectors. If a code for a sub-sector does not exist, the caption “others” shall be used.	<b>Disclosure Requirement 5 (SBM-1) - Strategy, business model and value chain</b>  AR 7. To provide the information on sectors required by paragraph 30, the undertaking shall map its significant activities in accordance with ESRS sectors. If a code for a sub-sector does not exist, the caption “others” shall be used.
AR 13. For the purposes of the disclosures required in paragraph 40, a group of products and/or services offered, a group of markets and/or customer groups served, or an ESRS sector, is significant for the undertaking if it meets one or both of the following criteria: (a) it accounts for more than 10 per cent of the undertaking’s revenue; (b) it is connected with material actual impacts or material potential negative impacts of the undertaking.	AR 8. For the purposes of disclosures required in paragraph 30, a group of products and/or services offered, a group of markets and/or customer groups served, or an ESRS sector, is significant for the undertaking if it meets one or both of the following criteria: (a) It accounts for more than 10 per cent of the undertaking’s revenue; (b) it is connected with material actual impacts or material potential negative impacts of the undertaking.
AR 14. In preparing disclosures relating to its business model and value chain, the undertaking shall consider: (a) its key activities, resources, distribution channels and customer segments; (b) its key business relationships and their key characteristics, including relationships with customers and suppliers; (c) the cost structure and revenue of its business segments, in line with IFRS 8 disclosure requirements in the financial statement, where applicable; (d) the potential impacts, risks and opportunities in its significant sector(s) and their possible relationship to its own business model or value chain.	AR 9. In preparing disclosures relating to its business model and value chain, the undertaking shall consider: (a) its key business relationships, including with customers, and their key characteristics, its key activities, key suppliers, key resources, key distribution channels, and key customer segments <b>(a) and b) from Set 1 merged)</b> ; (b) the cost structure and revenue of its business segments, in line with IFRS 8 disclosure requirements in the financial statements, where applicable; (c) the potential impacts <i>and risks and opportunities</i> in its significant sector(s) and their possible relationship to its own business model(s) or value chain.
AR 15. Contextual information may be particularly relevant for users of the undertaking’s sustainability statement, to understand to what extent the disclosures include upstream and/or downstream value chain information. The description of the main features of the upstream and/or downstream value chain and where applicable the identification of key value chains should support an understanding of how the undertaking applies the requirements of ESRS 1 chapter 5 and the materiality assessment performed by the undertaking in line with ESRS 1 chapter 3. The description may provide a high-level overview of the key features of upstream and/or downstream value chain entities indicating their relative contribution to the undertaking’s performance and position and explaining how they contribute to the value creation of the undertaking.	AR 10. Contextual information may be particularly relevant for users of the undertaking’s sustainability statement, to understand to what extent the reported disclosures include upstream and/or downstream value chain information. The description of the main features of the upstream and/or downstream value chain and where applicable the identification of key value chains should support an understanding of how the undertaking applies the requirements of <i>[draft] Section 1</i> chapter 4 and the materiality assessment performed by the undertaking in line with <i>[draft] Section 1</i> chapter 3. The description may provide a high-level overview of the key features of upstream and/or downstream value chain entities indicating their relative contribution to the undertaking’s performance and position and explaining how they contribute to the value creation of the undertaking.
<b>Disclosure Requirement SBM-2 – Interests and views of stakeholders</b>	<b>Disclosure Requirement 6 (SBM-2) – Interests and views of stakeholders</b>

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AR 16. The views and interests of stakeholders that are expressed as part of the undertaking's engagement with stakeholders through its due diligence process may be relevant to one or more aspects of its strategy or business model. As such, they may affect the undertaking's decisions regarding the future direction of the strategy or business model.	AR 11. <del>If the undertaking engages with stakeholders, their</del> The views and interests that are expressed as part of the undertaking's engagement <del>with stakeholders activities</del> , also through its due diligence process <del>if the undertaking has adopted it</del> , may be relevant to one or more aspects of its strategy or business model. As such, they may affect the undertaking's decisions regarding the future direction of the strategy or business model.																							
<b>Disclosure Requirement SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model</b>  AR 17. When describing where in its upstream and/or downstream value chain material impacts, risks and opportunities are concentrated, the undertaking shall consider: geographical areas, facilities or types of assets, inputs, outputs and distribution channels.	<b>Disclosure Requirement 7 (SMB-3) - Material impacts and risks and their interaction with strategy and business model</b>  AR 12. When describing where in its upstream and/or downstream value chain, <i>including its subsidiaries</i> , material impacts, <del>and risks and opportunities</del> are concentrated, the undertaking shall consider: geographical areas, facilities or types of assets, inputs, outputs and distribution channels.																							
AR 18. This disclosure may be expressed in terms of a single impact, risk or opportunity or by aggregating groups of material impacts, risks and opportunities, when this provides more relevant information and does not obscure material information.	AR 13. This disclosure may be expressed in terms of a single impact or risk (or opportunity) or by aggregating groups of material impacts, <del>and risks and opportunities</del> , when this provides more relevant information and does not obscure material information.																							
<b>CENTRALISED DISCLOSURES OF SBM-3</b>																								
<b>EU LAW Table with all SBM-3 topical related EU Law related Disclosure Requirements</b>																								
<p>AR 14. When disclosing the information required under paragraph 37 of this Section on its material impacts and risks, the undertaking shall disclose the topic specific information reported in the table below.</p> <p>In particular, specifying:</p>																								
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 5%;">ID</th> <th style="width: 65%;">Application Requirement</th> <th style="width: 15%;">Sustainability topic</th> <th style="width: 15%;">EU related Data Points</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td>whether or not it has sites located in or near biodiversity-sensitive areas and whether activities related to these sites negatively affect these areas</td> <td style="text-align: center;">Biodiversity</td> <td style="text-align: center;">SFDR Tab. 1 KPI 7</td> </tr> <tr> <td style="text-align: center;">2</td> <td>whether it has identified material negative impacts with regards to land degradation, desertification or soil sealing</td> <td style="text-align: center;">Biodiversity</td> <td style="text-align: center;">SFDR Tab. 2 KPI 10</td> </tr> <tr> <td style="text-align: center;">3</td> <td>whether it has operations that affect threatened species</td> <td style="text-align: center;">Biodiversity</td> <td style="text-align: center;">SFDR Tab. 2 KPI 14</td> </tr> <tr> <td style="text-align: center;">4</td> <td>operations at significant risk of <i>incidents of forced labour</i> or compulsory labour either in terms of type of operation (such as manufacturing plant) or countries or geographic areas with operations considered at risk;</td> <td style="text-align: center;">Own workforce</td> <td style="text-align: center;">SFDR Tab. 3 KPI 13</td> </tr> </tbody> </table>					ID	Application Requirement	Sustainability topic	EU related Data Points	1	whether or not it has sites located in or near biodiversity-sensitive areas and whether activities related to these sites negatively affect these areas	Biodiversity	SFDR Tab. 1 KPI 7	2	whether it has identified material negative impacts with regards to land degradation, desertification or soil sealing	Biodiversity	SFDR Tab. 2 KPI 10	3	whether it has operations that affect threatened species	Biodiversity	SFDR Tab. 2 KPI 14	4	operations at significant risk of <i>incidents of forced labour</i> or compulsory labour either in terms of type of operation (such as manufacturing plant) or countries or geographic areas with operations considered at risk;	Own workforce	SFDR Tab. 3 KPI 13
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	5	operations at significant risk of incidents of child labour either in terms of type of operation (such as manufacturing plant) or countries or geographic areas with operations considered at risk	Own workforce	SFDR Tab. 3 KPI 12
	6	any geographies (at country level or other levels) or commodities for which there is a significant risk of <b>child labour</b> , or of <b>forced labour</b> or compulsory labour, among workers in the undertaking's value chain	Workers in the value chain	SFDR Tab. 3 KPI 12 and 13
	AR 15. In addition, when disclosing its material impacts and risks, the undertaking shall disclose the additional topic specific information defined in the following paragraphs:			
<p><b>FROM ESRS E1: Disclosure Requirement related to ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model</b></p> <p>18. The undertaking shall explain for each material climate-related risk it has identified, whether the entity considers the risk to be a climate-related physical risk or climate-related transition risk.</p>	<p><b>ENVIRONMENT</b> <b>Climate change</b></p> <p>AR 16. When disclosing the information on material impacts and risks related to climate change, the undertaking shall explain for each climate-related risk it has identified, whether it considers the risk to be a climate-related physical risk or climate-related transition risk.</p>			
<p>19. The undertaking shall describe the resilience of its strategy and business model in relation to climate change. This description shall include:</p> <p>(a) the scope of the resilience analysis;</p> <p>(b) how and when the resilience analysis has been conducted, including the use of climate scenario analysis as referenced in the Disclosure Requirement related to ESRS 2 IRO-1 and the related application requirement paragraphs; and</p> <p>(c) the results of the resilience analysis including the results from the use of scenario analysis.</p>	<p>AR 17. The undertaking shall describe the resilience of its strategy and business model in relation to climate change. This description shall may include:</p> <p>a) the scope of the resilience analysis;</p> <p>b) how and when the resilience analysis has been conducted, including whether climate scenario analysis was used as referenced in the Disclosure Requirement related to IR-1 and the related application requirement paragraphs; and</p> <p>c) the results of the resilience analysis including the results from the use of scenario analysis.</p>			
<p><b>FROM ESRS S1: Disclosure Requirement related to ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model</b></p> <p>14. When fulfilling the requirements of paragraph 48, the undertaking shall disclose whether all people in its own workforce who could be materially impacted by the undertaking are included in the scope of its disclosure under ESRS 2. These material impacts shall include impacts that are connected with the undertaking's own operations and its value chain, including through its products or services, as well as through its business relationships. In addition, the undertaking shall provide the following information:</p> <p>(a) a brief description of the types of employees and non-employees in its own workforce subject to material impacts by its operations, and specify whether they are employees, self-</p>	<p><b>Disclosure Requirement 7 (SMB-3) - Material impacts, and risks and opportunities and their interaction with strategy and business model</b></p> <p><b>SOCIAL</b> <b>FROM ESRS S1: Own workforce</b></p> <p>AR 18. When fulfilling the requirements of paragraph 48, the undertaking shall disclose whether all people in its own workforce who could be materially impacted by the undertaking are included in the scope of its disclosure under ESRS 2. These material impacts shall include impacts that are connected with the undertaking's own operations and its value chain, including through its products or services, as well as through its business relationships. In addition disclosing the information on material impacts and risks related to its own workforce, the undertaking shall provide the following information:</p> <p>a) a brief description of the types of employees and non-employees in its own workforce own workers subject to material impacts by its operations, and specify whether they are employees,</p>			

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<p>employed people, or people provided by third party undertakings primarily engaged in employment activities;</p> <p>(b) in the case of material negative impacts, whether they are either (i) widespread or systemic in contexts where the undertaking operates (for example, child labour or forced labour or compulsory labour in specific countries or regions outside the EU), or (ii) related to individual incidents (for example, an industrial accident or an oil spill);</p> <p>(c) in the case of material positive impacts, a brief description of the activities that result in the positive impacts, the types of employees and non-employees in its own workforce that are positively affected or could be positively affected; the undertaking may also disclose whether the positive impacts occur in specific countries or regions;</p> <p>(d) any material risks and opportunities for the undertaking arising from impacts and dependencies on its own workforce;</p> <p>(e) any material impacts on its own workforce that may arise from transition plans for reducing negative impacts on the environment and achieving greener and climate-neutral operations, including information on the impacts on own workforce caused by the undertaking's plans and actions to reduce carbon emissions in line with international agreements. Impacts, risks and opportunities include restructuring and employment loss as well as opportunities arising from job creation and reskilling or upskilling;</p> <p>(f) operations at significant risk of incidents of forced labour or compulsory labour either in terms of: i. type of operation (such as manufacturing plant); or ii. countries or geographic areas with operations considered at risk;</p> <p>(g) operations at significant risk of incidents of child labour either in terms of: i. type of operation (such as manufacturing plant); or ii. countries or geographic areas with operations considered at risk.</p>	<p><i>individual contractors (i.e. self-employed workers), or workers provided by third party undertakings primarily engaged in employment activities;</i></p> <p>b) in the case of material negative impacts, whether they are widespread or systemic in contexts where the undertaking operates (for example, child labour or forced or compulsory labour in specific countries or regions <del>outside the EU</del>), or <i>whether they are</i> related to individual incidents (for example, an industrial accident or an oil spill);</p> <p><del>(e) in the case of material positive impacts, a brief description of the activities that result in the positive impacts, the types of employees and non-employees in its own workforce that are positively affected or could be positively affected; the undertaking may also disclose whether the positive impacts occur in specific countries or regions;</del></p> <p>c) any material risks <del>and opportunities</del> for the undertaking arising from impacts and dependencies on its own <i>workers</i>;</p> <p>d) any material <i>negative</i> impacts on its own workforce that may arise from transition plans for reducing negative impacts on the environment and achieving greener and climate-neutral operations, including information on the impacts on own workforce caused by the undertaking's plans and actions to reduce carbon emissions in line with international agreements. <del>Impacts, risks and opportunities include restructuring and employment loss as well as opportunities arising from job creation and reskilling or upskilling;</del></p> <p><b>(points (f) and (g) are in the table with centralised EU Law datapoints concerning Disclosure Requirement 7 (SBM-3) – Material impacts and risks and their interaction with strategy and business model(s))</b></p>
<p>15. In describing the main types of people in its own workforce who are or could be negatively affected, based on the materiality assessment set out in ESRS 2 IRO 1, the undertaking shall disclose whether and how it has developed an understanding of how people with particular characteristics, those working in particular contexts, or those undertaking particular activities may be at greater risk of harm.</p>	<p>AR 19. In describing the main types of people in its own workforce who are or could be negatively affected, based on the materiality assessment <del>set out in ESRS 2 IRO 1</del>, the undertaking shall disclose whether and how it has developed an understanding of how people with particular characteristics, those working in particular contexts, or those undertaking particular activities may be at greater risk of harm.</p>
<p>16. The undertaking shall disclose which, if any, of its material risks and opportunities arising from impacts and dependencies on people in its own workforce relate to specific groups of people (for example, particular age groups, or people working in a particular factory or country) rather than to all of its own workforce (for example, a general pay cut, or training offered to all people in its own workforce).</p>	<p>AR 20. The undertaking shall disclose which, if any, of its material risks <del>and opportunities</del> arising from impacts and dependencies on people in its own workforce relate to specific groups of people (for example, particular age groups, or people working in a particular factory or country) rather than to all of its own workforce (for example, a general pay cut, or training offered to all people in its own workforce).</p>

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<p><b>ESRS S2: Disclosure Requirement related to ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model</b></p> <p>11. When fulfilling the requirements of paragraph ESRS 2 SBM-3 paragraph 48, the undertaking shall disclose whether all value chain workers who are likely to be materially impacted by the undertaking, including impacts that are connected with the undertaking's own operations and value chain, including through its products or services , as well as through its business relationships, are included in the scope of its disclosure under ESRS 2. In addition, the undertaking shall provide the following information:</p> <p>10. When responding to ESRS 2 SBM-3 paragraph 48, the undertaking shall disclose:</p> <p>(a) whether and how actual and potential impacts on value chain workers, as identified in ESRS 2 IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities: (i) originate from or are connected to the undertaking's strategy and business models, and (ii) inform and contribute to adapting the undertaking's strategy and business model; and</p> <p>(b) the relationship between on the one hand its material risks and opportunities arising from impacts and dependencies on value chain workers, and on the other hand its strategy and business model.</p> <p>(a) a brief description of the types of value chain workers who could be materially impacted by the undertaking, including impacts that connected with the undertaking's own operations and value chain, including through its products or services, as well as through its business relationships, and specify whether they are:</p> <p>i. workers working on the undertaking site but who are not part of own workforce, i.e., who are not self-employed workers or workers provided by third party undertakings primarily engaged in employment activities (covered through ESRS S1);</p> <p>ii. workers working for entities in the undertaking's upstream value chain (e.g., those involved in the extraction of metals or minerals or harvesting of commodities, in refining, manufacturing or other forms of processing);</p> <p>iii. workers working for entities in the undertaking's downstream value chain (e.g., those involved in the activities of logistics or distribution providers, franchisees, retailers);</p>	<p><b>Disclosure Requirement 7 (SMB-3) - Material impacts, and risks and opportunities and their interaction with strategy and business model</b> <b>FROM ESRS S2: Workers in the value chain</b></p> <p>AR 21. When fulfilling the requirements of paragraph ESRS 2 SBM-3 paragraph 48, the undertaking shall disclose whether all value chain workers who are likely to be materially impacted by the undertaking, including impacts that are connected with the undertaking's own operations and value chain, including through its products or services , as well as through its business relationships, are included in the scope of its disclosure under ESRS 2. In addition, <i>When disclosing the information on material impacts and risks related to workers in the value chain</i>, the undertaking shall provide the following information:</p> <p>40. When responding to ESRS 2 SBM-3 paragraph 48, the undertaking shall disclose:</p> <p>a) whether and how actual and potential <i>negative</i> impacts on value chain workers, <del>as identified in ESRS 2 IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities:</del> (i) originate from or are connected to the undertaking's strategy and business models, and (ii) inform and contribute to adapting the undertaking's strategy and business model; and</p> <p>b) the relationship between <del>on the one hand</del> its material risks and opportunities arising from impacts and dependencies on value chain workers, <del>and on the other hand</del> <i>and</i> its strategy and business model;</p> <p>c) a brief description of the types of value chain workers <del>who could be materially impacted by the undertaking, including impacts that connected with the undertaking's</del> <i>subject to material negative impacts by its own operations or through its upstream and downstream value chain</i>, including those that are particularly vulnerable to negative impacts whether due to inherent characteristics or to the particular context, such as trade unionists, migrant workers, home workers, women or young workers; <b>(merged with point v) below)</b></p> <p><del>i. workers working on the undertaking site but who are not part of own workforce, i.e., who are not self-employed workers or workers provided by third party undertakings primarily engaged in employment activities (covered through ESRS S1);</del></p> <p><del>ii. workers working for entities in the undertaking's upstream value chain (e.g., those involved in the extraction of metals or minerals or harvesting of commodities, in refining, manufacturing or other forms of processing);</del></p> <p><del>iii. workers working for entities in the undertaking's downstream value chain (e.g., those involved in the activities of logistics or distribution providers, franchisees, retailers);</del></p>

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<p>iv. workers working in the operations of a joint venture or special purpose vehicle involving the reporting undertaking;</p> <p>v. workers who (within the prior categories or additionally) are particularly vulnerable to negative impacts whether due to their inherent characteristics or to the particular context, such as trade unionists, migrant workers, home workers, women or young workers.</p> <p>(b) any geographies, at country level or other levels, or commodities for which there is a significant risk of child labour, or of forced labour or compulsory labour, among workers in the undertaking's value chain;</p> <p>(c) in the case of material negative impacts, whether they are either (i) widespread or systemic in contexts where the undertaking operates or has sourcing or other business relationships (e.g., child labour or forced labour in particular commodity supply chains in specific countries or regions), or (ii) related to individual incidents (e.g., an industrial accident or an oil spill) or to specific business relationships. This includes consideration of impacts on value chain workers that may arise from the transition to greener and climate-neutral operations. Potential impacts include impacts associated with innovation and restructuring, closure of mines, increased mining of minerals needed for the transition to a sustainable economy, and solar panel production;</p> <p>(d) in the case of material positive impacts, a brief description of the activities that result in the positive impacts (e.g., updated purchasing practices, capacity-building to supply chain workers), including providing opportunities for the workforce such as job creation and upskilling in the context of a 'just transition', and the types of value chain workers that are positively affected or could be positively affected; the undertaking may also disclose whether the positive impacts occur in specific countries or regions; and</p> <p>(e) any material risks and opportunities for the undertaking arising from impacts and dependencies on value chain workers.</p>	<p><del>iv. workers working in the operations of a joint venture or special purpose vehicle involving the reporting undertaking;</del></p> <p>v. workers who (within the prior categories or additionally) are particularly vulnerable to negative impacts whether due to their inherent characteristics or to the particular context, such as trade unionists, migrant workers, home workers, women or young workers. <b>(merged with point c) above)</b></p> <p><b>(point (b) is in the table with centralised EU Law datapoints concerning Disclosure Requirement 7 (SBM-3) – Material impacts and risks and their interaction with strategy and business model(s))</b></p> <p>d) in the case of material negative impacts, whether they are either (i) widespread or systemic in contexts where the undertaking operates or has sourcing or other business relationships (e.g., child labour or forced labour in particular commodity supply chains in specific countries or regions), or (ii) related to individual incidents (e.g., an industrial accident or an oil spill) or to specific business relationships. This includes consideration of impacts on value chain workers that may arise from the transition to greener and climate-neutral operations. <del>Potential impacts include impacts associated with innovation and restructuring, closure of mines, increased mining of minerals needed for the transition to a sustainable economy, and solar panel production;</del></p> <p><del>(d) in the case of material positive impacts, a brief description of the activities that result in the positive impacts (e.g., updated purchasing practices, capacity-building to supply chain workers), including providing opportunities for the workforce such as job creation and upskilling in the context of a 'just transition', and the types of value chain workers that are positively affected or could be positively affected; the undertaking may also disclose whether the positive impacts occur in specific countries or regions; and</del></p> <p><b>(e) any material risks and opportunities for the undertaking arising from impacts and dependencies on value chain workers.</b></p>
<p>12. In describing the main types of value chain workers who are or could be negatively affected, based on the materiality assessment set out in ESRS 2 IRO-1, the undertaking shall disclose whether and how it has developed an understanding of how workers with particular characteristics, those working in particular contexts, or those undertaking particular activities may be at greater risk of harm.</p>	<p>AR 22. In describing the main types of people in its <i>own workforce</i> who are or could be negatively affected, based on the materiality assessment <del>set out in ESRS 2 IRO-1</del>, the undertaking shall disclose whether and how it has developed an understanding of how people with particular characteristics, those working in particular contexts, or those undertaking particular activities may be at greater risk of harm.</p>
<p>13. The undertaking shall disclose which, if any, of its material risks and opportunities arising from impacts and dependencies on its value chain workers relate to specific groups of value chain workers (for example, particular age groups, workers in a particular factory or country) rather than to all of the value chain workers.</p>	<p>AR 23. The undertaking shall disclose which, if any, of its material risks <del>and opportunities</del> arising from impacts and dependencies on its value chain workers relate to specific groups of value chain workers (for example, particular age groups, or people working in a particular factory or country) rather than to all of the value chain workers.</p>
<p><b>ESRS S3: Disclosure Requirement related to ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model</b></p>	<p><b>Disclosure Requirement 7 (SMB-3) - Material impacts, and risks <del>and opportunities</del> and their interaction with strategy and business model</b></p> <p><b>FROM ESRS S3: Affected communities</b></p>
<p>8. When responding to ESRS 2 SBM-3 paragraph 48, the undertaking shall disclose:</p>	<p>AR 24. <del>8. When responding to ESRS 2 SBM-3 paragraph 48, the undertaking shall disclose:</del></p>

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<p>(a) whether and how actual and potential impacts on affected communities as identified in ESRS2 IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities: (i) originate from or are connected to the undertaking's strategy and business models, and (ii) inform and contribute to adapting the undertaking's strategy and business model; and</p> <p>(b) the relationship between its material risks and opportunities arising from impacts and dependencies on affected communities and its strategy and business model.</p> <p>9. When fulfilling the requirements of paragraph 48, the undertaking shall disclose whether all affected communities who are likely to be materially impacted by the undertaking, including impacts that are connected with the undertaking's own operations and value chain, including through its products or services, as well as through its business relationships, are included in the scope of its disclosure under ESRS 2. In addition, the undertaking shall provide the following information:</p> <p>(a) a brief description of the types of communities subject to material impacts by its own operations or through its upstream and downstream value chain, and specify whether they are:</p> <ul style="list-style-type: none"> <li>i. communities living or working around the undertaking's operating sites, factories, facilities or other physical operations, or more remote communities affected by activities at those sites (for example by downstream water pollution);</li> <li>ii. communities along the undertaking's value chain (for example, those affected by the operations of suppliers' facilities or by the activities of logistics or distribution providers);</li> <li>iii. communities at one or both endpoints of the value chain (for example, at the point of extraction of metals or minerals or harvesting of commodities, or communities around waste or recycling sites);</li> <li>iv. communities of indigenous peoples.</li> </ul> <p>(b) in the case of material negative impacts, whether they are either (i) widespread or systemic in contexts where the undertaking operates or has sourcing or other business relationships (for example, marginalised populations suffering impacts on their health and quality of life in a highly industrialised area), or (ii) related to individual incidents in the undertaking's own operations (e.g., a toxic waste spill affecting a community's access to clean drinking water) or in a specific business relationship (e.g., a peaceful protest by communities against business operations that was met with a violent response from the undertaking's security services). This includes consideration of impacts on affected communities that may arise from the transition to greener and climate-neutral operations. Potential impacts include impacts associated with innovation and restructuring, closure of mines, increased mining of minerals needed for the transition to a sustainable economy and solar panel production;</p>	<p><i>When disclosing the information on material impacts and risks related to affected communities, the undertaking shall provide the following information:</i></p> <p>a) whether and how actual and potential <i>negative</i> impacts on affected communities as identified in ESRS2 IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities: (i) originate from or are connected to the undertaking's strategy and business models, and (ii) inform and contribute to adapting the undertaking's strategy and business model; and</p> <p><del>(b) the relationship between its material risks and opportunities arising from impacts and dependencies on affected communities and its strategy and business model.</del></p> <p><del>9. When fulfilling the requirements of paragraph 48, the undertaking shall disclose whether all affected communities who are likely to be materially impacted by the undertaking, including impacts that are connected with the undertaking's own operations and value chain, including through its products or services, as well as through its business relationships, are included in the scope of its disclosure under ESRS 2. In addition, the undertaking shall provide the following information: (merged with above)</del></p> <p>b) a brief description of the types of communities subject to material impacts by its own operations or through its upstream and downstream value chain, and specify whether they are: <i>that the undertaking may consider for material impacts are:</i></p> <ul style="list-style-type: none"> <li>i. communities living or working around the undertaking's operating sites, factories, facilities or other physical operations, or more remote communities affected by activities at of those sites (for example by downstream water pollution);</li> <li>ii. communities along the undertaking's <i>upstream/downstream</i> value chain (for example, those affected by the operations of suppliers' facilities or by the activities of logistics or distribution providers);</li> <li>iii. communities at one or both endpoints of the value chain (for example, at the point of extraction of metals or minerals or harvesting of commodities, or communities around waste or recycling sites);</li> <li>iv. communities of indigenous peoples;</li> </ul> <p>c) in the case of material negative impacts, whether they are (i) widespread or systemic in contexts where the undertaking operates or has sourcing or other business relationships (for example, marginalised populations suffering impacts on their health and quality of life in a highly industrialised area), or (ii) <i>whether they are</i> related to individual incidents <del>in the undertaking's own operations</del> (e.g., a toxic waste spill affecting a community's access to clean drinking water) or to specific business relationships (e.g., a peaceful protest by communities against business operations that was met with a violent response from the undertaking's security services). This includes consideration of impacts on affected communities that may arise from the transition to greener and climate-neutral operations. Potential impacts include impacts associated with innovation and restructuring, closure of mines, increased mining of minerals needed for the transition to a sustainable economy and solar panel production;</p> <p><del>(c) in the case of material positive impacts, a brief description of the activities that result in the positive impacts (for example, capacity building to support more and new forms of local</del></p>

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<p>(c) in the case of material positive impacts, a brief description of the activities that result in the positive impacts (for example, capacity-building to support more and new forms of local livelihoods) and the types of communities that are positively affected or could be positively affected; the undertaking may also disclose whether the positive impacts occur in specific countries or regions; and</p> <p>(d) any material risks and opportunities for the business arising from impacts and dependencies on affected communities.</p> <p>10. In describing the main types of communities who are or could be negatively affected, based on the materiality assessment set out in Disclosure Requirement ESRS 2 IRO-1, the undertaking shall disclose whether and how it has developed an understanding of how affected communities with particular characteristics or those living in particular contexts, or those undertaking particular activities may be at greater risk of harm.</p>	<p><del>livelihoods) and the types of communities that are positively affected or could be positively affected; the undertaking may also disclose whether the positive impacts occur in specific countries or regions; and</del></p> <p><del>(d) any material risks and opportunities for the business arising from impacts and dependencies on affected communities.</del></p> <p>d) in describing the main types of communities who are or could be negatively affected, based on the materiality assessment set out in Disclosure Requirement ESRS 2 IRO-1, the undertaking shall disclose whether and how it has developed an understanding of how affected communities with particular characteristics or those living in particular contexts, or those undertaking particular activities may be at greater risk of harm.</p>
<p>11. The undertaking shall disclose which, if any, of its material risks and opportunities arising from impacts and dependencies on affected communities relate to specific groups of affected communities rather than to all affected communities.</p>	<p>AR 25. The undertaking shall disclose which, if any, of its material risks and opportunities arising from impacts and dependencies on affected communities relate to specific groups of affected communities rather than to all affected communities.</p>
<p><b>ESRS S4: Disclosure Requirement related to ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model</b></p> <p>9. When responding to ESRS 2 SBM-3 paragraph 48, the undertaking shall disclose:</p> <p>(a) whether and how actual and potential impacts on consumers and/or end-users as identified in Disclosure Requirements ESRS 2 IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities: (i) originate from or are connected to the undertaking's strategy and business model, and (ii) inform and contribute to adapting the undertaking's strategy and business model, and</p> <p>(b) the relationship between its material risks and opportunities arising from impacts and dependencies on consumers and/or end-users and its strategy and business model.</p> <p>10. When fulfilling the requirements of paragraph 48, the undertaking shall disclose whether all consumers and/or end-users who are likely to be materially impacted by the undertaking, including impacts connected with the undertaking's own operations and value chain, including through its products or services, as well as through its business relationships, are included in the scope of its disclosure under ESRS 2. In addition, the undertaking shall disclose the following information:</p> <p>(a) a brief description of the types of consumers and/or end-users subject to material impacts by its own operations or through its value chain, and specify whether they are:</p>	<p><b>Disclosure Requirement 7 (SMB-3) - Material impacts, and risks and opportunities and their interaction with strategy and business model</b></p> <p><b>FROM ESRS S4: Consumers and end-users</b></p> <p><del>AR 26. 9. When responding to ESRS 2 SBM-3 paragraph 48, the undertaking shall disclose: When disclosing the information on material impacts and risks related to consumer and/or end-users, the undertaking shall provide the following information:</del></p> <p><del>a) whether and how actual and potential negative impacts on consumers and/or end-users as identified in Disclosure Requirements ESRS 2 IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities: (i) originate from or are connected to the undertaking's strategy and business model, and (ii) inform and contribute to adapting the undertaking's strategy and business model; and</del></p> <p><del>(b) the relationship between its material risks and opportunities arising from impacts and dependencies on consumers and/or end-users and its strategy and business model.</del></p> <p><del>10. When fulfilling the requirements of paragraph 48, the undertaking shall disclose whether all consumers and/or end-users who are likely to be materially impacted by the undertaking, including impacts connected with the undertaking's own operations and value chain, including through its products or services, as well as through its business relationships, are included in the scope of its disclosure under ESRS 2. In addition, the undertaking shall disclose the following information: (merged above)</del></p> <p><del>b) a brief description of the types of consumers and/or end-users subject to material impacts by its own operations or through its value chain, and specify whether they are: that the undertaking may consider for material impacts are:</del></p>



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<p>i. consumers and/or end-users of products that are inherently harmful to people and/or increase risks for chronic disease;</p> <p>ii. consumers and/or end-users of services that potentially negatively impact their rights to privacy, to have their personal data protected, to freedom of expression and to non-discrimination;</p> <p>iii. consumers and/or end-users who are dependent on accurate and accessible product- or service- related information, such as manuals and product labels, to avoid potentially damaging use of a product or service;</p> <p>iv. consumers and/or end-users who are particularly vulnerable to health or privacy impacts or impacts from marketing and sales strategies, such as children or financially vulnerable individuals;</p> <p>(b) in the case of material negative impacts, whether they are either (i) widespread or systemic in contexts where the undertaking sells or provides its products or services (for example, state surveillance that affects the privacy of service users), or (ii) related to individual incidents (for example, a defect linked to a particular product) or to specific business relationships (for example, a business partner uses marketing that inappropriately targets young consumers);</p> <p>(c) in the case of material positive impacts, a brief description of the activities that result in the positive impacts (for example, product design that improves its accessibility for persons with disabilities) and the types of consumers and/or end-users that are positively affected or could be positively affected; the undertaking may also disclose whether the positive impacts occur in specific countries or regions; and</p> <p>(d) any material risks and opportunities for the business arising from impacts and dependencies on consumers and/or end-users.</p> <p>11. In describing the main types of consumers and/or end-users who are or could be negatively affected, based on the materiality assessment set out in ESRS 2 IRO-1, the undertaking shall disclose whether and how it has developed an understanding of how consumers and/or end-users with particular characteristics, or those using particular products or services, may be at greater risk of harm.</p>	<p>i. consumers and/or end-users of products that are inherently harmful to people and/or increase risks for chronic disease;</p> <p>ii. consumers and/or end-users of services <del>that</del> <i>with</i> potentially negatively impact <del>their</del> <i>on</i> rights to privacy, <del>to have their personal data protected, to freedom of expression and to non-discrimination;</del> <i>protection</i> protected, <del>to</del> freedom of expression and <del>to</del> non-discrimination;</p> <p>iii. consumers and/or end-users who are dependent on accurate and accessible product- or service- related information, such as manuals and product labels, to avoid potentially damaging use of a product or service;</p> <p>iv. consumers and/or end-users who are particularly vulnerable to health or privacy <i>negative</i> impacts or <i>negative</i> impacts from marketing and sales strategies, such as children or financially vulnerable individuals;</p> <p>c) in the case of material negative impacts, whether they are <del>either (i)</del> <i>either (i)</i> widespread or systemic in contexts where the undertaking operates or sells or provides its products or services (for example, state surveillance that affects the privacy of service users), or <del>(ii) whether they are</del> <i>(ii) whether they are</i> related to individual incidents (for example, a defect linked to a particular product) or to specific business relationships (for example, a business partner uses marketing that inappropriately targets young consumers);</p> <p><del>(c) in the case of material positive impacts, a brief description of the activities that result in the positive impacts (for example, product design that improves its accessibility for persons with disabilities) and the types of consumers and/or end-users that are positively affected or could be positively affected; the undertaking may also disclose whether the positive impacts occur in specific countries or regions; and</del></p> <p><del>(d) any material risks and opportunities for the business arising from impacts and dependencies on consumers and/or end-users.</del></p> <p>d) in describing the main types of consumers and end-users who are or could be negatively affected, based on the materiality assessment <del>set out in ESRS 2 IRO-1</del>, the undertaking shall disclose whether and how it has developed an understanding of how consumers and end-users with particular characteristics or those using particular products or services may be at greater risk of harm.</p>
<p>12. The undertaking shall disclose which, if any, of its material risks and opportunities arising from impacts and dependencies on consumers and/or end-users, relate to specific groups of consumers and/or end-users (for example, particular age groups) rather than to all consumers and/or end-users.</p>	<p>AR 27. The undertaking shall disclose which, if any, of its material risks and opportunities arising from impacts and dependencies on consumers and/or end-users, relate to specific groups of consumers and/or end-users (for example, particular age groups) rather than to all consumers and/or end-users.</p>
<p><b>FROM ESRS E1: Disclosure requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material climate-related impacts, risks and opportunities</b></p>	<p><b>Disclosure Requirement 9 (IR-1) – Description of the processes to identify and assess material impacts and risks</b></p>

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<p>20. The undertaking shall describe the process to identify and assess climate-related impacts, risks and opportunities. This description shall include its process in relation to:</p> <p>(a) impacts on climate change, in particular, the undertaking's GHG emissions (as required by Disclosure Requirement ESRS E1-6);</p> <p>(b) climate-related physical risks in own operations and along the upstream and downstream value chain, in particular:</p> <p>i. the identification of climate-related hazards, considering at least high emission climate scenarios; and</p> <p>ii. the assessment of how its assets and business activities may be exposed and are sensitive to these climate-related hazards, creating gross physical risks for the undertaking.</p> <p>(c) climate-related transition risks and opportunities in own operations and along the upstream and downstream value chain, in particular:</p> <p>i. the identification of climate-related transition events, considering at least a climate scenario in line with limiting global warming to 1.5°C with no or limited overshoot; and</p> <p>ii. the assessment of how its assets and business activities may be exposed to these climate-related transition events, creating gross transition risks or opportunities for the undertaking.</p>	<p><i>AR 28. With reference to par. 48 on the processes to identify and assess material impacts and risks, the undertaking shall disclose for material impacts and risks additional topic specific information defined in the following paragraphs.</i></p> <p><b>ENVIRONMENT</b> <b>Climate change</b></p> <p><del>AR 29. The undertaking shall describe</del> <i>When describing</i> the process to identify and assess climate-related impacts, <del>and risks and opportunities. This description shall include its process in relation to:</del> <i>the undertaking shall cover the following:</i></p> <p>a) impacts on climate change, in particular, the undertaking's GHG emissions (as required by <i>[draft] Section 4, Disclosure Requirement E1-3</i>);</p> <p>b) climate-related physical risks (as required by <i>[draft] Section 4, Disclosure Requirement E-1-4</i>) in own operations and along the upstream and downstream value chain, in particular:</p> <p>i. <del>the identification of climate-related hazards, considering at least high emission climate scenarios; and</del></p> <p>ii. <del>the assessment of how its assets and business activities may be exposed and are sensitive to these climate-related hazards, creating gross physical risks for the undertaking.</del></p> <p>c) climate-related transition risks and opportunities <i>(as required by [draft] Section 4, Disclosure Requirement E-1-4)</i> in own operations and along the upstream and downstream value chain, in particular:</p> <p>i. <del>the identification of climate-related transition events, considering at least a climate scenario in line with limiting global warming to 1.5°C with no or limited overshoot; and</del></p> <p>ii. <del>the assessment of how its assets and business activities may be exposed to these climate-related transition events, creating gross transition risks or opportunities for the undertaking.</del></p>
<p>21. When disclosing the information required under paragraphs 20 (b) and 20 (c) the undertaking shall explain how it has used climate-related scenario analysis, including a range of climate scenarios, to inform the identification and assessment of physical risks and transition risks and opportunities over the short-, medium- and long-term.</p>	<p><del>21. When disclosing the information required under paragraphs 20 (b) and 20 (c) the undertaking shall explain how it has used climate-related scenario analysis, including a range of climate scenarios, to inform the identification and assessment of physical risks and transition risks and opportunities over the short-, medium- and long-term.</del></p>
<p>AR 9. When disclosing the information on the processes to identify and assess climate impacts as required under paragraph 20 (a), the undertaking shall explain how it has:</p> <p>(a) screened its activities and plans in order to identify actual and potential future GHG emission sources and, if applicable, drivers for other climate-related impacts (e.g., emissions of black carbon or tropospheric ozone or land-use change) in own operations and along the value chain; and</p> <p>(b) assessed its actual and potential impacts on climate change (i.e., its total GHG emissions).</p>	<p>AR 30. When disclosing the information on the processes to identify and assess climate impacts as required under AR 29 (a), the undertaking shall explain how it has:</p> <p>a) screened its activities and plans in order to identify actual and potential future GHG emission sources and, if applicable, drivers for other climate-related impacts (e.g., emissions of black carbon or tropospheric ozone or land-use change) in own operations and along the value chain; and</p> <p>b) assessed the actual and potential impacts on climate change (i.e., its total GHG emissions) as material in line with the CSRD and SFDR requirements.</p>
<p>AR 10. The undertaking may link the information disclosed under paragraphs 20 (a) and AR 9 to the information disclosed under the following Disclosure Requirements: Disclosure Requirement E1-1, paragraph 16 (d) on locked-in GHG emissions; Disclosure Requirement E1-4 and Disclosure Requirement E1-6.</p>	<p><del>AR 10. The undertaking may link the information disclosed under paragraphs 20 (a) and AR 9 to the information disclosed under the following Disclosure Requirements: Disclosure Requirement E1-1, paragraph 16 (d) on locked-in GHG emissions; Disclosure Requirement E1-4 and Disclosure Requirement E1-6.</del></p>

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<p>AR 11. When disclosing the information on the processes to identify and assess physical risks as required under paragraph 20 (b), the undertaking shall explain whether and how:</p> <p>(a) it has identified climate-related hazards (see table below) over the short-, medium- and long-term and screened whether its assets and business activities may be exposed to these hazards;</p> <p>(b) it has defined short-, medium- and long-term time horizons and how these definitions are linked to the expected lifetime of its assets, strategic planning horizons and capital allocation plans;</p> <p>(c) it has assessed the extent to which its assets and business activities may be exposed and are sensitive to the identified climate-related hazards, taking into consideration the likelihood, magnitude and duration of the hazards as well as the geospatial coordinates (such as Nomenclature of Territorial Units of Statistics-NUTS for the EU territory) specific to the undertaking's locations and supply chains; and</p> <p>(d) the identification of climate-related hazards and the assessment of exposure and sensitivity are informed by high emissions climate scenarios, which may, for example, be based on IPCC SSP5-8.5, relevant regional climate projections based on these emission scenarios, or NGFS (Network for Greening the Financial System) climate scenarios with high physical risk such as "Hot house world" or "Too little, too late". For general requirements regarding climate-related scenario analysis see paragraphs 18, 19, AR 13 to AR 15.</p> <p><b>TABLE OF CLASSIFICATION OF CLIMATE RELATED HAZARDS</b></p>	<p>AR 31. When disclosing the information on the processes to identify and assess physical risks as required under AR 29 (b), the undertaking shall explain whether and how:</p> <p>a) it has identified climate-related hazards (see table below) over the short-, medium- and long-term and screened whether its assets and business activities may be exposed to these hazards;</p> <p>b) it has defined short-, medium- and long-term time horizons and how these definitions are linked to the expected lifetime of its assets, strategic planning horizons and capital allocation plans;</p> <p>c) it has assessed the extent to which its assets and business activities may be exposed and are sensitive to the identified climate-related hazards, taking into consideration the likelihood, magnitude and duration of the hazards as well as the geospatial coordinates (such as Nomenclature of Territorial Units of Statistics - NUTS for the EU territory) specific to the undertaking's locations and supply chains; and</p> <p>d) the identification of climate-related hazards and the assessment of exposure and sensitivity are informed by high emissions climate scenarios, for example, based on IPCC SSP5-8.5, relevant regional climate projections based on these emission scenarios, or NGFS (Network for Greening the Financial System) climate scenarios with high physical risk such as "Hot house world" or "Too little, too late". For general requirements regarding climate-related scenario analysis AR 22 and AR 23.</p> <p><b>TABLE OF CLASSIFICATION OF CLIMATE RELATED HAZARDS SAME AS IN SET 1</b></p>
<p>AR 12. When disclosing the information on the processes to identify transition risks and opportunities as required under paragraph 20 (c), the undertaking shall explain whether and how it has:</p> <p>(a) identified transition events (see the table with examples below) over the short-, medium- and long-term and screened whether its assets and business activities may be exposed to these events. In case of transition risks and opportunities, what is considered long-term may cover more than 10 years and may be aligned with climate-related public policy goals;</p> <p>(b) assessed the extent to which its assets and business activities may be exposed and are sensitive to the identified transition events, taking into consideration the likelihood, magnitude and duration of the transition events;</p> <p>(c) informed the identification of transition events and the assessment of exposure by climate-related scenario analysis, considering at least a scenario consistent with the Paris Agreement and limiting climate change to 1.5°C, for example, based on scenarios of the International Energy Agency (Net zero Emissions by 2050, Sustainable Development Scenario, etc), or NGFS (Network for Greening the Financial System) climate scenarios. For the general requirements related to climate-related scenario analysis see paragraphs 18, 19, AR 13 to AR 15; and</p> <p>(d) identified assets and business activities that are incompatible with or need significant efforts to be compatible with a transition to a climate-neutral economy (for example, due to significant</p>	<p>AR 32. When disclosing the information on the processes to identify <i>climate-related</i> transition risks and opportunities and, when it reports on a voluntary basis on opportunities, as required by AR 30 (c), the undertaking shall explain whether and how it has:</p> <p>a) identified transition events (see the table with examples below) over the short-, medium- and long-term and screened whether its assets and business activities may be exposed to these events. In case of transition risks and opportunities, what is considered long-term may cover more than 10 years and may be aligned with climate-related public policy goals;</p> <p>b) assessed the extent to which its assets and business activities may be exposed and are sensitive to the identified transition events, taking into consideration the likelihood, magnitude and duration of the transition events;</p> <p>c) informed the identification of transition events and the assessment of exposure by climate-related scenario analysis, considering at least a scenario consistent with the Paris Agreement and limiting climate change to 1.5°C, for example, based on scenarios of the International Energy Agency (Net zero Emissions by 2050, Sustainable Development Scenario, etc.), or NGFS (Network for Greening the Financial System) climate scenarios. For the general requirements related to climate-related scenario analysis see paragraphs AR 22 and AR 23; and</p> <p>d) identified assets and business activities that are incompatible with or need significant efforts to be compatible with a transition to a climate-neutral economy (for example, due to significant</p>

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<p>locked-in GHG emissions or incompatibility with the requirements for Taxonomy-alignment under Commission Delegated Regulation (EU) 2021/2139).</p> <p><b>TABLE WITH Examples of climate-related transition events (examples based on TCFD classification)</b></p>	<p>locked-in GHG emissions or incompatibility with the requirements for Taxonomy-alignment under Commission Delegated Regulation (EU) 2021/2139).</p> <p><b>SAME TABLE WITH Examples of climate-related transition events (examples based on TCFD classification)</b></p>
<p><b>Climate-related scenario analysis</b></p> <p>AR 13. When disclosing the information required under paragraphs 19, 20, 21, AR 10 and AR 11, the undertaking shall explain how it has used climate-related scenario analysis that is commensurate to its circumstances to inform the identification and assessment of physical and transition risks and opportunities over the short-, medium- and long-term, including:</p> <p>(a) which scenarios were used, their sources and alignment with state-of-the-art science;</p> <p>(b) narratives, time horizons, and endpoints used with a discussion of why it believes the range of scenarios used covers its plausible risks and uncertainties;</p> <p>(c) the key forces and drivers taken into consideration in each scenario and why these are relevant to the undertaking, for example, policy assumptions, macroeconomic trends, energy usage and mix, and technology assumptions; and</p> <p>(d) key inputs and constraints of the scenarios, including their level of detail (e.g., whether the analysis of physical climate-related risks is based on geospatial coordinates specific to the undertaking's locations or national- or regional-level broad data).</p>	<p><b>Climate-related scenario analysis</b></p> <p>AR 33. When disclosing the information required under paragraphs AR 17 and AR 29, the undertaking shall explain how it has used climate-related scenario analysis that is commensurate to its circumstances to inform the identification and assessment of physical and transition risks and opportunities (<i>voluntary</i>) over the short-, medium- and long-term, including:</p> <p>a) which scenarios were used, their sources and alignment with state-of-the-art science;</p> <p>b) narratives, time horizons, and endpoints used with a discussion of why it believes the range of scenarios used covers its plausible risks and uncertainties;</p> <p>c) the key forces and drivers taken into consideration in each scenario and why these are relevant to the undertaking, for example, policy assumptions, macroeconomic trends, energy usage and mix, and technology assumptions; and</p> <p>d) key inputs and constraints of the scenarios, including their level of detail (e.g., whether the analysis of physical-related risks is based on geospatial coordinates specific to the undertaking's locations or national- or regional-level broad data).</p>
<p>AR 14. When conducting scenario analysis, the undertaking may consider the following guidance: TCFD Technical Supplement on "The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities" (2017); TCFD "Guidance on Scenario Analysis for Non-Financial Companies" (2020); ISO 14091:2021 "Adaptation to climate change — Guidelines on vulnerability, impacts and risk assessment"; any other recognised industry standards such as NGFS (Network for Greening the Financial System); and EU, national, regional and local regulations.</p>	<p>AR 34. When conducting scenario analysis, the undertaking may consider the following guidance: TCFD Technical Supplement on "The Use of Scenario Analysis in Disclosure of Climate Related Risks and Opportunities" (2017); TCFD "Guidance on Scenario Analysis for No-Financial Companies" (2020); ISO 14091:2021 "Adaptation to climate change – Guidelines on vulnerability impacts and risk assessment"; any other recognized industry standards such as NGFS (Network for Greening the Financial System); and EU, national, regional and local regulations.</p>
<p>AR 15. The undertaking shall briefly explain how the climate scenarios used are compatible with the critical climate-related assumptions made in the financial statements.</p>	<p>AR 35. The undertaking shall briefly explain how the climate scenarios used are compatible with the critical climate-related assumptions made in the financial statements.</p>
<p><b>FROM E2: Disclosure Requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material pollution-related impacts, risks and opportunities</b></p> <p>11. The undertaking shall describe the process to identify material impacts, risks and opportunities and shall provide information on:</p> <p>(a) whether the undertaking has screened its site locations and business activities in order to identify its actual and potential pollution-related impacts, risks and opportunities in its own</p>	<p><b>Disclosure Requirement 9 (IR-1) – Description of the processes to identify and assess material impacts and risks</b></p> <p><b>Pollution, Water and marine resources, Biodiversity, Resource use and circular economy</b></p> <p><b>(THE AR BELOW IS A MERGED VERSION OF E2 AND E3)</b></p> <p>AR 36. The undertaking shall describe the process to identify and assess impacts, and risks and opportunities and shall provide information on related to pollution and water and marine resources, including:</p> <p>a) whether the undertaking has screened methodologies, assumptions and tools used to screen its site locations and business activities in order to identify its actual and potential impacts, and risks and opportunities in its own operations and upstream and downstream value chain, and if</p>

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<p>operations and upstream and downstream value chain, and if so, the methodologies, assumptions and tools used in the screening;</p> <p>(b) whether and how the undertaking has conducted consultations, in particular with affected communities.</p>	<p><del>so, the methodologies, assumptions and tools used in the screening</del> <i>related to pollution, water and marine resources, and resource use and circular economy;</i></p> <p>b) <del>whether and how the undertaking has conducted</del> <i>if applicable, the processes for the undertaking's consultations and in particular with affected communities.</i></p>
<p><b>FROM E3: Disclosure Requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities</b></p> <p>8. The undertaking shall describe the process to identify material impacts, risks and opportunities and shall provide information on:</p> <p>(a) whether and how the undertaking it has screened its assets and activities in order to identify its actual and potential water and marine resources-related impacts, risks and opportunities in its own operations and its upstream and downstream value chain, and if so the methodologies, assumptions and tools used in the screening;</p> <p>(b) whether and how it has conducted consultations, in particular, with affected communities.</p>	<p><b><i>Disclosure Requirement 9 (IR-1) – Description of the processes to identify and assess material impacts and risks</i></b></p> <p><b><i>Pollution, Water and marine resources, Biodiversity, Resource use and circular economy</i></b></p> <p><b>PARAGRAPH 8 merged above (E2 AND E3 MERGED)</b></p>
<p><b>FROM E4: Disclosure Requirement related to ESRS 2 IRO-1 Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks, dependencies and opportunities</b></p> <p>17. The undertaking shall describe its process to identify material impacts, risks, dependencies and opportunities. The description of the process shall include whether and how the undertaking:</p> <p>(a) identified and assessed actual and potential impacts on biodiversity and ecosystems at own site locations and in the upstream and downstream value chain, including assessment criteria applied;</p> <p>(b) identified and assessed dependencies on biodiversity and ecosystems and their services at own site locations and in the upstream and downstream value chain, including assessment criteria applied, and, if this assessment includes ecosystem services that are disrupted or likely to be;</p> <p>(c) identified and assessed transition and physical risks and opportunities related to biodiversity and ecosystems, including assessment criteria applied based on its impacts and dependencies;</p> <p>(d) considered systemic risks;</p> <p>(e) conducted consultations with affected communities on sustainability assessments of shared biological resources and ecosystems and, in particular:</p>	<p><b><i>Disclosure Requirement 9 (IR-1) – Description of the processes to identify and assess material impacts and risks</i></b></p> <p><b><i>Pollution, Water and marine resources, Biodiversity, Resource use and circular economy</i></b></p> <p>AR 37. The undertaking shall describe its process to identify material impacts, <del>dependencies and opportunities,</del> <i>and risks related to biodiversity.</i> The description of the process shall include whether and how the undertaking:</p> <p>a) identified and assessed actual and potential impacts on biodiversity and ecosystems at own site locations and in the upstream and downstream value chain, including assessment criteria applied;</p> <p>b) identified and assessed dependencies on biodiversity and ecosystems and their services at own site locations and in the upstream and downstream value chain, including assessment criteria applied, and, if this assessment includes ecosystem services that are disrupted or likely to be;</p> <p>c) identified and assessed transition and physical risks <del>and opportunities related to biodiversity and ecosystems, including assessment criteria applied based on its impacts and dependencies;</del></p> <p>d) considered systemic risks;</p> <p>e) conducted consultations with affected communities <del>on sustainability assessments of shared biological resources and ecosystems and, in particular:</del></p>

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SET 1 ESRS 2 (version July 2023)	LSME ESRS ED Section 2 and 3
<p>i. when a site, a raw material production or sourcing is likely to negatively impact biodiversity and ecosystems, the identification of the specific sites, raw materials production or sourcing with negative or potentially negative impacts on affected communities;</p> <p>ii. when affected communities are likely to be impacted, the undertaking, shall disclose how these communities were involved in the materiality assessment; and</p> <p>iii. with respect to impacts on ecosystem services of relevance to affected communities in its own operations, the undertaking shall indicate how negative impacts may be avoided. If these impacts are unavoidable, the undertaking may indicate its plans to minimise them and implement mitigation measures that aim to maintain the value and functionality of priority services.</p>	<p><del>i. when a site, a raw material production or sourcing is likely to negatively impact biodiversity and ecosystems, the identification of the specific sites, raw materials production or sourcing with negative or potentially negative impacts on affected communities;</del></p> <p><del>ii. when affected communities are likely to be impacted, the undertaking, shall disclose how these communities were involved in the materiality assessment; and</del></p> <p><del>iii. with respect to impacts on ecosystem services of relevance to affected communities in its own operations, the undertaking shall indicate how negative impacts may be avoided. If these impacts are unavoidable, the undertaking may indicate its plans to minimise them and implement mitigation measures that aim to maintain the value and functionality of priority services.</del></p>
<p>18. The undertaking may disclose whether and how it has used biodiversity and ecosystems scenario analysis to inform the identification and assessment of material risks and opportunities over short-, medium- and long-term time horizons. If the undertaking has used such scenario analysis, it may disclose the following information:</p> <p>(a) why the considered scenarios were selected;</p> <p>(b) how the considered scenarios are updated according to evolving conditions and emerging trends; and</p> <p>(c) whether the scenarios are informed by expectations published by authoritative intergovernmental bodies, such as the Convention for Biological Diversity and, where relevant, by scientific consensus, such as that expressed by the Intergovernmental Science-policy Platform on Biodiversity and Ecosystem Services (IPBES).</p>	<p><del>18. The undertaking may disclose whether and how it has used biodiversity and ecosystems scenario analysis to inform the identification and assessment of material risks and opportunities over short-, medium- and long-term time horizons. If the undertaking has used such scenario analysis, it may disclose the following information:</del></p> <p><del>(a) why the considered scenarios were selected;</del></p> <p><del>(b) how the considered scenarios are updated according to evolving conditions and emerging trends; and</del></p> <p><del>(c) whether the scenarios are informed by expectations published by authoritative intergovernmental bodies, such as the Convention for Biological Diversity and, where relevant, by scientific consensus, such as that expressed by the Intergovernmental Science-policy Platform on Biodiversity and Ecosystem Services (IPBES).</del></p>
<p>19. The undertaking shall specifically disclose:</p> <p>(a) whether or not it has sites located in or near biodiversity-sensitive areas and whether activities related to these sites negatively affect these areas by leading to the deterioration of natural habitats and the habitats of species and to the disturbance of the species for which a protected area has been designated; and</p> <p>(b) whether it has been concluded that it is necessary to implement biodiversity mitigation measures, such as those identified in: Directive 2009/147/EC of the European Parliament and of the Council on the conservation of wild birds; Council Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora; an Environmental Impact Assessment (EIA) as defined in Article 1(2), point (g), of Directive 2011/92/EU of the European Parliament and of the Council<sup>83</sup> on the assessment of the effects of certain public and private projects on the environment; and for activities located in third countries, in accordance with equivalent national provisions or international standards, such as the International Finance Corporation (IFC) Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources.</p>	<p>AR 38. The undertaking shall specifically disclose whether or not it has sites located in or near biodiversity-sensitive areas and whether activities related to these sites negatively affect these areas.</p> <p><del>(b) whether it has been concluded that it is necessary to implement biodiversity mitigation measures, such as those identified in: Directive 2009/147/EC of the European Parliament and of the Council on the conservation of wild birds; Council Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora; an Environmental Impact Assessment (EIA) as defined in Article 1(2), point (g), of Directive 2011/92/EU of the European Parliament and of the Council<sup>83</sup> on the assessment of the effects of certain public and private projects on the environment; and for activities located in third countries, in accordance with equivalent national provisions or international standards, such as the International Finance Corporation (IFC) Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources.</del></p>
<p><b>FROM E5: Disclosure Requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material resource use and circular economy-related impacts,</b></p>	<p><b>Disclosure Requirement 9 (IR-1) – Description of the processes to identify and assess material impacts and risks</b></p>

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<p><b>risks and opportunities</b></p> <p>11. The undertaking shall describe the process to identify material impacts, risks and opportunities related to resource use and circular economy, in particular regarding resource inflows, resource outflows and waste, and shall provide information on:</p> <p>(a) whether the undertaking has screened its assets and activities in order to identify its actual and potential impacts, risks and opportunities in its own operations and its upstream and downstream value chain, and if so, the methodologies, assumptions and tools used in the screening;</p> <p>(b) whether and how the undertaking has conducted consultations, in particular, with affected communities.</p>	<p><b><i>Pollution, Water and marine resources, Biodiversity, Resource use and circular economy</i></b></p> <p>AR 39. The undertaking shall describe <del>the</del> <i>its</i> process to identify material impacts, <del>and opportunities related to Resource use and circular economy (E5), in particular regarding resource inflows, resource outflows and waste, and shall provide information on including:</del> <i>and risks and opportunities related to Resource use and circular economy (E5), in particular regarding resource inflows, resource outflows and waste, and shall provide information on including:</i></p> <p><del>a) whether the undertaking has screened methodologies, assumptions and tools used to screen its assets and activities in order to identify its actual and potential impacts, and risks and opportunities in its own operations and its upstream and downstream value chain, and if so, the methodologies, assumptions and tools used in the screening; and</del> <i>a) whether the undertaking has screened methodologies, assumptions and tools used to screen its assets and activities in order to identify its actual and potential impacts, and risks and opportunities in its own operations and its upstream and downstream value chain, and if so, the methodologies, assumptions and tools used in the screening; and</i></p> <p><del>b) whether and how the undertaking has conducted consultations</del> <i>the process for conducting consultations and, in particular, with affected communities.</i></p>
<p><b>E2, E3, E4 AND E5:</b></p> <p><b>E2: Disclosure Requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material pollution-related impacts, risks and opportunities</b></p> <p><b>E3: Disclosure Requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities</b></p> <p><b>E4: Disclosure requirements related to ESRS 2 IRO-1 – Description of the processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities</b></p> <p><b>E5: Disclosure Requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities</b></p>	<p><b>Disclosure Requirement 9 (IR-1) – Description of the processes to identify and assess material impacts and risks</b></p> <p><b><i>Pollution, Water and marine resources, Biodiversity, Resource use and circular economy</i></b></p> <p><b><i>LEAP Approach</i></b> <b><i>(NEXT 3 ARS ARE SIMPLIFIED AND MERGED FROM E2, E3, E4, AND E5)</i></b></p> <p>AR 40. When conducting a materiality assessment on environmental subtopics, the undertaking may consider the four phases below, also known as the LEAP approach:</p> <p>(a) Phase 1: locate where in the own operations and its upstream and downstream value chain the interface with nature takes place;</p> <p>(b) Phase 2: evaluate the environmental-related dependencies and impacts;</p> <p>(c) Phase 3: assess the material risks <del>and opportunities</del>; and</p> <p>(d) Phase 4: prepare and report the results of the materiality assessment.</p>
<p><b>E2:</b> AR 2. The materiality assessment for ESRS E2 corresponds to the first three phases of this LEAP approach. The fourth phase addresses the outcome of the process.</p> <p><b>E3:</b> AR 2. The materiality assessment for ESRS E3 corresponds to the first three phases of this LEAP approach, the fourth phase addresses the outcome of the process.</p> <p><b>E5:</b> AR 2. With regard to ESRS E5, phases 1 and 2 rely mainly on the materiality assessments conducted under ESRS E1 (including energy consumption), ESRS E2 (pollution), ESRS E3 (marine resources, water consumption) and ESRS E4 (biodiversity, ecosystems, raw materials). Indeed, circular economy eventually aims at reducing the environmental impact of the use of products, materials and other resources, minimizing waste and the release of hazardous substances and hence at reducing impacts on nature. This application requirement focuses</p>	<p><b>Merged for E2, E3 and E5</b></p> <p>AR 41. The materiality assessment for such matters corresponds to the first three phases of this LEAP approach, the fourth phase addresses the outcome of the process.</p>

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mainly on the third phase of this LEAP approach, while the fourth phase addresses the outcome of the process.	
<p><b>Disclosure Requirement IRO-2 – Disclosure Requirements in ESRS covered by the undertaking’s sustainability statement</b></p> <p>AR 19. Notwithstanding the basis for the presentation of the information about sustainability matters included in ESRS 1 chapter 8 Structure of sustainability statement, the undertaking may disclose the list of the Disclosure Requirements complied with in preparing the sustainability statement (see paragraph 54) in the general information part or in other parts of the sustainability statement as it deems appropriate. The undertaking may use a content index, i.e., a tabular list of the Disclosure Requirements included in the sustainability statement, with the indication of where they are located (page/paragraphs).</p>	<p><b>Disclosure Requirement 10 (IR-2) – Topics covered by the undertaking’s sustainability statements</b></p> <p>AR 43. Notwithstanding the basis for the presentation of the information about sustainability matters included in <i>[draft]</i> ESRS Section 1 chapter 8 Structure of sustainability statements, the undertaking may disclose the list of the Disclosure Requirements complied with in preparing the sustainability statement (see paragraph XX) in the general information part or in other parts of the sustainability statement as it deems appropriate. The undertaking may use a content index, i.e., a tabular list of the Disclosure Requirements included in the sustainability statement, with the indication of where they are located (page/paragraphs).</p>
<p><b>Appendix B: List of datapoints in cross-cutting and topical standards that derive from other EU legislation</b></p>	<p><b>Appendix B: List of datapoints in cross-cutting and topical standards that derive from other EU legislation</b></p>
<p><b>Appendix C: Disclosure and Application Requirements in Topical ESRS that are applicable in conjunction with ESRS 2 General disclosures</b></p>	<p><b>(SAME LIST BUT MODIFIED TO THE SECTIONS AND PARAGRAPHS OF LSME)</b>  <del>Appendix C: Disclosure and Application Requirements in Topical ESRS that are applicable in conjunction with ESRS 2 General disclosures</del></p>
<p><b>Minimum Disclosure Requirement – Policies MDR-P – Policies adopted to manage material sustainability matters</b></p> <p>AR 20. Due to the interdependency between impacts on people and the environment, risks and opportunities, a single policy may apply to several material sustainability matters, including matters addressed by more than one topical ESRS. For example, if a single policy covers both an environmental matter and a social matter, the undertaking may report on the policy in the environmental section of its sustainability statement. In this case, it should include in the social section a cross-reference to the environmental section where the policy is reported. Equally a policy may be reported in the social section with a cross-reference to it in the environmental section.</p>	<p><b>Appendix A: Application Requirements – Section 3 Policies, Actions and Targets</b></p> <p><b>Disclosure Requirement 11 (IR-3) – Policies and actions in relation to sustainability matters</b></p> <p>AR 1. <i>In disclosing the information on policies and actions, the undertaking may include such a disclosure in a centralised section or divide it and present the relevant disclosure in each sustainability topical section.</i></p> <p>AR 2. <del>Due to the interdependency between impacts on people and the environment, risks and opportunities,</del> A single policy may apply to several material sustainability matters, including matters addressed by more than one topical <i>section of this [draft] ESRS</i>. For example, if a single policy covers both an environmental matter and a social matter, the undertaking may report on the policy in the environmental section of its sustainability statement. In this case, it should include in the social section a cross-reference to the environmental section where the policy is reported. Equally, a policy may be reported in the social section with a cross-reference to the environmental section.</p>
	<p><b>(New AR for SMEs)</b></p> <p>AR 3. <i>SMEs and undertakings with less resources may have few (or no) policies formalised in written documents, but this does not necessarily mean they do not have policies to report on. If the undertaking has not formalised a policy but has implemented actions or defined targets through which the undertaking seeks to address material impacts and risks, it discloses them as actions and/or targets.</i></p> <p><i>As an illustration:</i></p>



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	<p><i>a) if the undertaking has implemented actions for employee management (i.e., to ensure equal treatment or an health and safety management system), but has not formalised a policy, it describes the actions undertaken to address the related material impacts and risks. Furthermore, the undertaking, if applicable, discloses which organisational level has been assigned responsibility for implementing these actions or action plans (i.e., department, management, top management, etc.)</i></p> <p><i>b) if the undertaking has defined targets in relation to material impacts or risks (i.e., to reduce emissions, water consumption, etc.), but has not formalised a policy, it describes these targets and, if applicable, the department or person which is in charge to measure and report progresses against these targets.</i></p>
<p><b>Minimum disclosure requirement – Actions MDR-A – Actions and resources in relation to material sustainability matters</b></p> <p>AR 22. Key actions in the context of this Minimum Disclosure Requirement are those actions that materially contribute to achieving the undertaking's objectives in addressing material impacts, risks and opportunities. For reasons of understandability, key actions may be aggregated where appropriate.</p>	<p>AR 4. Key actions <del>in the context of this Minimum Disclosure Requirement</del> are those actions that materially contribute to achieving the undertakings objectives in addressing material impacts, <del>and risks and opportunities</del>. For reasons of understandability, key actions may be aggregated where appropriate.</p>
<p>AR 23. Information on resource allocation may be presented in the form of a table and broken down between capital expenditure and operating expenditure, and across the relevant time horizons, and between resources applied in the current reporting year and the planned allocation of resources over specific time horizons.</p>	<p>AR 5. Information on resource allocation may be presented in the form of a table and broken down between capital expenditure and operating expenditure, and across the relevant time horizons, and between resources applied in the current reporting year and resources the planned allocation of resources over specific time horizons.</p>
	<p><b>(NEW CENTRALISED DISCLOSURES ON EU LAW TABLE CONTAINING POLICIES AND ACTIONS ACROSS E,S AND G)</b></p> <p>AR 6. When disclosing the information required under paragraphs 3 and 4 of this Section on a material sustainability topic, as a result of its materiality assessment, the undertaking shall disclose additional topic specific information as reported in the table below.</p>

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	ID	Application Requirement	Sustainability topic	Policies – P Actions – A	EU related Data Points
	1	For own workforce, value chain workers, affected communities and consumers and end-users, the undertaking shall describe processes and mechanisms to monitor compliance with the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational enterprises.	Own workforce Workers in the value chain Affected communities Consumers and end-users	P	SFDR Tab. 1 KPI 11
	2	For affected communities and consumers and end-users, the undertaking shall disclose whether and how its policies are aligned with relevant internationally recognised standards, including United Nations (UN) Guiding Principles on Business and Human Rights. The undertaking shall also disclose the extent to which violations in relation to the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises that affected communities and consumers and end-users have been reported in its downstream value chain and, if applicable, an indication of the nature of these.	Affected communities Consumers and end-users	P	SFDR Tab. 1 KPI 10 Benchmark Reg. section 1 and 2 of Annex 2
	3	The undertaking shall disclose if it has adopted policies related to water management	water and marine resources	P	SFDR Tab. 2 KPI 7
	4	If at least one of the sites of the undertaking is located in an area of high-water stress and it is not covered by a policy, the undertaking shall state this to be the case and provide reasons for not having adopted policies. The undertaking may disclose a timeframe in which it aims to adopt it.	water and marine resources	P	SFDR Tab. 2 KPI 8
	5	The undertaking shall specify whether it has adopted policies or practices related to sustainable land / agriculture	biodiversity and ecosystems	P	SFDR Tab. 2 KPI 11
	6	The undertaking shall specifically disclose whether it has adopted biodiversity and ecosystem protection policy covering operational sites owned, leased, or managed in or near a protected area or an area of high biodiversity-value outside protected areas, where an area of high biodiversity value outside protected areas refers to land with high biodiversity value as defined in Article 7b (3) of Directive 98/70/EC of the European Parliament and of the Council and where "protected area" in this specific case means an area designated in the European Environment Agency's Common Database on Designated Areas (CDDA) and in the Natura 2000 network of protected areas set up in accordance with Directives 2009/147/EC and 92/43/EEC	biodiversity and ecosystems	P	SFDR Tab. 2 KPI 14
	7	The undertaking shall specify whether it has adopted policies to address deforestation	biodiversity and ecosystems	P	SFDR Tab. 2 KPI 15
	8	The undertaking shall specify whether it has adopted policies or practices related to sustainable oceans and seas	water and marine resources biodiversity and ecosystems	P	SFDR Tab. 2 KPI 12
	9	The undertaking shall disclose whether or not the undertaking has a grievance/complaints handling mechanism related to employee matters	own workforce	P	SFDR Tab. 3 KPI 5
	10	The undertaking shall state whether it has a workplace accident prevention policy or management system.	own workforce	P	SFDR Tab. 3 KPI 1
	11	The undertaking shall disclose whether and how its policies with regard to its own workforce are aligned with internationally recognised standards, including the United Nations (UN) Guiding Principles on Business and Human Rights	own workforce	P	Benchmark Reg. section 1 and 2 of Annex 2

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SET 1 ESRS 2 (version July 2023)	LSME ESRS ED Section 2 and 3																																																			
	<table border="1"> <thead> <tr> <th>ID</th> <th>Application Requirement</th> <th>Sustainability topic</th> <th>Policies – P Actions – A</th> <th>EU related Data Points</th> </tr> </thead> <tbody> <tr> <td>12</td> <td>The undertaking shall disclose whether and how its policies with regard to its value chain workers are aligned with internationally recognised standards relevant to its own workers, including the United Nations (UN) Guiding Principles on Business and Human Rights. The undertaking shall also disclose the extent to which cases of non-respect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises that involve value chain workers have been reported in its upstream and downstream value chain and, if applicable, an indication of the nature of such cases</td> <td>workers in the value chain</td> <td>P</td> <td>SFDR Tab. 1 KPI 10  Benchmark Reg. section 1 and 2 of Annex 2</td> </tr> <tr> <td>13</td> <td>The undertaking shall disclose whether severe human rights issues and incidents connected to its upstream and downstream value chain, affected communities and consumers and/or end-users have been reported and, if applicable, disclose these.</td> <td>Workers in the value chain  Affected communities  Consumers and end-users</td> <td>A</td> <td>SFDR Tab. 3, KPI 14</td> </tr> <tr> <td>14</td> <td>The undertaking shall also state whether it has a supplier code of conduct</td> <td>workers in the value chain</td> <td>P</td> <td>SFDR Tab. 3 KPI 4</td> </tr> <tr> <td>15</td> <td>The undertaking shall also state whether its policies in relation to own workforce and value chain workers explicitly address trafficking in human beings, forced or compulsory labour and child labour</td> <td>own workforce  workers in the value chain</td> <td>P</td> <td>SFDR Tab. 3 KPI 11</td> </tr> <tr> <td>16</td> <td>The undertaking shall describe its human rights policy commitments</td> <td>own workforce  workers in the value chain  affected communities  consumers and end-users</td> <td>P</td> <td>SFDR Tab. 3 KPI 9</td> </tr> <tr> <td>17</td> <td>Where the undertaking has no policies on the protection of whistle-blowers, it shall state this and whether it has plans to implement them and the timetable for implementation</td> <td>business conduct</td> <td>P</td> <td>SFDR Tab. 3 KPI 6</td> </tr> <tr> <td>18</td> <td>Where the undertaking has policies on anti-corruption or anti-bribery, it shall state if they are consistent with the United Nations Convention against Corruption</td> <td>business conduct</td> <td>P</td> <td>SFDR Tab. 3 KPI 15</td> </tr> <tr> <td>19</td> <td>The undertaking shall disclose its transition plan for climate change mitigation</td> <td>Climate change</td> <td>A</td> <td>Climate Law Benchmark Reg.</td> </tr> <tr> <td>20</td> <td>If the undertaking has set a transition plan, it shall disclose whether or not it is excluded from the EU Paris-aligned Benchmarks</td> <td>Climate change</td> <td>A</td> <td>EBA Pillar 3 Benchmark Reg.</td> </tr> </tbody> </table>	ID	Application Requirement	Sustainability topic	Policies – P Actions – A	EU related Data Points	12	The undertaking shall disclose whether and how its policies with regard to its value chain workers are aligned with internationally recognised standards relevant to its own workers, including the United Nations (UN) Guiding Principles on Business and Human Rights. 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20	If the undertaking has set a transition plan, it shall disclose whether or not it is excluded from the EU Paris-aligned Benchmarks	Climate change	A	EBA Pillar 3 Benchmark Reg.																																																
	<p>AR 7. With reference to paragraph 3 of this Section and in addition to the information required in the table of AR. 6, the undertaking shall on a material sustainability topic, as a result of its materiality assessment, disclose additional topic specific information as defined in the following paragraphs. In particular:</p>																																																			
<p><b>Disclosure Requirement E1-2 – Policies related to climate change mitigation and adaptation</b></p> <p>22. The undertaking shall describe its policies adopted to manage its material impacts, risks and opportunities related to climate change mitigation and adaptation.</p>	<p><b>Disclosure Requirement 11 (IR-3) – Policies and actions in relation to sustainability matters</b> <b>ENVIRONMENT</b> <b>Policies and Actions for Climate change</b> 22. The undertaking shall describe its policies adopted to manage its material impacts, risks and opportunities related to climate change mitigation and adaptation.</p>																																																			

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<p>23. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of its material climate change mitigation and adaptation impacts, risks and opportunities.</p> <p>24. The disclosure required by paragraph 22 shall contain the information on the policies the undertaking has in place to manage its material impacts, risks and opportunities related to climate change mitigation and adaptation in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters.</p> <p>25. The undertaking shall indicate whether and how its policies address the following areas:                      (a) climate change mitigation;                      (b) climate change adaptation;                      (c) energy efficiency;                      (d) renewable energy deployment; and                      (e) other</p>	<p><del>23. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of its material climate change mitigation and adaptation impacts, risks and opportunities.</del></p> <p><del>24. The disclosure required by paragraph 22 shall contain the information on the policies the undertaking has in place to manage its material impacts, risks and opportunities related to climate change mitigation and adaptation in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters.</del></p> <p>AR 8. The undertaking shall indicate whether and how its policies address the following areas:                      (a) climate change mitigation;                      (b) climate change adaptation;                      (c) energy efficiency;                      (d) renewable energy deployment; and                      (e) other.</p>
<p>AR 16. Policies related to either climate change mitigation or climate adaptation may be disclosed separately as their objectives, people involved, actions and resources needed to implement them are different.</p>	<p><del>AR 16. Policies related to either climate change mitigation or climate adaptation may be disclosed separately as their objectives, people involved, actions and resources needed to implement them are different.</del></p>
<p>AR 17. Policies related to climate change mitigation address the management of the undertaking's GHG emissions, GHG removals and transition risks over different time horizons, in its own operations and/or in the upstream and downstream value chain. The requirement under paragraph 14 may relate to stand-alone climate change mitigation policies as well as relevant policies on other matters that indirectly support climate change mitigation including training policies, procurement or supply chain policies, investment policies or product development policies.</p>	<p>Guidance / Additional information for Policies on Climate change</p> <p>AR 9. Policies related to climate change mitigation address the management of the undertaking's GHG emissions, GHG removals and transition risks over different time horizons, in its own operations and/or in the upstream and downstream value chain. <del>The requirement under paragraph 14 may relate to stand-alone climate change mitigation policies as well as relevant policies on other matters that indirectly support climate change mitigation including training policies, procurement or supply chain policies, investment policies or product development policies.</del></p>
<p>AR 18. Policies related to climate change adaptation address the management of the undertaking's physical climate risks and of its transition risks related to climate change adaptation. The requirement under paragraphs 22 and 25 may relate to stand-alone climate change adaptation policies as well as relevant policies on other matters that indirectly support climate change adaptation including training policies, and emergency or health and safety policies.</p>	<p>AR 10. Policies related to climate change adaptation address the management of the undertaking's physical climate risks and climate change adaptation-related transition risks. <del>The requirement under paragraphs 22 and 25 may relate to stand-alone climate change adaptation policies as well as relevant policies on other matters that indirectly support climate change adaptation including training policies, and emergency or health and safety policies.</del></p>
<p><b>Disclosure Requirement E1-3 – Actions and resources in relation to climate change Policies</b></p>	<p><b>Disclosure Requirement 11 (IR-3) – Policies and actions in relation to sustainability matters</b>  <b>ENVIRONMENT</b>  <b>Actions for Climate change</b></p>

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<p>26. The undertaking shall disclose its climate change mitigation and adaptation actions and the resources allocated for their implementation.</p> <p>27. The objective of this Disclosure Requirement is to provide an understanding of the key actions taken and planned to achieve climate-related policy objectives and targets.</p> <p>28. The description of the actions and resources related to climate change mitigation and adaptation shall follow the principles stated in ESRS 2 MDR-A Actions and resources in relation to material sustainability matters.</p> <p>29. In addition to ESRS 2 MDR-A, the undertaking shall:</p> <p>(a) when listing key actions taken in the reporting year and planned for the future, present the climate change mitigation actions by decarbonisation lever including the nature-based solutions;</p> <p>(b) when describing the outcome of the actions for climate change mitigation, include the achieved and expected GHG emission reductions; and</p> <p>(c) relate significant monetary amounts of CapEx and OpEx required to implement the actions taken or planned to:</p> <p>i. the relevant line items or notes in the financial statements;</p> <p>ii. the key performance indicators required under Commission Delegated Regulation (EU) 2021/2178; and</p> <p>iii. if applicable, the CapEx plan required by Commission Delegated Regulation (EU) 2021/2178.</p>	<p><del>26. The undertaking shall disclose its climate change mitigation and adaptation actions and the resources allocated for their implementation.</del></p> <p><del>27. The objective of this Disclosure Requirement is to provide an understanding of the key actions taken and planned to achieve climate-related policy objectives and targets.</del></p> <p><del>28. The description of the actions and resources related to climate change mitigation and adaptation shall follow the principles stated in ESRS 2 MDR-A Actions and resources in relation to material sustainability matters.</del></p> <p><del>29. In addition to ESRS 2 MDR-A, the undertaking shall:</del></p> <p>AR 11. When listing key actions taken in the reporting year and planned for the future, <i>the undertaking shall</i> present the climate change mitigation actions by decarbonisation lever including the nature-based solutions (<i>i.e., energy efficiency, electrification, fuel switching, use of renewable energy, products change, and supply-chain decarbonisation</i>);</p> <p>AR 12. When describing the outcome of the actions for climate change mitigation, <i>the undertaking shall</i> include the achieved and expected GHG emission reductions.</p> <p>AR 13. <i>When disclosing its climate change adaptation and mitigation actions, the undertaking shall</i> relate significant monetary amounts of CapEx and OpEx required to implement the actions to:</p> <p>(a) the relevant line items or notes in the financial statements;</p> <p>(b) the key performance indicators required under Commission Delegated Regulation (EU) 2020/852; and</p> <p>(c) if applicable, the CapEx plan required by Commission Delegated regulation (EU) 2021/2178.</p>
<p>AR 19. When disclosing the information on actions as required under paragraphs 29 (a) and 29 (b), the undertaking may:</p> <p>(a) disclose its key actions taken and/or plans to implement climate change mitigation and adaptation policies in its single or separate actions;</p> <p>(b) aggregate types of mitigation actions (decarbonisation levers) such as energy efficiency, electrification, fuel switching, use of renewable energy, products change, and supply-chain decarbonisation that fit the undertakings' specific actions;</p> <p>(c) disclose the list of key mitigation actions alongside the measurable targets (as required by Disclosure Requirement E1-4) with disaggregation by decarbonisation levers; and</p> <p>(d) disclose the climate change adaptation actions by type of adaptation solution such as nature-based adaptation, engineering, or technological solutions.</p>	<p><del>AR 19. When disclosing the information on actions as required under paragraphs 29 (a) and 29 (b), the undertaking may:</del></p> <p><del>(a) disclose its key actions taken and/or plans to implement climate change mitigation and adaptation policies in its single or separate actions;</del></p> <p><del>(b) aggregate types of mitigation actions (decarbonisation levers) such as energy efficiency, electrification, fuel switching, use of renewable energy, products change, and supply-chain decarbonisation that fit the undertakings' specific actions;</del></p> <p><del>(c) disclose the list of key mitigation actions alongside the measurable targets (as required by Disclosure Requirement E1-4) with disaggregation by decarbonisation levers; and</del></p> <p><del>(d) disclose the climate change adaptation actions by type of adaptation solution such as nature-based adaptation, engineering, or technological solutions.</del></p>

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<p>AR 20. When disclosing the information on resources as required under paragraph 29 (c), the undertaking shall only disclose the significant OpEx and CapEx amounts required for the implementation of the actions as the purpose of this information is to demonstrate the credibility of its actions rather than to reconcile the disclosed amounts to the financial statements. The disclosed CapEx and OpEx amounts shall be the additions made to both tangible and intangible assets during the current financial year as well as the planned additions for future periods of implementing the actions. The disclosed amounts shall only be the incremental financial investments directly contributing to the achievement of the undertaking's targets.</p>	<p>AR 14. When disclosing the information on resources <del>as required under paragraph 29 (c), if applicable</del>, the undertaking shall only disclose the significant OpEx and CapEx amounts required for the implementation of the actions <i>related to climate change</i>, as the purpose of this information is to demonstrate the credibility of its actions rather than to reconcile the disclosed amounts to the financial statements. The disclosed CapEx and OpEx amounts shall be the additions made to both tangible and intangible assets during the current financial year as well as the planned additions for future periods of implementing the actions. The disclosed amounts shall only be the incremental financial investments directly contributing to the achievement of the undertaking's targets.</p>
<p>AR 21. In line with the requirements of ESRS 2 MDR-A, the undertaking shall explain if and to what extent its ability to implement the actions depends on the availability and allocation of resources. Ongoing access to finance at an affordable cost of capital can be critical for the implementation of the undertaking's actions, which include its adjustments to supply/demand changes or its related acquisitions and significant research and development (R&amp;D) investments.</p>	<p><del>AR 21. In line with the requirements of ESRS 2 MDR-A, the undertaking shall explain if and to what extent its ability to implement the actions depends on the availability and allocation of resources. Ongoing access to finance at an affordable cost of capital can be critical for the implementation of the undertaking's actions, which include its adjustments to supply/demand changes or its related acquisitions and significant research and development (R&amp;D) investments.</del></p>
<p>AR 22. The amounts of OpEx and CapEx required for the implementation of the actions disclosed under paragraph 29 (c) shall be consistent with the key performance indicators (CapEx and OpEx key performance indicators) and, if applicable, the CapEx plan required by Commission Delegated Regulation (EU) 2021/2178. The undertaking shall explain any potential differences between the significant OpEx and CapEx amounts disclosed under this Standard and the key performance indicators disclosed under Commission Delegated Regulation (EU) 2021/2178 due to, for instance, the disclosure of non-eligible economic activities as defined in that delegated regulation. The undertaking may structure its actions by economic activity to compare its OpEx and CapEx, and if applicable its OpEx and/or CapEx plans to its Taxonomy-aligned key performance indicators.</p>	<p>AR 15. The amounts of OpEx and CapEx required for the implementation of the <del>actions disclosed</del> <i>under paragraph 29 (c) related to climate change</i> shall be consistent with the key performance indicators (<i>proportion of CapEx and OpEx</i>) and, if applicable, the CapEx plan mentioned by Commission Delegated Regulation (EU) 2021/2178. The undertaking shall explain any potential differences between the significant OpEx and CapEx amounts disclosed under this Standard and the key performance indicators disclosed under Commission Delegated Regulation (EU) 2021/2178 due to, for instance, the disclosure of non-eligible economic activities as defined in that delegated regulation. The undertaking may structure its actions by economic activity to compare its OpEx and CapEx, and if applicable its OpEx and/or CapEx plans to its Taxonomy-aligned key performance indicators.</p>
	<p><b>(taken from ESRS E1 Disclosure Requirement E1-1 – Transition plan for climate change mitigation par. 16 a), f) and g))</b>            AR 16. If the undertaking has set a transition plan for climate change mitigation, it shall include:            (a) on GHG emission reduction targets (as required by Disclosure Requirement E1-4), an explanation of how the undertaking's targets are compatible with the limiting of global warming to 1.5°C in line with the Paris Agreement;            (b) for undertakings with economic activities that are covered by delegated regulations on climate adaptation or mitigation under the Taxonomy Regulation, an explanation of any objective or plans (CapEX, CapEx plans, OpEx) that the undertaking has for aligning its economic activities (revenues, CapEx, OpEx) with the criteria established in those delegated regulations; and            (c) if applicable, a disclosure of significant CapEx amounts invested during the reporting period related to coal, oil and gas-related economic activities.</p>
<p><b>Disclosure Requirement E2-1 – Policies related to pollution</b></p>	<p><b><i>Policies and Actions for Pollution</i></b></p>

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<p>12. The undertaking shall describe its policies adopted to manage its material impacts, risks and opportunities related to pollution prevention and control.</p> <p>13. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of material pollution-related impacts, risks and opportunities.</p> <p>14. The disclosure required by paragraph 12 shall contain the information on the policies the undertaking has in place to manage its material impacts, risks and opportunities related to pollution in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters.</p> <p>15. The undertaking shall indicate, with regard to its own operations and its upstream and downstream value chain, whether and how its policies address the following areas where material: (a) mitigating negative impacts related to pollution of air, water and soil including prevention and control; (b) substituting and minimising the use of substances of concern, and phasing out substances of very high concern, in particular for non-essential societal use and in consumer products; and (c) avoiding incidents and emergency situations, and if and when they occur, controlling and limiting their impact on people and the environment.</p>	<p><del>12. The undertaking shall describe its policies adopted to manage its material impacts, risks and opportunities related to pollution prevention and control.</del></p> <p><del>13. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of material pollution-related impacts, risks and opportunities.</del></p> <p><del>14. The disclosure required by paragraph 12 shall contain the information on the policies the undertaking has in place to manage its material impacts, risks and opportunities related to pollution in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters.</del></p> <p><i>AR 17. When describing its policies on pollution, the undertaking shall indicate whether and how its policies address the following areas, where material:</i> (a) mitigating negative impacts related to pollution of air, water and soil including prevention and control; (b) substituting and minimising the use of substances of concern and phasing out substances of very high concern, in particular for non-essential societal use and in consumer products; and (c) avoiding incidents and emergency situations, and if and when they occur, controlling and limiting their impact on the people and the environment.</p>
<p>AR 10. The policies described under this Disclosure Requirement may be integrated in broader environmental or sustainability policies covering different subtopics.</p>	<p><del>AR 10. The policies described under this Disclosure Requirement may be integrated in broader environmental or sustainability policies covering different subtopics.</del></p>
<p>AR 11. The description of the policies shall include information on the pollutant(s) or substance(s) covered.</p>	<p>AR 18. <i>When describing its policies on pollution, the undertaking shall consider</i> include including information on the pollutant(s) or substance(s) covered.</p>
<p>AR 12. When disclosing information under paragraph 11, the undertaking may include contextual information on the relations between its policies implemented and how they may contribute to the EU Action Plan “Towards a Zero Pollution for Air, Water and Soil” with for instance elements on: (a) how it is or may be affected by the targets and measures of the EU Action Plan and the revision of existing directives (e.g., the Industrial Emissions Directive); (b) how it intends to reduce its pollution footprint to contribute to these targets.</p>	<p><b>Guidance / Additional information for Policies on Pollution</b></p> <p>AR 19. When disclosing information <i>on policies related to pollution</i>, the undertaking may include contextual information on the relations between its policies implemented and how they may contribute to the EU Action Plan “Towards a Zero Pollution for Air, Water and Soil” with for instance elements on: (a) how it is or may be affected by the targets and measures of the EU Action Plan and the revision of existing directives (e.g., the Industrial Emissions Directive); (b) how it intends to reduce its pollution footprint to contribute to these targets.</p>
<p><b>Disclosure Requirement E3-1 – Policies related to water and marine resources</b></p>	<p><b>Policies and Actions for Water and marine resources</b></p>
<p>9. The undertaking shall describe its policies adopted to manage its material impacts, risks and opportunities related to water and marine resources.</p>	<p><del>9. The undertaking shall describe its policies adopted to manage its material impacts, risks and opportunities related to water and marine resources.</del></p>
<p>10. The objective of this Disclosure Requirement is to enable an understanding of the extent to</p>	<p><del>10. The objective of this Disclosure Requirement is to enable an understanding of the extent to</del></p>

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<p>which the undertaking has policies that address the identification, assessment, management and/or remediation of its material water and marine resources-related impacts, risks and opportunities.</p> <p>11. The disclosure required by paragraph 9 shall contain the information on the policies the undertaking has in place to manage its material impacts, risks and opportunities related to water and marine resources in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters.</p> <p>12. The undertaking shall indicate whether and how its policies address the following matters where material:                      (a) water management including:                      i. the use and sourcing of water and marine resources in its own operations;                      ii. water treatment as a step towards more sustainable sourcing of water; and                      iii. the prevention and abatement of water pollution resulting from its activities.                      (b) product and service design in view of addressing water-related issues and the preservation of marine resources; and                      (c) commitment to reduce material water consumption in areas at water risk in its own operations and along the upstream and downstream value chain.</p>	<p><del>which the undertaking has policies that address the identification, assessment, management and/or remediation of its material water and marine resources-related impacts, risks and opportunities.</del></p> <p><del>11. The disclosure required by paragraph 9 shall contain the information on the policies the undertaking has in place to manage its material impacts, risks and opportunities related to water and marine resources in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters.</del></p> <p>AR 20. <i>When disclosing the information on policies related to water and marine resources</i>, the undertaking shall indicate, where material, whether and how its policies address:                      a) water management including:                      i. the use and sourcing of water and marine resources in its own operations;                      ii. water treatment as a step towards more sustainable sourcing of water; and                      iii. the prevention and abatement of water pollution resulting from its activities.                      b) product and service design in view of addressing water-related issues and the preservation of marine resources; and                      c) commitment to reduce material water consumption in areas at water risk in its own operations and along the upstream and downstream value chain.</p>
<p><b>Disclosure Requirement E3-2 – Actions and resources related to water and marine resources</b></p> <p>15. The undertaking shall disclose its water and marine resources-related actions and the resources allocated to their implementation.</p> <p>16. The objective of this Disclosure Requirement is to enable an understanding of the key actions taken and planned to achieve the water and marine resources-related policy objectives and targets.</p> <p>17. The description of the actions and resources shall follow the principles defined in ESRS 2 MDR-A Actions and resources in relation to material sustainability matters. In addition to ESRS 2 MDR-A, the undertaking may specify to which layer in the mitigation hierarchy an action and</p> <p>18. Resources can be allocated to:                      (a) avoid the use of water and marine resources;                      (b) reduce the use of water and marine resources such as through efficiency measures;                      (c) reclaiming and reuse of water; or                      (d) restoration and regeneration of aquatic ecosystem and water bodies.</p> <p>19. The undertaking shall specify actions and resources in relation to areas at water risk, including areas of high-water stress.</p>	<p><b><i>Actions for Water and marine resources</i></b></p> <p><del>15. The undertaking shall disclose its water and marine resources-related actions and the resources allocated to their implementation.</del></p> <p><del>16. The objective of this Disclosure Requirement is to enable an understanding of the key actions taken and planned to achieve the water and marine resources-related policy objectives and targets.</del></p> <p><del>17. The description of the actions and resources shall follow the principles defined in ESRS 2 MDR-A Actions and resources in relation to material sustainability matters. In addition to ESRS 2 MDR-A, the undertaking may specify to which layer in the mitigation hierarchy an action and</del></p> <p><del>18. Resources can be allocated to:                      (a) avoid the use of water and marine resources;                      (b) reduce the use of water and marine resources such as through efficiency measures;                      (c) reclaiming and reuse of water; or                      (d) restoration and regeneration of aquatic ecosystem and water bodies.</del></p> <p>AR 21. <i>When disclosing information on actions related to water and marine resources</i>, the undertaking shall specify actions and resources in relation to areas at water risk, including areas of high-water stress.</p>
	<p><b><i>Guidance / Additional information for Actions on Water and marine resources</i></b></p>



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<p>AR 19. When disclosing information required under paragraph 15, the undertaking shall consider the actions, or action plans, contributing to address the material impacts, risks and opportunities identified. Useful guidance is provided by the Alliance for Water Stewardship (AWS).</p> <p>AR 20. Considering that water and marine resources are shared resources which may require collective actions, or action plans, involving other stakeholders, the undertaking may provide information on those specific collective actions, including information on other parties (competitors, suppliers, retailers, customers, other business partners, local communities and authorities, government agencies...) and specific information on the project, its specific contribution, its sponsors and other participants.</p> <p>AR 21. When providing information on capital expenditures, the undertaking may consider expenditures related, for example, to stormwater drain rehabilitation, pipelines, or machinery used to manufacture new low water-use products.</p>	<p><del>AR 19. When disclosing information required under paragraph 15, the undertaking shall consider the actions, or action plans, contributing to address the material impacts, risks and opportunities identified. Useful guidance is provided by the Alliance for Water Stewardship (AWS).</del></p> <p><del>AR 20. Considering that water and marine resources are shared resources which may require collective actions, or action plans, involving other stakeholders, the undertaking may provide information on those specific collective actions, including information on other parties (competitors, suppliers, retailers, customers, other business partners, local communities and authorities, government agencies...) and specific information on the project, its specific contribution, its sponsors and other participants.</del> AR 22. In case of collective action or action plans involving other stakeholders, the undertaking may provide information on those specific collective actions and related parties involved.</p> <p><del>AR 21. When providing information on capital expenditures, the undertaking may consider expenditures related, for example, to stormwater drain rehabilitation, pipelines, or machinery used to manufacture new low water-use products.</del></p>
<p><b>Disclosure Requirement E4-2 – Policies related to biodiversity and ecosystems</b></p> <p>20. The undertaking shall describe its adopted policies to manage its material impacts, risks, dependencies, and opportunities related to biodiversity and ecosystems.</p> <p>21. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of its material biodiversity and ecosystem-related impacts, dependencies, risks and opportunities.</p> <p>22. The disclosure required by paragraph 20 shall contain the information on the policies the undertaking has in place to manage its material impacts, risks, dependencies and opportunities related to biodiversity and ecosystems in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters).</p> <p>23. In addition to the provisions of ESRS 2 MDR-P the undertaking shall describe whether and how its biodiversity and ecosystems-related policies:</p> <ul style="list-style-type: none"> <li>(a) relate to the matters specified in ESRS E4 AR 4;</li> <li>(b) relate to its material biodiversity and ecosystems-related impacts;</li> <li>(c) relate to material dependencies and material physical and transition risks and opportunities;</li> <li>(d) support traceability of products, components and raw materials with material actual or potential impacts on biodiversity and ecosystems along the value chain;</li> </ul>	<p><b><i>Policies and Actions for Biodiversity and ecosystems Guidance / Additional information for Policies on Biodiversity and ecosystems</i></b></p> <p><del>20. The undertaking shall describe its adopted policies to manage its material impacts, risks, dependencies, and opportunities related to biodiversity and ecosystems.</del></p> <p><del>21. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of its material biodiversity and ecosystem-related impacts, dependencies, risks and opportunities.</del></p> <p><del>22. The disclosure required by paragraph 20 shall contain the information on the policies the undertaking has in place to manage its material impacts, risks, dependencies and opportunities related to biodiversity and ecosystems in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters).</del></p> <p><del>23. In addition to the provisions of ESRS 2 MDR-P the undertaking shall describe whether and how its biodiversity and ecosystems-related policies:</del></p> <ul style="list-style-type: none"> <li><del>(a) relate to the matters specified in ESRS E4 AR 4;</del></li> <li><del>(b) relate to its material biodiversity and ecosystems-related impacts;</del></li> <li><del>(c) relate to material dependencies and material physical and transition risks and opportunities;</del></li> <li><del>(d) support traceability of products, components and raw materials with material actual or potential impacts on biodiversity and ecosystems along the value chain;</del></li> </ul>

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<p>(e) address production, sourcing or consumption from ecosystems that are managed to maintain or enhance conditions for biodiversity, as demonstrated by regular monitoring and reporting of biodiversity status and gains or losses; and</p> <p>(f) address social consequences of biodiversity and ecosystems-related impacts.</p> <p>24. The undertaking shall specifically disclose whether it has adopted:</p> <p>(a) biodiversity and ecosystem protection policy covering operational sites owned, leased, or managed in or near a biodiversity sensitive area;</p> <p>(b) sustainable land / agriculture practices or policies;</p> <p>(c) sustainable oceans / seas practices or policies; and</p> <p>(d) policies to address deforestation.</p> <p>AR 16. The undertaking may also explain how its policy enables it to:</p> <p>(a) avoid negative impacts on biodiversity and ecosystems in its own operations and related upstream and downstream value chain;</p> <p>(b) reduce and minimise its negative impacts on biodiversity and ecosystems in its operations and throughout the upstream and downstream value chain that cannot be avoided;</p> <p>(c) restore and rehabilitate degraded ecosystems or restore cleared ecosystems following exposure to impacts that cannot be completely avoided and/or minimised; and</p> <p>(d) mitigate its contribution to material biodiversity loss drivers.</p>	<p><del>(e) address production, sourcing or consumption from ecosystems that are managed to maintain or enhance conditions for biodiversity, as demonstrated by regular monitoring and reporting of biodiversity status and gains or losses; and</del></p> <p><del>(f) address social consequences of biodiversity and ecosystems-related impacts.</del></p> <p><del>24. The undertaking shall specifically disclose whether it has adopted:</del></p> <p><del>(a) biodiversity and ecosystem protection policy covering operational sites owned, leased, or managed in or near a biodiversity sensitive area;</del></p> <p>(b) sustainable land / agriculture practices or policies;</p> <p>(c) sustainable oceans / seas practices or policies; and</p> <p>(d) policies to address deforestation.</p> <p><b>(Points b), c) and d) merged in EU Law Table above)</b></p> <p><i>AR 23. When disclosing the information on policies related to biodiversity and ecosystems, the undertaking may disclose that the policy allows the undertaking to:</i></p> <p>(a) avoid its negative impacts on biodiversity and ecosystems in its own operations and related upstream and downstream value chain;</p> <p>(b) reduce and minimise its negative impacts on biodiversity and ecosystems in its operations and throughout the upstream and downstream value chain that cannot be avoided;</p> <p>(c) restore and rehabilitate degraded ecosystems or restore cleared ecosystems following exposure to impacts that cannot be completely avoided and/or minimised; and</p> <p>(d) mitigate its material biodiversity loss drivers.</p>
<p>AR 11. The policies described under this Disclosure Requirement may be integrated in broader environmental or sustainability policies covering different subtopics.</p> <p>AR 12. The undertaking may also provide information on how the policy refers to the production, sourcing or consumption of raw materials, and in particular how it:</p> <p>(a) limits procurement from suppliers that cannot demonstrate that they are not contributing to significant damage to protected areas or key biodiversity areas (e.g., through certification);</p> <p>(b) refers to recognised standards or third-party certifications overseen by regulators; and</p> <p>(c) addresses raw materials originating from ecosystems that have been managed to maintain or enhance conditions for biodiversity, as demonstrated by regular monitoring and reporting of biodiversity status and gains or losses.</p> <p>AR 13. The undertaking may disclose connections and alignment with other global goals and agreements such as the SDGs 2, 6, 14 and 15 or any other well established global convention related to biodiversity and ecosystems.</p> <p>AR 14. When disclosing policies related to social consequences of biodiversity and ecosystems related dependencies and impacts under 23 (f), the undertaking may notably refer to the Nagoya Protocol and the Convention for Biological Diversity (CBD).</p>	<p><del>AR 11. The policies described under this Disclosure Requirement may be integrated in broader environmental or sustainability policies covering different subtopics.</del></p> <p><del>AR 12. The undertaking may also provide information on how the policy refers to the production, sourcing or consumption of raw materials, and in particular how it:</del></p> <p><del>(a) limits procurement from suppliers that cannot demonstrate that they are not contributing to significant damage to protected areas or key biodiversity areas (e.g., through certification);</del></p> <p><del>(b) refers to recognised standards or third-party certifications overseen by regulators; and</del></p> <p><del>(c) addresses raw materials originating from ecosystems that have been managed to maintain or enhance conditions for biodiversity, as demonstrated by regular monitoring and reporting of biodiversity status and gains or losses.</del></p> <p><del>AR 13. The undertaking may disclose connections and alignment with other global goals and agreements such as the SDGs 2, 6, 14 and 15 or any other well established global convention related to biodiversity and ecosystems.</del></p> <p>AR 24. When disclosing policies related to social consequences of biodiversity and ecosystems related dependencies and impacts under 23 (f), the undertaking may notably refer to the Nagoya Protocol and the Convention for Biological Diversity (CBD).</p>

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<p>AR 15. When disclosing information about whether and how its policies address the social consequences of biodiversity and ecosystems-related impacts under paragraph 23(f), the undertaking may provide information in relation to:</p> <p>(a) the fair and equitable sharing of the benefits arising from the utilisation of genetic resources; and</p> <p>(b) the free, prior and informed consent for access to genetic resources.</p> <p><b>AR 16. In above box</b></p> <p>AR 17. When disclosing its policies, if referring to third-party standards of conduct, the undertaking may disclose whether the standard used:</p> <p>(a) is objective and achievable based on a scientific approach to identifying issues, and realistic in assessing how these issues can be addressed on the ground under a variety of practical circumstances;</p> <p>(b) is developed or maintained through a process of ongoing consultation with stakeholders with balanced input from all relevant stakeholder groups, including producers, traders, processors, financiers, local people and communities, indigenous peoples, and civil society organisations representing consumer, environmental and social interests, with no group holding undue authority or veto power over the content;</p> <p>(c) encourages a step-wise approach and continuous improvement, both in the standard and its application of better management practices, and requires the establishment of meaningful targets and specific milestones to indicate progress against principles and criteria over time;</p> <p>(d) is verifiable through independent certifying or verifying bodies, which have defined and rigorous assessment procedures that avoid conflicts of interest, and are compliant with ISO guidance on accreditation and verification procedures or Article 5(2) of Regulation (EC) No 765/2008; and</p> <p>(e) conforms to the ISEAL Code of Good Practice.</p>	<p><del>AR 15. When disclosing information about whether and how its policies address the social consequences of biodiversity and ecosystems-related impacts under paragraph 23(f), the undertaking may provide information in relation to:</del></p> <p><del>(a) the fair and equitable sharing of the benefits arising from the utilisation of genetic resources; and</del></p> <p><del>(b) the free, prior and informed consent for access to genetic resources.</del></p> <p><del>AR 17. When disclosing its policies, if referring to third-party standards of conduct, the undertaking may disclose whether the standard used:</del></p> <p><del>(a) is objective and achievable based on a scientific approach to identifying issues, and realistic in assessing how these issues can be addressed on the ground under a variety of practical circumstances;</del></p> <p><del>(b) is developed or maintained through a process of ongoing consultation with stakeholders with balanced input from all relevant stakeholder groups, including producers, traders, processors, financiers, local people and communities, indigenous peoples, and civil society organisations representing consumer, environmental and social interests, with no group holding undue authority or veto power over the content;</del></p> <p><del>(c) encourages a step-wise approach and continuous improvement, both in the standard and its application of better management practices, and requires the establishment of meaningful targets and specific milestones to indicate progress against principles and criteria over time;</del></p> <p><del>(d) is verifiable through independent certifying or verifying bodies, which have defined and rigorous assessment procedures that avoid conflicts of interest, and are compliant with ISO guidance on accreditation and verification procedures or Article 5(2) of Regulation (EC) No 765/2008; and</del></p> <p><del>(e) conforms to the ISEAL Code of Good Practice.</del></p>
<p><b>Disclosure Requirement E4-3 – Actions and resources related to biodiversity and ecosystems</b></p> <p>25. The undertaking shall disclose its biodiversity and ecosystems-related actions and the resources allocated to their implementation.</p> <p>26. The objective of this Disclosure Requirement is to enable an understanding of the key actions taken and planned that significantly contribute to the achievement of biodiversity and ecosystems-related policy objectives and targets.</p> <p>27. The description of key actions and resources shall follow the mandatory content defined in ESRS 2 MDR-A Actions and resources in relation to material sustainability matters.</p> <p>28. In addition, the undertaking :</p>	<p><b>Actions for Biodiversity and ecosystems</b></p> <p><del>25. The undertaking shall disclose its biodiversity and ecosystems-related actions and the resources allocated to their implementation.</del></p> <p><del>26. The objective of this Disclosure Requirement is to enable an understanding of the key actions taken and planned that significantly contribute to the achievement of biodiversity and ecosystems-related policy objectives and targets.</del></p> <p><del>27. The description of key actions and resources shall follow the mandatory content defined in ESRS 2 MDR-A Actions and resources in relation to material sustainability matters.</del></p>

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<p>(a) may disclose how it has applied the mitigation hierarchy with regard to its actions (avoidance, minimisation, restoration/rehabilitation, and compensation or offsets);</p> <p>(b) shall disclose whether it used biodiversity offsets in its action plans. If the actions contain biodiversity offsets, the undertaking shall include the following information:</p> <p>i. the aim of the offset and key performance indicators used;</p> <p>ii. the financing effects (direct and indirect costs) of biodiversity offsets in monetary terms; and;</p> <p>iii. a description of offsets including area, type, the quality criteria applied and the standards that the biodiversity offsets comply with;</p> <p>(c) shall describe whether and how it has incorporated local and indigenous knowledge and nature-based solutions into biodiversity and ecosystems-related actions.</p>	<p>AR 25. When disclosing the information on actions related to biodiversity and ecosystems, the undertaking:</p> <p><del>(a) may disclose how it has applied the mitigation hierarchy with regard to its actions (avoidance, minimisation, restoration/rehabilitation, and compensation or offsets);</del> <b>(included as guidance in box below)</b></p> <p>a) shall disclose whether it used biodiversity offsets in its action plans and a description of the offsets used, including area, type, the quality criteria applied and the standards that the biodiversity offsets comply with; and</p> <p><del>i. the aim of the offset and key performance indicators used;</del></p> <p><del>ii. the financing effects (direct and indirect costs) of biodiversity offsets in monetary terms; and;</del></p> <p><del>iii. a description of offsets including area, type, the quality criteria applied and the standards that the biodiversity offsets comply with;</del> <b>(point iii merged in a) above)</b></p> <p>b) shall describe whether and how it has incorporated local and indigenous knowledge and nature-based solutions into biodiversity and ecosystems-related actions;</p>
<p>28. In addition, the undertaking :</p> <p>(a) may disclose how it has applied the mitigation hierarchy with regard to its actions (avoidance, minimisation, restoration/rehabilitation, and compensation or offsets);</p>	<p><b>Guidance / Additional information for Actions on Biodiversity and ecosystems</b></p> <p>AR 26. In addition, when disclosing the information on actions related to biodiversity and ecosystems, the undertaking may disclose how it has applied the mitigation hierarchy with regard to its actions (avoidance, minimisation, restoration/rehabilitation, and compensation or offsets).</p>
<p>AR 18. The undertaking may relate significant monetary amounts of CapEx and OpEx required to implement the actions taken or planned to:</p> <p>(a) the relevant line items or notes in the financial statements;</p> <p>(b) the key performance indicators required under article 8 of Regulation (EU) 2020/852 and under Commission Delegated Regulation (EU) 2021/2178; and</p> <p>(c) if applicable, the CapEx plan required by Commission Delegated Regulation (EU) 2021/2178.</p>	<p><del>AR 18. The undertaking may relate significant monetary amounts of CapEx and OpEx required to implement the actions taken or planned to:</del></p> <p><del>(a) the relevant line items or notes in the financial statements;</del></p> <p><del>(b) the key performance indicators required under article 8 of Regulation (EU) 2020/852 and under Commission Delegated Regulation (EU) 2021/2178; and</del></p> <p><del>(c) if applicable, the CapEx plan required by Commission Delegated Regulation (EU) 2021/2178.</del></p>
<p>AR 19. The undertaking may disclose whether it considers an “avoidance” action plan, which prevents damaging actions before they take place. Avoidance often involves a decision to deviate from the business-as-usual project development path. An example of avoidance is altering the biodiversity and ecosystem footprint of a project to avoid destruction of natural habitat on the site and/or establishing set-asides where priority biodiversity values are present and will be conserved. At a minimum, avoidance should be considered where there are biodiversity and ecosystem-related values that are in one of the following categories: particularly vulnerable and irreplaceable, of particular concern to stakeholders, or where a cautious approach is warranted due to uncertainty about impact assessment or about the efficacy of management measures. The three main types of avoidance are defined below:</p> <p>(a) avoidance through site selection (Locate the entire project away from areas recognised for important biodiversity values);</p>	<p>AR 27. The undertaking may disclose whether it considers an “avoidance” action plan. <i>An avoidance action plan prevents damages before they take place.</i> An example of avoidance is altering the biodiversity and ecosystem footprint of a project to avoid destruction of natural habitat on the site and/or establishing set-asides where priority biodiversity values are present and will be conserved. At a minimum, avoidance should be considered where there are biodiversity and ecosystem-related values that are in one of the following categories: <del>particularly vulnerable and irreplaceable, of particular concern to stakeholders, or where a cautious approach is warranted due to uncertainty about impact assessment or about the efficacy of management measures.</del> The three main types of avoidance are defined below:</p> <p><del>(a) avoidance through site selection (Locate the entire project away from areas recognised for important biodiversity values);</del></p> <p><del>(b) avoidance through project design (Configure infrastructure to preserve areas at the project site with important biodiversity values); and</del></p>

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<p>(b) avoidance through project design (Configure infrastructure to preserve areas at the project site with important biodiversity values); and (c) avoidance through scheduling (Time project activities to account for patterns of species behaviour (e.g., breeding, migration) or ecosystem functions (e.g., river dynamics)).</p>	<p><del>(e) avoidance through scheduling (Time project activities to account for patterns of species behaviour (e.g., breeding, migration) or ecosystem functions (e.g., river dynamics)).</del></p>
<p>AR 20. With regard to key actions, the undertaking may disclose: (a) a list of key stakeholders involved (e.g., competitors, suppliers, retailers, other business partners, affected communities and authorities, government agencies) and how they are involved, mentioning key stakeholders negatively or positively impacted by actions and how they are impacted, including impacts or benefits created for affected communities, smallholders, indigenous peoples or other persons in vulnerable situations; (b) where applicable, an explanation of the need for appropriate consultations and the need to respect the decisions of affected communities; (c) a brief assessment of whether the key actions may induce significant negative sustainability impacts; (d) an explanation of whether the key action is intended to be a one-time initiative or systematic practice; (e) an explanation of whether the key action plan is carried out only by the undertaking, using the undertaking's resources, or whether it is part of a wider initiative to which the undertaking significantly contributes. If the key action plan is part of a wider initiative, the undertaking may provide more information on the project, its sponsors and other participants; (f) a description of how it contributes to systemwide change, notably to alter the drivers of biodiversity and ecosystem change, e.g., through technological, economic, institutional, and social factors and changes in underlying values and behaviours;</p>	<p><del>AR 20. With regard to key actions, the undertaking may disclose: (a) a list of key stakeholders involved (e.g., competitors, suppliers, retailers, other business partners, affected communities and authorities, government agencies) and how they are involved, mentioning key stakeholders negatively or positively impacted by actions and how they are impacted, including impacts or benefits created for affected communities, smallholders, indigenous peoples or other persons in vulnerable situations; (b) where applicable, an explanation of the need for appropriate consultations and the need to respect the decisions of affected communities; (c) a brief assessment of whether the key actions may induce significant negative sustainability impacts; (d) an explanation of whether the key action is intended to be a one-time initiative or systematic practice; (e) an explanation of whether the key action plan is carried out only by the undertaking, using the undertaking's resources, or whether it is part of a wider initiative to which the undertaking significantly contributes. If the key action plan is part of a wider initiative, the undertaking may provide more information on the project, its sponsors and other participants; (f) a description of how it contributes to systemwide change, notably to alter the drivers of biodiversity and ecosystem change, e.g., through technological, economic, institutional, and social factors and changes in underlying values and behaviours;</del></p>
<p>AR 21. In the context of this Disclosure Requirement, "local and indigenous knowledge" refer to the understandings, skills and philosophies developed by societies with long histories of interaction with their natural surroundings. For rural and indigenous peoples, local knowledge informs decision-making about fundamental aspects of day-to-day life.</p>	<p><del>AR 21. In the context of this Disclosure Requirement, "local and indigenous knowledge" refer to the understandings, skills and philosophies developed by societies with long histories of interaction with their natural surroundings. For rural and indigenous peoples, local knowledge informs decision-making about fundamental aspects of day-to-day life.</del></p>
<p><b>Disclosure Requirement E5-1 – Policies related to resource use and circular economy</b></p> <p>12. The undertaking shall describe its policies adopted to manage its material impacts, risks and opportunities related to resource use and circular economy.</p> <p>13. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of its material impacts, risks and opportunities related to resource use and circular economy.</p> <p>14. The disclosure required by paragraph 12 shall contain the information on the policies the undertaking has in place to manage its material impacts, risks and opportunities related to resource use and circular economy in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters.</p>	<p><del><b>Policies and Actions for Resource use and circular economy</b></del> <del><b>Policies for Resource use and circular economy</b></del></p> <p><del>12. The undertaking shall describe its policies adopted to manage its material impacts, risks and opportunities related to resource use and circular economy.</del></p> <p><del>13. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of its material impacts, risks and opportunities related to resource use and circular economy.</del></p> <p><del>14. The disclosure required by paragraph 12 shall contain the information on the policies the undertaking has in place to manage its material impacts, risks and opportunities related to resource use and circular economy in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters.</del></p>

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<p>15. In the summary, the undertaking shall indicate whether and how its policies address the following matters where material:</p> <p>(a) transitioning away from use of virgin resources, including relative increases in use of secondary (recycled) resources;</p> <p>(b) sustainable sourcing and use of renewable resources.</p> <p>16. Policies shall address material impacts, risks and opportunities in its own operations and along its upstream and downstream value chain.</p>	<p>AR 28. When disclosing the information on policies related to resource use and circular economy, the undertaking shall indicate, where material, whether and how its policies address the following matters:</p> <p>a) transitioning away from use of virgin resources, including relative increases in use of secondary (recycled) resources;</p> <p>b) sustainable sourcing and use of renewable resources.</p> <p><del>16. Policies shall address material impacts, risks and opportunities in its own operations and along its upstream and downstream value chain.</del></p>
<p>AR 8. The policies described under this Disclosure Requirement may be integrated in broader environmental or sustainability policies covering different subtopics.</p> <p>AR 9. When providing information on its policies, the undertaking shall consider whether and how its policies address:</p> <p>(a) the waste hierarchy: (a) prevention; (b) preparing for re-use; (c) recycling; (d) other recovery, e.g., energy recovery; and (e) disposal. In this context, the waste treatment cannot be considered as a recovery;</p> <p>(b) the prioritisation of the avoidance or minimisation waste (Re-use, Repair, Refurbish, Remanufacture and Repurpose) over waste treatment (Recycling). The concepts of eco-design, waste as a resource or post-consumer waste (at the end of a consumer-product lifecycle), should also be taken into consideration.</p> <p>AR 10. When defining its policies, the undertaking may consider the Paper on “Categorisation system for the circular economy”, which describes circular design and production models, circular use models, circular value recovery models and circular support along the principles of the nine circular economy “R” strategies or principles: refuse, rethink, reduce, re-use, repair, refurbish, remanufacture, repurpose and recycle.</p>	<p><b>Guidance / Additional information for Policies on Resource use and circular economy</b></p> <p><del>AR 8. The policies described under this Disclosure Requirement may be integrated in broader environmental or sustainability policies covering different subtopics.</del></p> <p>AR 29. When providing disclosing the information on policies related to resource use and circular economy, the undertaking shall consider whether and how its policies address:</p> <p>a) the waste hierarchy: (a) prevention; (b) preparing for re-use; (c) recycling; (d) other recovery, e.g., energy recovery; and (e) disposal. In this context, the waste treatment cannot be considered as a recovery;</p> <p>b) the prioritisation of the avoidance or minimisation waste (Re-use, Repair, Refurbish, Remanufacture and Repurpose) over waste treatment strategies (Recycling). The concepts of eco-design, waste as a resource or post-consumer waste (at the end of a consumer-product lifecycle), should also be taken into consideration.</p> <p><del>AR 10. When defining its policies, the undertaking may consider the Paper on “Categorisation system for the circular economy”, which describes circular design and production models, circular use models, circular value recovery models and circular support along the principles of the nine circular economy “R” strategies or principles: refuse, rethink, reduce, re-use, repair, refurbish, remanufacture, repurpose and recycle.</del></p>
<p><b>Disclosure Requirement E5-2 – Actions and resources related to resource use and circular economy</b></p> <p>17. The undertaking shall disclose its resource use and circular economy actions and the resources allocated to their implementation.</p> <p>18. The objective of this Disclosure Requirement is to enable an understanding of the key actions taken and planned to achieve the resource use and circular economy-related policy objectives and targets.</p>	<p><b>Guidance / Additional information for Actions on Resource use and circular economy</b></p> <p><del>17. The undertaking shall disclose its resource use and circular economy actions and the resources allocated to their implementation.</del></p> <p><del>18. The objective of this Disclosure Requirement is to enable an understanding of the key actions taken and planned to achieve the resource use and circular economy-related policy objectives and targets.</del></p>

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<p>19. The description of the resource use and circular economy-related actions and resources allocated shall follow the principles defined in ESRS 2 MDR-A Actions and resources in relation to material sustainability matters.</p> <p>20. In addition to ESRS 2 MDR-A, the undertaking may specify whether and how an action and resources cover:</p> <p>(a) higher levels of resource efficiency in use of technical and biological materials and water, particularly in relation to critical raw materials and rare earths as listed in the Raw Materials Information System;</p> <p>(b) higher rates of use of secondary raw materials (recyclates);</p> <p>(c) application of circular design, leading to increased product durability and optimisation of use, and higher rates of: Reuse, Repair, Refurbishing, Remanufacture, Repurposing and Recycling.</p> <p>(d) application of circular business practices such as (i) value retention actions (maintenance, repair, refurbishing, remanufacturing, component harvesting, upgrading and reverse logistics, closed loop systems, second-hand retailing), (ii) value maximisation actions (product-service systems, collaborative and sharing economy business models), (iii) end-of-life actions (recycling, upcycling, extended producer responsibility), and (iv) systems efficiency actions (industrial symbiosis);</p> <p>(e) actions taken to prevent waste generation in the undertaking's upstream and downstream value chain; and</p> <p>(f) optimisation of waste management in line with the waste hierarchy.</p>	<p><del>19. The description of the resource use and circular economy-related actions and resources allocated shall follow the principles defined in ESRS 2 MDR-A Actions and resources in relation to material sustainability matters.</del></p> <p><del>AR 30. In addition to ESRS 2 MDR-A When disclosing the information on actions related to resource use and circular economy, the undertaking may specify whether and how an action and resources cover:</del></p> <p>a) Higher levels of resource efficiency in use of technical and biological materials and water, particularly in relation to critical raw materials and rare earths as listed in the Raw Materials Information System;</p> <p>b) higher rates of use of secondary raw materials (recyclates);</p> <p>c) application of circular design, leading to increased product durability and optimization of use, and higher rates of: Reuse, Repair, Refurbishing, Remanufacture and Repurposing and Recycling.</p> <p>d) Application of circular business practices such as (i) value retention actions (maintenance, repair, refurbishing, remanufacturing, component harvesting, upgrading and reverse logistics, closed loop systems, second-hand retailing), (ii) value maximisation actions (product-service systems, collaborative and sharing economy business models), (iii) end-of-life actions (recycling, upcycling, extended producer responsibility), and (iv) systems efficiency actions (industrial symbiosis);</p> <p>e) Actions taken to prevent waste generation in the undertaking's upstream and downstream value chain; and</p> <p>f) Optimisation of waste management in line with the waste hierarchy.</p>
<p>AR 11. When providing information under paragraph 17 and considering that resources are shared and that circular economy strategies may require collective actions, the undertaking may specify the actions taken to engage with its upstream and downstream value chain and/or its local network on the development of collaborations or initiatives increasing the circularity of products and materials.</p> <p>AR 12. In particular, the undertaking may specify the following:</p> <p>(a) how it contributes to circular economy, including for instance smart waste collection systems;</p> <p>(b) the other stakeholders involved in the collective actions: competitors, suppliers, retailers, customers, other business partners, local communities and authorities, government agencies;</p> <p>(c) a description of the organisation of the collaboration or initiative, including the specific contribution of the undertaking and the roles of the different stakeholders in the project.</p> <p>AR 13. The actions may cover the undertaking's own operations and/or its upstream and downstream value chain.</p>	<p><del>AR 11. When providing information under paragraph 17 and considering that resources are shared and that circular economy strategies may require collective actions, the undertaking may specify the actions taken to engage with its upstream and downstream value chain and/or its local network on the development of collaborations or initiatives increasing the circularity of products and materials.</del></p> <p><del>AR 12. In particular, the undertaking may specify the following:</del></p> <p><del>(a) how it contributes to circular economy, including for instance smart waste collection systems;</del></p> <p><del>(b) the other stakeholders involved in the collective actions: competitors, suppliers, retailers, customers, other business partners, local communities and authorities, government agencies;</del></p> <p><del>(c) a description of the organisation of the collaboration or initiative, including the specific contribution of the undertaking and the roles of the different stakeholders in the project.</del></p> <p><del>AR 13. The actions may cover the undertaking's own operations and/or its upstream and downstream value chain.</del></p>
<p><b>Disclosure Requirement S1-1 – Policies related to own workforce</b></p>	<p><b>SOCIAL</b></p>

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<p>17. The undertaking shall describe its policies adopted to manage its material impacts on its own workforce, as well as associated material risks and opportunities.</p> <p>18. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of material impacts on the undertaking's own workforce specifically, as well as policies that cover material impacts, risks and opportunities related to its own workforce.</p> <p>19. The disclosure required by paragraph 17 shall contain the information on the undertaking's policies to manage its material impacts, risks and opportunities related to its own workforce in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters. In addition, the undertaking shall specify if such policies cover specific groups within its own workforce or all of its own workforce.</p> <p>20. The undertaking shall describe its human rights policy commitments that are relevant to its own workforce, including those processes and mechanisms to monitor compliance with the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises. In its disclosure it shall focus on those matters that are material in relation to, as well as its general approach to:</p> <p>(a) respect for the human rights, including labour rights, of people in its own workforce;</p> <p>(b) engagement with people in its own workforce; and</p> <p>(c) measures to provide and/or enable remedy for human rights impacts.</p> <p>21. The undertaking shall disclose whether and how its policies with regard to its own workforce are aligned with relevant internationally recognised instruments, including the UN Guiding Principles on Business and Human Rights.</p> <p>22. The undertaking shall state whether its policies in relation to its own workforce explicitly address trafficking in human beings, forced labour or compulsory labour and child labour.</p> <p>23. The undertaking shall state whether it has a workplace accident prevention policy or management system.</p>	<p><b>Policies related to own workforce</b></p> <p><del>17. The undertaking shall describe its policies adopted to manage its material impacts on its own workforce, as well as associated material risks and opportunities.</del></p> <p><del>18. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of material impacts on the undertaking's own workforce specifically, as well as policies that cover material impacts, risks and opportunities related to its own workforce.</del></p> <p><del>19. The disclosure required by paragraph 17 shall contain the information on the undertaking's policies to manage its material impacts, risks and opportunities related to its own workforce in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters. In addition, the undertaking shall specify if such policies cover specific groups within its own workforce or all of its own workforce.</del></p> <p>AR 31. The undertaking shall describe its human rights policy commitments that are relevant to its own workforce, including those processes and mechanisms to monitor compliance with the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises. In its disclosure it shall focus on those matters that are material in relation to, as well as <b>(deleted part is merged in EU Law Table for policies)</b> When describing its policies on own workforce, the undertaking shall disclose, for those matters that are material, its general approach to:</p> <p><del>(a) respect for the human rights, including labour rights, of people in its own workforce;</del> <b>(in EU Law table)</b></p> <p>a) engagement with people in its own workforce (refer to AR 32 to AR 33); and</p> <p>b) measures to provide and/or enable remedy for human rights impacts (refer to AR 41 to AR 43).</p> <p><b>(Par. 21, 22 and 23 are included in the EU Law table)</b></p>
<p>24. The undertaking shall disclose:</p> <p>(a) whether it has specific policies aimed at the elimination of discrimination, including harassment, promoting equal opportunities and other ways to advance diversity and inclusion;</p>	<p>AR 32. <del>If the undertaking has adopted specific policies aimed at the elimination of discrimination, it shall disclose this, including harassment, promoting equal opportunities and other ways to advance diversity and inclusion.</del> In addition, it may disclose which grounds for discrimination are covered (racial and ethnic origin, colour, sex, sexual orientation, gender</p>



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<p>(b) whether the following grounds for discrimination are specifically covered in the policy: racial and ethnic origin, colour, sex, sexual orientation, gender identity, disability, age, religion, political opinion, national extraction or social origin, or other forms of discrimination covered by Union regulation and national law;</p> <p>(c) whether the undertaking has specific policy commitments related to inclusion or positive action for people from groups at particular risk of vulnerability in its own workforce and, if so, what these commitments are; and</p> <p>(d) whether and how these policies are implemented through specific procedures to ensure discrimination is prevented, mitigated and acted upon once detected, as well as to advance diversity and inclusion in general.</p>	<p>identity, disability, age, religion, political opinion, national extraction or social origin, other forms of discrimination covered by EU regulation and national law).</p> <p><del>(c) whether the undertaking has specific policy commitments related to inclusion or positive action for people from groups at particular risk of vulnerability in its own workforce and, if so, what these commitments are; and</del></p> <p><del>(d) whether and how these policies are implemented through specific procedures to ensure discrimination is prevented, mitigated and acted upon once detected, as well as to advance diversity and inclusion in general.</del></p>
<p><b>Disclosure Requirement S1-2 – Processes for engaging with own workforce and workers' representatives about impacts</b></p> <p>25. The undertaking shall disclose its general processes for engaging with people in its own workforce and workers' representatives about actual and potential impacts on its own workforce.</p> <p>26. The objective of this Disclosure Requirement is to enable an understanding of how the undertaking engages, as part of its ongoing due diligence process, with people in its own workforce and workers' representatives about material, actual and potential, positive and/or negative impacts that do or are likely to affect them, and whether and how perspectives of its own workforces are taken into account in the decision-making processes of the undertaking.</p> <p>27. The undertaking shall disclose whether and how the perspectives of its own workforce inform its decisions or activities aimed at managing the actual and potential impacts on its own workforce. This shall include, where relevant, an explanation of:</p> <p>(a) whether engagement occurs directly with the undertaking's own workforce or workers' representatives;</p> <p>(b) the stage(s) at which engagement occurs, the type of engagement and frequency of the engagement;</p> <p>(c) the function and the most senior role within the undertaking that has operational responsibility for ensuring that this engagement happens and that the results inform the undertaking's approach;</p> <p>(d) where applicable, a Global Framework Agreement or other agreements that the undertaking has with workers' representatives related to the respect of human rights of its own workforce, including an explanation of how the agreement enables the undertaking to gain insight into the perspectives of its own workforce; and</p> <p>(e) where applicable, how the undertaking assesses the effectiveness of its engagement with its own workforce, including, where relevant, any agreements or outcomes that result.</p>	<p><b>Processes for engaging with own workforce and workers' representatives about impacts</b></p> <p><i>AR 33. If the undertaking engages with its own workforce, when disclosing information under AR 31 (a), the undertaking shall disclose:</i></p> <p>a) <del>The undertaking shall disclose</del> its general processes for engaging where relevant with people in its own workforce and their representatives about actual and potential material impacts on them;</p> <p>26. The objective of this Disclosure Requirement is to enable an understanding of how the undertaking engages, as part of its ongoing due diligence process, with people in its own workforce and workers' representatives about material, actual and potential, positive and/or negative impacts that do or are likely to affect them, and whether and how perspectives of its own workforces are taken into account in the decision-making processes of the undertaking.</p> <p>b) <del>The undertaking shall disclose</del> whether and how the perspectives of its own workforce inform its decisions or activities aimed at managing the actual and potential material impacts on them. This shall include, where relevant, an explanation of:</p> <p><i>i.</i> whether engagement occurs directly with the undertaking's own workforce or workers' representatives;</p> <p><i>ii.</i> the stage(s) at which engagement occurs, the type of engagement and frequency of the engagement;</p> <p><del>(c) the function and the most senior role within the undertaking that has operational responsibility for ensuring that this engagement happens and that the results inform the undertaking's approach;</del></p> <p><i>iii.</i> where applicable, <del>a Global Framework Agreement or other agreements</del> <i>any agreements</i> that the undertaking has operational responsibility for ensuring that this engagement happens and that the results inform the undertaking's approach <i>with workers' representatives related to the respect of human rights of its own workforce.</i></p> <p><del>(e) where applicable, how the undertaking assesses the effectiveness of its engagement with its own workforce, including, where relevant, any agreements or outcomes that result.</del></p>

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28. Where applicable, the undertaking shall disclose the steps it takes to gain insight into the perspectives of people in its own workforce who may be particularly vulnerable to impacts and/or marginalised (for example, women, migrants, people with disabilities).	<del>28. Where applicable, the undertaking shall disclose the steps it takes to gain insight into the perspectives of people in its own workforce who may be particularly vulnerable to impacts and/or marginalised (for example, women, migrants, people with disabilities).</del>
29. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with its own workforce, it shall disclose this to be the case. It may disclose a timeframe in which it aims to have such a process in place.	AR 34. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with its own workforce, <del>it shall disclose this to be the case</del> it may disclose a timeframe in which it aims to have such a process to be in place.
AR 18. When describing what function or role has operational responsibility for such engagement and/or ultimate accountability, the undertaking may disclose whether this is a dedicated role or function or part of a broader role or function, and whether any capacity building activities have been offered to support the staff to undertake engagement. If it cannot identify such a position or function, it may state that this is the case. This disclosure could also be fulfilled by making reference to information disclosed according to ESRS 2 GOV-1 The role of the administrative, management and supervisory bodies.	<del>AR 18. When describing what function or role has operational responsibility for such engagement and/or ultimate accountability, the undertaking may disclose whether this is a dedicated role or function or part of a broader role or function, and whether any capacity building activities have been offered to support the staff to undertake engagement. If it cannot identify such a position or function, it may state that this is the case. This disclosure could also be fulfilled by making reference to information disclosed according to ESRS 2 GOV-1 The role of the administrative, management and supervisory bodies.</del>
AR 19. When preparing the disclosures described in paragraph 27 b) and c), the following illustrations may be considered: (a) examples of stages at which engagement occurs are i) determining the approach to mitigation and ii) evaluating the effectiveness of mitigation; (b) for type of engagement, these could be participation, consultation and/or information; (c) for the frequency of the engagement, information may be provided on whether engagement occurs on a regular basis, at certain points in a project or business process, (for example, when a new harvest season begins or a new production line is opened), as well as whether it occurs in response to legal requirements and/or in response to stakeholder requests and whether the result of the engagement is being integrated into the undertaking's decision-making processes; and (d) for the role with operational responsibility, whether the undertaking requires relevant staff to have certain skills, or whether it provides training or capacity building to relevant staff to undertake engagement.	<b>Guidance on "Processes for engaging with own workforce and workers' representatives about impacts"</b>  AR 35. When preparing the disclosures described in AR 31 b), the following illustrations may be considered: (a) examples of stages at which engagement occurs are i) determining the approach to mitigation and ii) evaluating the effectiveness of mitigation; (b) for type of engagement, these could be participation, consultation and/or information; and (c) for the frequency of the engagement, information may be provided on whether engagement occurs on a regular basis, at certain points in a project or business process, for example, when a new harvest season begins or a new production line is opened), as well as whether it occurs in response to legal requirements and/or in response to stakeholder requests and whether the result of the engagement is being integrated into the undertaking's decision-making processes. <del>(d) for the role with operational responsibility, whether the undertaking requires relevant staff to have certain skills, or whether it provides training or capacity building to relevant staff to undertake engagement.</del>
AR 20. Global Framework Agreements (GFA) serve to establish an ongoing relationship between a multinational enterprise and a Global Union Federation to ensure that the undertaking adheres to the same standards in every country in which it operates.	<del>AR 20. Global Framework Agreements (GFA) serve to establish an ongoing relationship between a multinational enterprise and a Global Union Federation to ensure that the undertaking adheres to the same standards in every country in which it operates.</del>
AR 21. To illustrate how the perspectives of its own workforce have informed specific decisions or activities, the undertaking may provide examples from the current reporting period.	AR 36. To illustrate how the perspectives of its own workforce have informed specific decisions or activities, the undertaking may provide examples from the current reporting period.
AR 22. Where the undertaking has agreements with national, European or international trade unions or works councils related to the rights of people its own workforce, this can be disclosed to illustrate how the agreement enables the undertaking to gain insight into the perspectives of such people.	AR 37. Where the undertaking has agreements with national, European or international trade unions or works councils related to the rights of people its own workforce, this can be disclosed to illustrate how the agreement enables the undertaking to gain insight into the perspectives of such people.
AR 23. Where possible, the undertaking may disclose examples from the reporting period to illustrate how the perspectives of its own workforce and workers' representatives have informed specific decisions or activities of the undertaking.	AR 38. <del>Where possible</del> The undertaking may <i>provide disclose</i> examples from the reporting period to illustrate how the perspectives of its own workforce and workers' representatives have informed specific decisions or activities of the undertaking.

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<p>AR 24. The undertaking shall consider the following aspects when fulfilling this Disclosure Requirement:</p> <p>(a) The type of engagement (for example, information, consultation or participation) and its frequency (for example, ongoing, quarterly, annually);</p> <p>(b) how feedback is recorded and integrated into decision-making, and how people in the workforce are informed about the way in which their feedback has influenced decisions;</p> <p>(c) whether engagement activities take place at the organisational level or at a lower level, such as at the site or project level, and in the latter case, how information from engagement activities is centralised;</p> <p>(d) the resources (for example, financial or human resources) allocated to engagement; and</p> <p>(e) how it engages with people in its workforce and workers' representatives on the impacts on its own workforce that may arise from reducing carbon emissions and transitioning to greener and climate-neutral operations, in particular restructuring, employment loss or creation, training and up/reskilling, gender and social equity, and health and safety.</p>	<p>AR 39. The undertaking shall consider the following aspects when fulfilling this Disclosure Requirement:</p> <p>(a) the type of engagement (for example, information, consultation or participation) and its frequency (for example, ongoing, quarterly, annually);</p> <p>(b) how feedback is recorded and integrated into decision-making, and how people in the workforce are informed about the way in which their feedback has influenced decisions;</p> <p>(c) whether engagement activities take place at the organisational level or at a lower level, such as at the site or project level, and in the latter case, how information from engagement activities is centralised;</p> <p>(d) the resources (for example, financial or human resources) allocated to engagement; and</p> <p>(e) how it engages with people in its workforce and workers' representatives on the impacts on its own workforce that may arise from reducing carbon emissions and transitioning to greener and climate-neutral operations, in particular restructuring, employment loss or creation, training and up/reskilling, gender and social equity, and health and safety.</p>
<p>AR 25. The undertaking may also disclose the following information in relation to paragraph 24 on diversity:</p> <p>(a) how it engages with at-risk or persons in vulnerable situations (for example whether it takes specific approaches and gives special attention to potential barriers);</p> <p>(b) how it takes into account potential barriers to engagement with people in its workforce (for example, language and cultural differences, gender and power imbalances, divisions within a community or group);</p> <p>(c) how it provides people in its workforce with information that is understandable and accessible through appropriate communication channels;</p> <p>(d) any conflicting interests that have arisen among its workforce and how the undertaking has resolved these conflicting interests; and</p> <p>(e) how it seeks to respect the human rights of all stakeholders engaged, for example, their rights to privacy, freedom of expression, and peaceful assembly and protest.</p>	<p>AR 40. The undertaking may also disclose the following information in relation to paragraph AR 31 on diversity:</p> <p>(a) how it engages with at-risk or persons in vulnerable situations (for example whether it takes specific approaches and gives special attention to potential barriers);</p> <p>(b) how it takes into account potential barriers to engagement with people in its workforce (for example, language and cultural differences, gender and power imbalances, divisions within a community or group);</p> <p>(c) how it provides people in its workforce with information that is understandable and accessible through appropriate communication channels;</p> <p>(d) any conflicting interests that have arisen among its workforce and how the undertaking has resolved these conflicting interests; and</p> <p>(e) how it seeks to respect the human rights of all stakeholders engaged, for example, their rights to privacy, freedom of expression, and peaceful assembly and protest.</p>
<p>AR 26. The undertaking may also report information about the effectiveness of processes for engaging with its own workforce from previous reporting periods. This applies in cases where the undertaking has assessed the effectiveness of these processes or derived lessons during the current reporting period. Processes used to track effectiveness can include internal or external auditing or verification, impact assessments, measurement systems, stakeholder feedback, grievance mechanisms, external performance ratings, and benchmarking.</p>	<p>AR 41. The undertaking may also report information about the effectiveness of processes for engaging with its own workforce from previous reporting periods. This applies in cases where the undertaking has assessed the effectiveness of these processes or derived lessons during the current reporting period. Processes used to track the effectiveness can include internal or external auditing or verification, impact assessments, measurement systems, stakeholder feedback, grievance mechanisms, external performance ratings, and benchmarking.</p>
<p><b>Disclosure Requirement S1-3 – Processes to remediate negative impacts and channels for own workforce to raise concerns</b></p> <p>30. The undertaking shall describe the processes it has in place to provide for or cooperate in the remediation of negative impacts on people in its own workforce that the undertaking is connected with, as well as channels available to its own workforce to raise concerns and have them addressed.</p>	<p><b>Processes to remediate negative impacts and channels for own workforce to raise concerns</b></p> <p>AR 42. <del>The undertaking shall describe</del> <i>If the undertaking has in place</i> processes to provide for or cooperate in the remediation of negative impacts on people in its own workforce that the undertaking is connected with, as well as channels available to its own workforce to raise concerns and have them addressed, when disclosing information under AR 30 (b) <i>it shall disclose:</i></p>

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<p>31. The objective of this Disclosure Requirement is to enable an understanding of the formal means by which the undertaking's own workforce can make their concerns and needs known directly to the undertaking and/or through which the undertaking supports the availability of such channels (for example, grievance mechanisms) in the workplace, and how follow up is carried out with the people concerned regarding the issues raised and the effectiveness of these channels.</p> <p>32. The undertaking shall describe the processes in place to cover the matters defined within paragraph 2 of the Objective section by disclosing the following information:</p> <ul style="list-style-type: none"> <li>(a) its general approach to and processes for providing or contributing to remedy where it has caused or contributed to a material negative impact on people in its own workforce, including whether and how the undertaking assesses that the remedy provided is effective;</li> <li>(b) any specific channels it has in place for its own workforce to raise their concerns or needs directly with the undertaking and have them addressed, including whether these are established by the undertaking itself and/or through participation in third-party mechanisms;</li> <li>(c) whether or not the undertaking has a grievance/complaints handling mechanism related to employee matters; and</li> <li>(d) the processes through which the undertaking supports the availability of such channels in the workplace of its own workforce; and</li> <li>(e) how it tracks and monitors issues raised and addressed, and, how it ensures the effectiveness of the channels, including through the involvement of stakeholders who are intended users.</li> </ul>	<p><del>31. The objective of this Disclosure Requirement is to enable an understanding of the formal means by which the undertaking's own workforce can make their concerns and needs known directly to the undertaking and/or through which the undertaking supports the availability of such channels (for example, grievance mechanisms) in the workplace, and how follow up is carried out with the people concerned regarding the issues raised and the effectiveness of these channels.</del></p> <p><del>32. The undertaking shall describe the processes in place to cover the matters defined within paragraph 2 of the Objective section by disclosing the following information:</del></p> <ul style="list-style-type: none"> <li><del>a) its general approach to and processes for providing or contributing to remedy where it is connected with a material negative impact on people in its own workforce, including whether and how the undertaking assesses that remedy provided is effective;</del></li> <li><del>b) any specific channels it has in place for its own workforce to raise their concerns or needs directly with the undertaking and have them addressed, including whether these are established by the undertaking itself and/or through participation in third-party mechanisms;</del></li> <li><del>(c) whether or not the undertaking has a grievance/complaints handling mechanism related to employee matters; and</del></li> <li><del>(d) the processes through which the undertaking supports the availability of such channels in the workplace of its own workforce; and</del></li> <li><del>(e) how it tracks and monitors issues raised and addressed, and, how it ensures the effectiveness of the channels, including through the involvement of stakeholders who are intended users.</del> <b>(in guidance AR 50 LSME below)</b></li> </ul>
<p>33. The undertaking shall disclose whether and how it assesses that people in its own workforce are aware of, and trust, these structures or processes as a way to raise their concerns or needs and have them addressed. In addition, the undertaking shall disclose whether it has policies in place regarding the protection of individuals that use them, including workers' representatives, against retaliation. If such information has been disclosed in accordance with ESRS G1-1, the undertaking may refer to that information.</p>	<p>AR 43. The undertaking <del>shall</del> <i>may</i> disclose whether and how it assesses that people in its own workforce, are aware of, and trust, these structures or processes as a way to raise their concerns or needs and have them addressed. In addition, the undertaking shall disclose whether the undertaking has policies in place regarding the protection of individuals that use them against retaliation. <del>If such information has been disclosed in accordance with ESRS G1-1, the undertaking may refer to that information</del></p>
<p>34. If the undertaking cannot disclose the above required information because it has not adopted a channel for raising concerns and/or does not support the availability of such a channel in the workplace for its own workforce, it shall disclose this to be the case. It may disclose a timeframe in which it aims to have such a channel in place.</p>	<p>AR 44. If the undertaking cannot disclose the above required information because it has not <del>implemented those processes, adopted a channel for raising concerns and/or does not support the availability of such a channel in the workplace for its own workforce, it shall disclose this to be the case.</del> it may disclose a timeframe in which it aims to have such processes to be in place.</p>
<p>AR 27. In fulfilling the requirements set out by the disclosure criteria of Disclosure Requirement ESRS S1-3, the undertaking may be guided by the content of the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct focused on remediation and grievance mechanisms.</p>	<p><b>Guidance on "Processes to remediate negative impacts and channels for own workforce to raise concerns"</b></p> <p>AR 45. In fulfilling the requirements set out in AR 42 to AR 44, the undertaking may be guided by the content of the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct focused on remediation and grievance mechanisms.</p>

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<p>AR 28. Channels for raising concerns or needs include grievance mechanisms, hotlines, trade unions (where people in the workforce are unionised), works councils, dialogue processes or other means through which the undertaking's own workforce or workers' representatives can raise concerns about impacts or explain needs that they would like the undertaking to address. This could include both channels provided by the undertaking directly and channels provided by the entities where their own workforce is working, in addition to any other mechanisms an undertaking may use to gain insight into the management of impacts on its own workforce, such as compliance audits. Where the undertaking is relying solely on information about the existence of such channels provided by its business relationships to answer this requirement, it may state that.</p>	<p>AR 46. Channels for raising concerns or needs include grievance mechanisms, hotlines, trade unions (where people in the workforce are unionised), works councils, dialogue processes or other means through which the undertaking's own workforce or workers' representatives can raise concerns about impacts or explain needs that they would like the undertaking to address. This could include both channels provided by the undertaking directly and channels provided by the entities where their own workforce is working, in addition to any other mechanisms an undertaking may use to gain insight into the management of impacts on its own workforce, such as compliance audits. Where the undertaking is relying solely on information about the existence of such channels provided by its business relationships to answer this requirement, it may state that.</p>
<p>AR 29. Third party mechanisms could include those operated by the government, NGOs, industry associations and other collaborative initiatives. The undertaking may disclose whether these are accessible to all of its own workforce (or workers' representatives or, in their absence, individuals or organisations acting on their behalf or who are otherwise in a position to be aware of negative impacts).</p>	<p>AR 47. <del>Third party mechanisms could include those operated by the government, NGOs, industry associations and other collaborative initiatives.</del> <i>These channels could be provided by an industry wide initiative in which the undertaking takes part of, or by other third-party mechanisms such as the ones operated by the government or NGOs.</i> The undertaking may disclose whether these are accessible to all of its own workforce (or workers' representatives or, in their absence, individuals or organisations acting on their behalf or who are otherwise in a position to be aware of negative impacts).</p>
<p>AR 30. The undertaking shall consider whether and how people in its own workforce that may be affected and their workers' representatives are able to access channels at the level of the undertaking they are employed by, or contracted to work for, in relation to each material impact. Relevant channels may include hotlines, trade unions (where people in the workforce are unionised) or works councils, or other grievance mechanisms operated by the relevant undertaking or by a third party.</p>	<p>AR 52. The undertaking shall consider whether and how people in its own workforce that may be affected and their workers' representatives are able to access channels at the level of the undertaking they are employed by, or contracted to work for, in relation to each material impact. Relevant channels may include hotlines, trade unions (where people in the workforce are unionised) or works councils, or other grievance mechanisms operated by the relevant undertaking or by a third party.</p>
<p>AR 31. In explaining whether and how the undertaking knows that people in its own workforce are aware of and trust any of these channels, the undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of the people concerned. Examples of sources of information are surveys of people in the undertaking's workforce that have used such channels and their levels of satisfaction with the process and outcomes.</p>	<p>AR 49. In explaining whether and how the undertaking knows that people in its own workforce are aware of and trust any of these channels, the undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of the people concerned. Examples of sources of information are surveys of people in the undertaking's workforce that have used such channels and their levels of satisfaction with the process and outcomes. <i>To illustrate the usage level of such channels, the undertaking may disclose the number of complaints received from consumers and/or end-users during the reporting period.</i></p>
<p>32. The undertaking shall describe the processes in place to cover the matters defined within paragraph 2 of the Objective section by disclosing the following information: ... (e) how it tracks and monitors issues raised and addressed, and, how it ensures the effectiveness of the channels, including through the involvement of stakeholders who are intended users.</p>	<p>AR 50. <del>32. The undertaking shall describe the processes in place to cover the matters defined within paragraph 2 of the Objective section by disclosing the following information.</del> The undertaking <i>may disclose</i> how it tracks and monitors issues raised and addressed, and, how it ensures the effectiveness of the channels, including through the involvement of stakeholders who are intended users.</p>
<p>AR 32. In describing the effectiveness of channels for its own workforce and workers' representatives to raise concerns, the undertaking may be guided by the following questions, based on the "effectiveness criteria for non-judicial grievance mechanisms", as laid out in the UN Guiding Principles on Business and Human Rights, in particular principle 31. The considerations below may be applied to individual channels or to a collective system of channels:</p>	<p>AR 51. In describing the effectiveness of channels for its own workforce and workers' representatives to raise concerns, the undertaking may be guided by the following questions, based on the "effectiveness criteria for non-judicial grievance mechanisms", as laid out in the UN Guiding Principles on Business and Human Rights, in particular principle 31. The considerations below may be applied to individual channels or to a collective system of channels:</p>

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<p>(a) do the channels have legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust?</p> <p>(b) are the channels known and accessible to stakeholders?</p> <p>(c) do the channels have clear and known procedures, with indicative timeframes?</p> <p>(d) do the channels ensure reasonable access for stakeholders to sources of information, advice and expertise?</p> <p>(e) do the channels offer transparency by providing sufficient information both to complainants and, where applicable, to meet any public interest?</p> <p>(f) do outcomes achieved through the channels accord with internationally recognised human rights?</p> <p>(g) does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future impacts?</p> <p>(h) does the undertaking focus on dialogue with complainants as the means to reach agreed solutions, rather than seeking to unilaterally determine the outcome?</p>	<p>(a) do the channels have legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust?</p> <p>(b) are the channels known and accessible to stakeholders?</p> <p>(c) do the channels have clear and known procedures, with indicative timeframes?</p> <p>(d) do the channels ensure reasonable access for stakeholders to sources of information, advice and expertise?</p> <p>(e) do the channels offer transparency by providing sufficient information both to complainants and, where applicable, to meet any public interest?</p> <p>(f) do outcomes achieved through the channels accord with internationally recognised human rights?</p> <p>(g) does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future impacts? and</p> <p>(h) does the undertaking focus on dialogue with complainants as the means to reach agreed solutions, rather than seeking to unilaterally determine the outcome?</p>
<p><b>Disclosure Requirement S1-4 – Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions</b></p> <p>35. The undertaking shall disclose how it takes action to address material negative and positive impacts, and to manage material risks and pursue material opportunities related to its own workforce, and the effectiveness of those actions.</p> <p>36. The objective of this Disclosure Requirement is twofold. Firstly, it is to enable an understanding of any actions and initiatives through which the undertaking seeks to:</p> <p>(a) to prevent, mitigate and remediate negative material impacts on its own workforce; and/or</p> <p>(b) to achieve positive material impacts for its own workforce.</p> <p>Secondly, it is to enable an understanding of the ways in which the undertaking is addressing the material risks and pursuing the material opportunities related to its own workforce.</p> <p>37. The undertaking shall provide a summarised description of the action plans and resources to manage its material impacts, risks, and opportunities related to its own workforce in accordance with ESRS 2 MDR-A Actions and resources in relation to material sustainability matters.</p> <p>38. In relation to the material impacts related to its own workforce, the undertaking shall describe:</p> <p>(a) actions taken, planned or underway to prevent or mitigate material negative impacts on its own workforce;</p>	<p><b>Actions on material impacts on own workforce</b></p> <p><del>35. The undertaking shall disclose how it takes action to address material negative and positive impacts, and to manage material risks and pursue material opportunities related to its own workforce, and the effectiveness of those actions.</del></p> <p><del>36. The objective of this Disclosure Requirement is twofold. Firstly, it is to enable an understanding of any actions and initiatives through which the undertaking seeks to:</del></p> <p><del>(a) to prevent, mitigate and remediate negative material impacts on its own workforce; and/or</del></p> <p><del>(b) to achieve positive material impacts for its own workforce.</del></p> <p><del>Secondly, it is to enable an understanding of the ways in which the undertaking is addressing the material risks and pursuing the material opportunities related to its own workforce.</del></p> <p><del>37. The undertaking shall provide a summarised description of the action plans and resources to manage its material impacts, risks, and opportunities related to its own workforce in accordance with ESRS 2 MDR-A Actions and resources in relation to material sustainability matters.</del></p> <p>AR 53.. In relation to the material impacts related to its own workforce <i>When disclosing information on actions on material impacts related to own workforce</i>, the undertaking shall describe:</p> <p>a. actions taken, planned or underway to prevent or mitigate material negative impacts on its own workforce;</p> <p><b>(b) whether and how it has taken action to provide or enable remedy in relation to an actual material impact;</b></p>

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<p>(b) whether and how it has taken action to provide or enable remedy in relation to an actual material impact;</p> <p>(c) any additional actions or initiatives it has in place with the primary purpose of delivering positive impacts for its own workforce; and</p> <p>(d) how it tracks and assesses the effectiveness of these actions and initiatives in delivering outcomes for its own workforce.</p> <p>39. In relation to paragraph 36, the undertaking shall describe the processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on its own workforce.</p> <p>40. In relation to material risks and opportunities, the undertaking shall describe:</p> <p>(a) what action is planned or underway to mitigate material risks for the undertaking arising from its impacts and dependencies on its own workforce and how it tracks effectiveness in practice; and</p> <p>(b) what action is planned or underway to pursue material opportunities for the undertaking in relation to its own workforce.</p> <p>42. When disclosing the information required under paragraph 40, the undertaking shall consider ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets if it evaluates the effectiveness of an action by setting a target.</p> <p>43. The undertaking shall disclose what resources are allocated to the management of its material impacts, with information that allows users to gain an understanding of how the material impacts are managed.</p>	<p><del>(e) any additional actions or initiatives it has in place with the primary purpose of delivering positive impacts for its own workforce; and</del></p> <p><del>(d) how it tracks and assesses the effectiveness of these actions and initiatives in delivering outcomes for its own workforce.</del></p> <p>b. In relation to paragraph 36, the undertaking shall describe the processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on its own workforce.</p> <p>40. In relation to material risks and opportunities, the undertaking shall describe:</p> <p>(a) what action is planned or underway to mitigate material risks for the undertaking arising from its impacts and dependencies on its own workforce and how it tracks effectiveness in practice; and</p> <p>(b) what action is planned or underway to pursue material opportunities for the undertaking in relation to its own workforce.</p> <p>42. When disclosing the information required under paragraph 40, the undertaking shall consider ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets if it evaluates the effectiveness of an action by setting a target.</p> <p>43. The undertaking shall disclose what resources are allocated to the management of its material impacts, with information that allows users to gain an understanding of how the material impacts are managed.</p>
<p>41. The undertaking shall disclose whether and how it ensures that its own practices do not cause or contribute to material negative impacts on own workforce, including, where relevant, its practices in relation to procurement, sales and data use. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.</p>	<p><b>Guidance / Additional information for Actions on own workforce</b></p> <p>AR 54. The undertaking <del>may</del> shall disclose whether and how it ensures that its own practices do not cause or contribute to material negative impacts on own workforce, including, where relevant, its practices in relation to procurement, sales and data use. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.</p>
<p><b>AR 33 to AR 48 of ESRS S1</b></p>	<p><b>These are deleted for LSME</b></p>
<p><b>Disclosure Requirement S2-1 – Policies related to value chain workers</b></p>	<p><b>Guidance / Additional information for Policies related to value chain workers</b></p>
<p>14. The undertaking shall describe its policies adopted to manage its material impacts on value chain workers, as well as associated material risks and opportunities.</p> <p>15. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management</p>	<p><del>14. The undertaking shall describe its policies adopted to manage its material impacts on value chain workers, as well as associated material risks and opportunities.</del></p> <p><del>15. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management</del></p>

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<p>and/or remediation of material impacts on value chain workers specifically, as well as policies that cover material risks or opportunities related to value chain workers.</p> <p>16. The disclosure required by paragraph 14 shall contain the information on the undertaking's policies to manage its material impacts, risks and opportunities related to value chain workers in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters. In addition, the undertaking shall specify whether such policies cover specific groups of value chain workers or all value chain workers.</p> <p>17. The undertaking shall describe its human rights policy commitments that are relevant to value chain workers, including those processes and mechanisms to monitor compliance with the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises. In its disclosure, it shall focus on those matters that are material in relation to, as well as the general approach to:</p> <p>(a) respect for the human rights, including labour rights, of workers;</p> <p>(b) engagement with value chain workers; and</p> <p>(c) measures to provide and/or enable remedy for human rights impacts.</p> <p>18. The undertaking shall state whether its policies in relation to value chain workers explicitly address trafficking in human beings, forced labour or compulsory labour and child labour. It shall also state whether the undertaking has a supplier code of conduct.</p> <p>19. The undertaking shall disclose whether and how its policies with regard to value chain workers are aligned with internationally recognised instruments relevant to value chain workers, including the United Nations (UN) Guiding Principles on Business and Human Rights. The undertaking shall also disclose the extent to which cases of non-respect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises that involve value chain workers have been reported in its upstream and downstream value chain and, if applicable, an indication of the nature of such cases.</p>	<p><del>and/or remediation of material impacts on value chain workers specifically, as well as policies that cover material risks or opportunities related to value chain workers.</del></p> <p><del>16. The disclosure required by paragraph 14 shall contain the information on the undertaking's policies to manage its material impacts, risks and opportunities related to value chain workers in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters. In addition, the undertaking shall specify whether such policies cover specific groups of value chain workers or all value chain workers.</del></p> <p>AR 55. The undertaking shall describe its human rights policy commitments that are relevant to value chain workers, including those processes and mechanisms to monitor compliance with the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises. In its disclosure, it shall focus on those matters that are material in relation to, as well as the general approach to:</p> <p><del>(a) respect for the human rights, including labour rights, of workers;</del> <b>(included in EU Law Table)</b></p> <p><i>When describing its policies on value chain workers, the undertaking shall consider focusing on those matters that are material in relation to, as well as its general approach to:</i></p> <p>a. engagement with value chain workers (refer to AR 54 to AR 55); and</p> <p>b. measures to provide and/or enable remedy for human rights impacts (refer to AR 58 to AR 60).</p> <p><b>(Par. 18 and 19 also included in EU Law Table)</b></p>
<p><b>Disclosure Requirement S2-2 – Processes for engaging with value chain workers about impacts</b></p> <p>20. The undertaking shall disclose its general processes for engaging with value chain workers and their representatives about actual and potential impacts on them.</p>	<p><b><i>Processes for engaging with value chain workers about impacts</i></b></p> <p>AR 56. <i>If the undertaking engages with value chain workers and their representatives, when disclosing information under AR 53 (a), the undertaking shall disclose:</i></p> <p>a. its general processes for engaging where relevant with workers in the value chain and their representatives about actual and potential material impacts on them;</p>



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<p>21. The objective of this Disclosure Requirement is to enable an understanding of whether and how the undertaking engages, as part of its ongoing due diligence process, with value chain workers and their legitimate representatives, or with credible proxies, about material actual and potential positive and/or negative impacts that do or are likely to affect them, and whether and how perspectives of value chain workers are taken into account in the decision-making processes of the undertaking.</p> <p>22. The undertaking shall disclose whether and how the perspectives of value chain workers inform its decisions or activities aimed at managing the actual and potential impacts on value chain workers. This shall include, where relevant, an explanation of:</p> <p>(a) whether engagement occurs with value chain workers or their legitimate representatives directly, or with credible proxies that have insight into their situation;</p> <p>(b) the stage(s) at which engagement occurs, the type of engagement, and the frequency of the engagement;</p> <p>(c) the function and the most senior role within the undertaking that has operational Responsibility or ensuring that this engagement happens, and that the results inform the undertaking's approach;</p> <p>(d) where applicable, Global Framework Agreements or for agreements that the undertaking has with global union federations related to respect of human rights of workers in the value chain, including their right to bargain collectively, and including an explanation of how the agreement enables the undertaking to gain insight into those workers' perspectives; and</p> <p>(e) where applicable, how the undertaking assesses the effectiveness of its engagement with workers in the value chain, including, where relevant, any agreements or outcomes that result.</p>	<p><del>21. The objective of this Disclosure Requirement is to enable an understanding of whether and how the undertaking engages, as part of its ongoing due diligence process, with value chain workers and their legitimate representatives, or with credible proxies, about material actual and potential positive and/or negative impacts that do or are likely to affect them, and whether and how perspectives of value chain workers are taken into account in the decision-making processes of the undertaking.</del></p> <p>b. whether and how the perspectives of value chain workers inform its decisions or activities aimed at managing the actual and potential material impacts on them. This shall include, where relevant, an explanation of:</p> <p><i>i.</i> whether engagement occurs with value chain workers or their legitimate representatives directly, or with credible proxies that have insight into their situation;</p> <p><i>ii.</i> the stage(s) at which engagement occurs, the type of engagement and frequency of the engagement;</p> <p><del>(c) the function and the most senior role within the undertaking that has operational Responsibility or ensuring that this engagement happens, and that the results inform the undertaking's approach</del></p> <p><i>iii.</i> where applicable, <del>Global Framework Agreements or for agreements</del> any agreements that the undertaking has with global union federations related to the respect of human rights of workers in the value chain, including their right to bargain collectively. <del>and including an explanation of how the agreement enables the undertaking to gain insight into those workers' perspectives</del></p>
<p>23. Where applicable, the undertaking shall disclose the steps it takes to gain insight into the perspectives of workers that may be particularly vulnerable to impacts and/or marginalised (for example, women workers, migrant workers, workers with disabilities).</p>	
<p>24. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with workers in the value chain, it shall disclose this to be the case. It may disclose a timeframe in which it aims to have such a process in place.</p>	<p>AR 57. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with value chain workers, <del>it shall disclose this to be the case</del> it may disclose a timeframe in which it aims to have such a process to be in place.</p>
<p>AR 17. When describing which function or role has operational responsibility for such engagement and/or ultimate accountability, the undertaking may disclose whether this is a dedicated role or function or part of a broader role or function, and whether any capacity building activities have been offered to support the staff to undertake engagement. If it cannot identify such a position or function, it may state that this is the case. This disclosure could also be fulfilled by making reference to information disclosed according to ESRS 2 GOV-1 The role of the administrative, management and supervisory bodies.</p> <p>AR 18. When preparing the disclosures described in paragraph 22 b) and c), the following illustrations maybe considered:</p>	<p><b>Guidance on "Processes for engaging with value chain workers about impacts"</b></p> <p><del>AR 17. When describing which function or role has operational responsibility for such engagement and/or ultimate accountability, the undertaking may disclose whether this is a dedicated role or function or part of a broader role or function, and whether any capacity building activities have been offered to support the staff to undertake engagement. If it cannot identify such a position or function, it may state that this is the case. This disclosure could also be fulfilled by making reference to information disclosed according to ESRS 2 GOV-1 The role of the administrative, management and supervisory bodies.</del></p> <p>AR 58. When preparing the disclosures described in AR 56 b), the following illustrations may be considered:</p>

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<p>(a) examples of stages at which engagement occurs are i) determining the approach to mitigation and ii) evaluation the effectiveness of mitigation;</p> <p>(b) for type of engagement, these could be participation, consultation and/or information;</p> <p>(c) for the frequency of the engagement, information may be provided on whether engagement occurs on a regular basis, at certain points in a project or business process, for example, when a new harvest season begins or a new production line is opened, as well as whether it occurs in response to legal requirements and/or in response to stakeholder requests and whether the result of the engagement is being integrated into the undertaking's decision- making processes; and</p> <p>(d) for the role with operational responsibility, whether the undertaking requires relevant staff to have certain skills, or whether it provides training or capacity building to relevant staff to undertake engagement.</p>	<p>(a) examples of stages at which engagement occurs are i) determining the approach to mitigation and ii) evaluating the effectiveness of mitigation;</p> <p>(b) for type of engagement, these could be participation, consultation and/or information; and</p> <p>(c) for the frequency of the engagement, information may be provided on whether engagement occurs on a regular basis, at certain points in a project or business process, for example, when a new harvest season begins or a new production line is opened), as well as whether it occurs in response to legal requirements and/or in response to stakeholder requests and whether the result of the engagement is being integrated into the undertaking's decision-making processes.</p> <p><del>(d) for the role with operational responsibility, whether the undertaking requires relevant staff to have certain skills, or whether it provides training or capacity building to relevant staff to undertake engagement.</del></p>
<p>AR 19. Global Framework Agreements (GFA) serve to establish an ongoing relationship between a multinational enterprise and a Global Union Federation to ensure that the undertaking adheres to the same standards in every country in which it operates.</p>	<p><del>AR 19. Global Framework Agreements (GFA) serve to establish an ongoing relationship between a multinational enterprise and a Global Union Federation to ensure that the undertaking adheres to the same standards in every country in which it operates.</del></p>
<p>AR 20. To illustrate how the perspectives of value chain workers have informed specific decisions or activities of the undertaking, the undertaking may provide examples from the current reporting period.</p>	<p>AR 59. To illustrate how the perspectives of value chain workers have informed specific decisions or activities, the undertaking may provide examples from the current reporting period.</p>
<p><b>Disclosure Requirement S2-3 – Processes to remediate negative impacts and channels for value chain workers to raise concerns</b></p> <p>25. The undertaking shall describe the processes it has in place to provide for or cooperate in the remediation of negative impacts on value chain workers that the undertaking is connected with, as well as channels available to value chain workers to raise concerns and have them addressed.</p> <p>26. The objective of this Disclosure Requirement is to enable an understanding of the formal means by which value chain workers can make their concerns and needs known directly to the undertaking and/or through which the undertaking supports the availability of such channels (for example, grievance mechanisms ) in the workplace of value chain workers, how follow up is carried out with these workers regarding the issues raised, and the effectiveness of these channels.</p> <p>27. The undertaking shall describe:</p> <p>(a) its general approach to and processes for providing or contributing to remedy where it has caused or contributed to a material negative impact on value chain workers, including whether and how the undertaking assesses that the remedy provided is effective;</p> <p>(b) any specific channels it has in place for value chain workers to raise their concerns or needs directly with the undertaking and have them addressed, including whether these are established by the undertaking itself and/or whether they are third-party mechanisms;</p>	<p><b>Processes to remediate negative impacts and channels for value chain workers to raise concerns</b></p> <p>AR 60. <i>If the undertaking</i> has in place processes to provide for or cooperate in the remediation of negative impacts on value chain workers that the undertaking is connected with, as well as channels available to value chain workers to raise concerns and have them addressed, when disclosing information under AR 53 (b) <i>it shall report:</i></p> <p><del>26. The objective of this Disclosure Requirement is to enable an understanding of the formal means by which value chain workers can make their concerns and needs known directly to the undertaking and/or through which the undertaking supports the availability of such channels (for example, grievance mechanisms ) in the workplace of value chain workers, how follow up is carried out with these workers regarding the issues raised, and the effectiveness of these channels.</del></p> <p>a) its <del>general</del> approach to and processes for providing or contributing to remedy where it is connected with a material negative impact on value chain workers, including whether and how the undertaking assesses that remedy provided is effective;</p> <p>b) any <del>specific</del> channels it has in place for value chain workers to raise their concerns or needs <del>directly with the undertaking and have them addressed, including whether these are established by the undertaking itself and/or whether they are third-party mechanisms.</del></p> <p><del>(c) the processes through which it supports or requires the availability of such channels in the workplace of value chain workers; and</del> <b>(point c) included as guidance in AR 66)</b></p>

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(c) the processes through which it supports or requires the availability of such channels in the workplace of value chain workers; and (d) how it tracks and monitors issues raised and addressed, and how it ensures the effectiveness of the channels, including through involvement of stakeholders who are the intended users.	<del>(d) how it tracks and monitors issues raised and addressed, and how it ensures the effectiveness of the channels, including through involvement of stakeholders who are the intended users</del> <b>(point d) included as guidance in AR 68)</b>
28. The undertaking shall disclose whether and how it assesses that value chain workers are aware of and trust these structures or processes as a way to raise their concerns or needs and have them addressed. In addition, the undertaking shall disclose whether it has policies in place regarding the protection of individuals that use them against retaliation. If such information has been disclosed in accordance with ESRS G1-1, the undertaking may refer to that information.	AR 61. The undertaking <del>shall</del> <i>may</i> disclose whether and how it assesses that value chain workers are aware of, and trust, these structures or processes as a way to raise their concerns or needs and have them addressed. In addition, the undertaking shall disclose whether the undertaking has policies in place regarding the protection of individuals that use them against retaliation. <del>If such information has been disclosed in accordance with ESRS G1-1, the undertaking may refer to that information.</del>
29. If the undertaking cannot disclose the above required information because it has not adopted a channel for raising concerns and/or does not support the availability of such a channel in the workplace of value chain workers, it shall disclose this to be the case. It may disclose a timeframe in which it aims to have such a channel or processes in place.	AR 62. If the undertaking cannot disclose the above required information because it has not implemented those processes, <del>adopted a channel for raising concerns and/or does not support the availability of such a channel in the workplace of value chain workers, it shall disclose this to be the case</del> it may disclose a timeframe in which it aims to have such processes to be in place.
AR 21. In fulfilling the requirements set out by Disclosure Requirement ESRS S2-3, the undertaking may be guided by the content of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises focused on remediation and grievance mechanisms.	<b>Guidance on "Processes to remediate negative impacts and channels for value chain workers to raise concerns"</b>  AR 63. In fulfilling the requirements set out in AR 60 to AR 62, the undertaking may be guided by the content of the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct focused on remediation and grievance mechanisms.
AR 22. Channels for raising concerns or needs include grievance mechanisms, hotlines, trade unions (where workers are unionised), dialogue processes or other means through which value chain workers or their legitimate representatives can raise concerns about impacts or explain needs that they would like the undertaking to address. This could include both channels provided by the undertaking directly and channels provided by the entities where the value chain workers are working, in addition to any other mechanisms the undertaking may use to gain insight into the management of impacts on workers, such as compliance audits. Where the undertaking is relying solely on information about the existence of such channels provided by its business relationships to answer this requirement, it may state that.	AR 64. Channels for raising concerns or needs include grievance mechanisms, hotlines, trade unions (where workers are unionised), dialogue processes or other means through which the value chain workers or their legitimate representatives can raise concerns about impacts or explain needs that they would like the undertaking to address. This could include both channels provided by the undertaking directly and channels provided by the entities where value chain workers are working, in addition to any other mechanisms an undertaking may use to gain insight into the management of impacts on workers, such as compliance audits. Where the undertaking is relying solely on information about the existence of such channels provided by its business relationships to answer this requirement, it may state that.
AR 23. To provide greater insight into the information covered in Disclosure Requirement ESRS S2-3, the undertaking may explain whether and how value chain workers that may be affected are able to access channels at the level of the undertaking they are employed by, or contracted to work for, in relation to each material impact.	<del>AR 23. To provide greater insight into the information covered in Disclosure Requirement ESRS S2-3, the undertaking may explain whether and how value chain workers that may be affected are able to access channels at the level of the undertaking they are employed by, or contracted to work for, in relation to each material impact.</del>
AR 24. Third party mechanisms could include those operated by the government, NGOs, industry associations and other collaborative initiatives. The undertaking may disclose whether these are accessible to all workers who may be potentially or actually materially impacted by the undertaking, or individuals or organisations acting on their behalf or who are otherwise in a position to be aware of negative impacts.	AR 65. <del>Third party mechanisms could include</del> <i>These channels could be provided by an industry wide initiative in which the undertaking takes part of, or by other third-party mechanisms such as the ones operated by the government or NGOs.</i> The undertaking may disclose whether these are accessible to all workers who may be potentially or actually materially impacted by the undertaking, or individuals or organisations acting on their behalf or who are otherwise in a position to be aware of negative impacts.
27. The undertaking shall describe:	

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<p>...</p> <p>(c) the processes through which it supports or requires the availability of such channels in the workplace of value chain workers; and</p>	<p>AR 66. <del>The undertaking shall</del> <del>may disclose</del> <del>describe</del> its processes through which it supports or requires the availability of such channels in the workplace of value chain workers.</p>
<p>AR 26. In disclosing whether and how the undertaking knows that value chain workers are aware of and trust any of these channels, the undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of value chain workers themselves. Examples of sources of information are surveys of workers that have used such channels and their levels of satisfaction with the process and outcomes.</p>	<p>AR 67. In disclosing whether and how the undertaking knows that value chain workers are aware of and trust any of these channels, the undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of the people concerned. Examples of sources of information are surveys of value chain workers that have used such channels and their levels of satisfaction with the process and outcomes.</p>
<p>27. The undertaking shall describe:</p> <p>...</p> <p>(d) how it tracks and monitors issues raised and addressed, and how it ensures the effectiveness of the channels, including through involvement of stakeholders who are the intended users.</p>	<p>AR 68. The undertaking <del>may disclose</del> <del>shall describe</del> how it tracks and monitors issues raised and addressed, and, how it ensures the effectiveness of the channels, including through the involvement of stakeholders who are intended users.</p>
<p>AR 27. In describing the effectiveness of channels for value chain workers to raise concerns, the undertaking may be guided by the following questions, based on the “effectiveness criteria for non-judicial grievance mechanisms”, as laid out in the UN Guiding Principles on Business and Human Rights, in particular Principle 31. The below considerations may be applied to individual channels or to a collective system of channels:</p> <p>(a) do the channels hold legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust?</p> <p>(b) are the channels known and accessible to stakeholders?</p> <p>(c) do the channels have clear and known procedures, with indicative timeframes?</p> <p>(d) do the channels ensure reasonable access for stakeholders to sources of information, advice and expertise?</p> <p>(e) do the channels offer transparency by providing sufficient information both to complainants and, where applicable, to meet any public interest?</p> <p>(f) do outcomes achieved through the channels accord with internationally recognised human rights?</p> <p>(g) does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future impacts?</p> <p>(h) does the undertaking focus on dialogue with complainants as the means to reach agreed solutions, rather than seeking to unilaterally determine the outcome?</p>	<p>AR 69. In describing the effectiveness of channels for value chain workers to raise concerns, the undertaking may be guided by the following questions, based on the “effectiveness criteria for non-judicial grievance mechanisms”, as laid out in the UN Guiding Principles on Business and Human Rights, in particular principle 31. The considerations below may be applied to individual channels or to a collective system of channels:</p> <p>(a) do the channels have legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust?</p> <p>(b) are the channels known and accessible to stakeholders?</p> <p>(c) do the channels have clear and known procedures, with indicative timeframes?</p> <p>(d) do the channels ensure reasonable access for stakeholders to sources of information, advice and expertise?</p> <p>(e) do the channels offer transparency by providing sufficient information both to complainants and, where applicable, to meet any public interest?</p> <p>(f) do outcomes achieved through the channels accord with internationally recognised human rights?</p> <p>(g) does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future impacts?</p> <p>(h) does the undertaking focus on dialogue with complainants as the means to reach agreed solutions, rather than seeking to unilaterally determine the outcome?</p>
<p>AR 23. To provide greater insight into the information covered in Disclosure Requirement ESRS S2-3, the undertaking may explain whether and how value chain workers that may be affected are able to access channels at the level of the undertaking they are employed by, or contracted to work for, in relation to each material impact.</p>	<p>AR 68. To provide greater insight into the information covered in this Disclosure Requirement regarding workers in the value chain, the undertaking may explain whether and how value chain workers that may be affected are able to access channels at the level of the undertaking they are employed by, or contracted to work for, in relation to each material impact.</p>
<p>AR 25. In relation to the protection of individuals that use the mechanisms against the retaliation, the undertaking may describe whether it treats grievances confidentially and with respect to the rights of privacy and data protection; and whether the mechanisms allow for workers to use them anonymously (for example, through representation by a third party).</p>	<p>AR 69. In relation to the protection of individuals that use the mechanisms against retaliation, the undertaking may describe whether it treats grievances confidentially and with respect to the rights of privacy and data protection; and whether the mechanisms can be used anonymously (for example, through representation by a third party).</p>

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<p><b>Disclosure Requirement S2-4 – Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions</b></p> <p>30. The undertaking shall disclose how it takes action to address material impacts on value chain workers, and to manage material risks and pursue material opportunities related to value chain workers and the effectiveness of those actions.</p> <p>31. The objective of this Disclosure Requirement is twofold. Firstly, it is to enable an understanding of any actions or initiatives through which the undertaking seeks to: (a) prevent, mitigate and remediate the negative material impacts on value chain workers; and/or (b) achieve positive material impacts for value chain workers. Secondly, it is to enable an understanding of the ways in which the undertaking is addressing the material risks and pursuing the material opportunities related to workers in the value chain. The undertaking shall provide a summarised description of the action plans and resources to manage its material impacts, risks, and opportunities related to value chain workers as per ESRS 2 MDR-A Actions and resources in relation to material sustainability matters.</p> <p>32. In relation to material impacts, the undertaking shall describe:</p> <p>(a) actions taken, planned or underway to prevent or mitigate material negative impacts on value chain workers; (b) whether and how it has taken action to provide or enable remedy in relation to an actual material impact; (c) any additional actions or initiatives it has in place with the primary purpose of delivering positive impacts for value chain workers; and (d) how it tracks and assesses the effectiveness of such actions and initiatives in delivering intended outcomes for value chain workers.</p> <p>33. In relation to paragraph 30, the undertaking shall describe: (a) the processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on value chain workers; (b) its approach to taking action in relation to specific material negative impacts on value chain workers, including any action in relation to its own purchasing or other internal practices, as well as capacity- building or other forms of engagement with entities in the value chain, or forms of collaborative action with industry peers or other relevant parties; and (c) how it ensures that processes to provide or enable remedy in the event of material negative impacts are available and effective in their implementation and outcomes.</p> <p>34. In relation to material risks and opportunities, the undertaking shall describe:</p>	<p><b>Actions on material impacts on value chain workers</b></p> <p><del>30. The undertaking shall disclose how it takes action to address material impacts on value chain workers, and to manage material risks and pursue material opportunities related to value chain workers and the effectiveness of those actions.</del></p> <p><del>31. The objective of this Disclosure Requirement is twofold. Firstly, it is to enable an understanding of any actions or initiatives through which the undertaking seeks to: (a) prevent, mitigate and remediate the negative material impacts on value chain workers; and/or (b) achieve positive material impacts for value chain workers. Secondly, it is to enable an understanding of the ways in which the undertaking is addressing the material risks and pursuing the material opportunities related to workers in the value chain. The undertaking shall provide a summarised description of the action plans and resources to manage its material impacts, risks, and opportunities related to value chain workers as per ESRS 2 MDR-A Actions and resources in relation to material sustainability matters.</del></p> <p><i>AR 70. When disclosing information on actions on material impacts related to value chain workers, the undertaking shall describe:</i></p> <p>a. actions taken, planned or underway to prevent or mitigate material negative impacts on value chain workers; (b) whether and how it has taken action to provide or enable remedy in relation to an actual material impact;</p> <p><del>(c) any additional actions or initiatives it has in place with the primary purpose of delivering positive impacts for value chain workers; and (d) how it tracks and assesses the effectiveness of such actions and initiatives in delivering intended outcomes for value chain workers.</del></p> <p>b. the processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on value chain workers; (b) its approach to taking action in relation to specific material negative impacts on value chain workers, including any action in relation to its own purchasing or other internal practices, as well as capacity- building or other forms of engagement with entities in the value chain, or forms of collaborative action with industry peers or other relevant parties; and (c) how it ensures that processes to provide or enable remedy in the event of material negative impacts are available and effective in their implementation and outcomes.</p> <p><del>34. In relation to material risks and opportunities, the undertaking shall describe:</del></p>

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<p>(a) what action is planned or underway to mitigate material risks for the undertaking arising from its impacts and dependencies on value chain workers and how it tracks effectiveness in practice; and (b) what action is planned or underway to pursue material opportunities for the undertaking in relation to value chain workers.</p>	<p><del>(a) what action is planned or underway to mitigate material risks for the undertaking arising from its impacts and dependencies on value chain workers and how it tracks effectiveness in practice; and (b) what action is planned or underway to pursue material opportunities for the undertaking in relation to value chain workers.</del></p>
<p>35. The undertaking shall disclose whether and how it takes action to avoid causing or contributing to material negative impacts on value chain workers through its own practices, including, where relevant, in relation to procurement, sales and data use. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.</p>	<p>AR 71. The undertaking shall disclose whether and how it takes action to avoid causing or contributing to material negative impacts on value chain workers through its own practices, including, where relevant, in relation to procurement, sales and data use. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.</p>
<p>36. The undertaking shall also disclose whether severe human rights issues and incidents connected to its upstream and downstream value chain have been reported and, if applicable, disclose these.</p>	<p><del>36. The undertaking shall also disclose whether severe human rights issues and incidents connected to its upstream and downstream value chain have been reported and, if applicable, disclose these.</del> <b>(included in EU Law Table)</b></p>
<p>37. When disclosing the information required under paragraph 32 (c), the undertaking shall consider ESRS 2 (see ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets) if it evaluates the effectiveness of an action by setting a target.</p>	<p><del>37. When disclosing the information required under paragraph 32 (c), the undertaking shall consider ESRS 2 (see ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets) if it evaluates the effectiveness of an action by setting a target.</del></p>
<p>38. The undertaking shall disclose what resources are allocated to the management of its material impacts, with information that enables users to gain an understanding of how the material impacts are managed.</p>	<p><del>38. The undertaking shall disclose what resources are allocated to the management of its material impacts, with information that enables users to gain an understanding of how the material impacts are managed.</del></p>
<p><b>Disclosure Requirement S3-1 – Policies related to affected communities</b></p>	<p><b>Policies related to affected communities</b></p>
<p>12. The undertaking shall describe its policies adopted to manage its material impacts on affected communities, as well as associated material risks and opportunities.</p>	<p><del>12. The undertaking shall describe its policies adopted to manage its material impacts on affected communities, as well as associated material risks and opportunities.</del></p>
<p>13. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of material impacts on affected communities specifically, as well as policies that cover material risks or opportunities related to affected communities.</p>	<p><del>13. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of material impacts on affected communities specifically, as well as policies that cover material risks or opportunities related to affected communities.</del></p>
<p>14. The disclosure required by paragraph 12 shall contain the information on the undertaking's policies to manage its material impacts, risks and opportunities related to affected communities in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters. In addition, the undertaking shall specify if such policies cover specific affected communities or all affected communities.</p>	<p><del>14. The disclosure required by paragraph 12 shall contain the information on the undertaking's policies to manage its material impacts, risks and opportunities related to affected communities in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters. In addition, the undertaking shall specify if such policies cover specific affected communities or all affected communities.</del></p>
<p>15. The undertaking shall disclose any particular policy provisions for preventing and addressing impacts on indigenous peoples.</p>	<p>AR 72. The undertaking shall disclose any particular policy provisions for preventing and addressing impacts on indigenous peoples.</p>
<p>16. The undertaking shall describe its human rights policy commitments that are relevant to affected communities, including those processes and mechanisms to monitor compliance with the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises. In its</p>	<p><b>Guidance / Additional information for Policies related to affected communities</b> <del>16. The undertaking shall describe its human rights policy commitments that are relevant to affected communities, including those processes and mechanisms to monitor compliance with the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental</del></p>

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<p>disclosure it shall focus on those matters that are material in relation to, as well as its general approach to:</p> <p>(a) respect for the human rights of communities, and indigenous peoples specifically;</p> <p>(b) engagement with affected communities; and</p> <p>(c) measures to provide and/or enable remedy for human rights impacts.</p>	<p><del>Principles and Rights at Work or OECD Guidelines for Multinational Enterprises. In its disclosure it shall focus on those matters that are material in relation to, as well as its general approach to:</del></p> <p><del>(a) respect for the human rights of communities, and indigenous peoples specifically;</del> <b>(included in EU Law Table)</b></p> <p>AR 73. When describing its policies on affected communities, the undertaking shall consider focusing on those matters that are material in relation to, as well as its general approach to:</p> <p>a. engagement with affected communities (<i>refer to AR 72 to AR 74</i>); and</p> <p>b. measures to provide and/or enable remedy for human rights impacts (<i>refer to AR 79 to AR 81</i>).</p>
<p>17. The undertaking shall disclose whether and how its policies with regard to affected communities are aligned with internationally recognised standards relevant to communities and indigenous peoples specifically, including the United Nations (UN) Guiding Principles on Business and Human Rights. The undertaking shall also disclose the extent to which cases of non-respect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises that involve affected communities have been reported in its own operations or in its upstream and downstream value chain and, if applicable, an indication of the nature of such cases.</p>	<p>17. The undertaking shall disclose whether and how its policies with regard to affected communities are aligned with internationally recognised standards relevant to communities and indigenous peoples specifically, including the United Nations (UN) Guiding Principles on Business and Human Rights. The undertaking shall also disclose the extent to which cases of non-respect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises that involve affected communities have been reported in its own operations or in its upstream and downstream value chain and, if applicable, an indication of the nature of such cases.</p> <p><b>(included in EU Law Table)</b></p>
<p>18. The policy may take the form of a stand-alone policy regarding communities or be included in a broader document such as a code of ethics or a general sustainability policy that has already been disclosed by the undertaking as part of another ESRS. In those cases, the undertaking shall provide an accurate cross-reference to identify the aspects of the policy that satisfy the requirements of this Disclosure Requirement.</p>	<p><del>18. The policy may take the form of a stand-alone policy regarding communities or be included in a broader document such as a code of ethics or a general sustainability policy that has already been disclosed by the undertaking as part of another ESRS. In those cases, the undertaking shall provide an accurate cross-reference to identify the aspects of the policy that satisfy the requirements of this Disclosure Requirement.</del></p>
<p><b>Disclosure Requirement S3-2 – Processes for engaging with affected communities about impacts</b></p> <p>19. The undertaking shall disclose its general processes for engaging with affected communities and their representatives about actual and potential impacts on them.</p> <p>20. The objective of this Disclosure Requirement is to enable an understanding of whether and how the undertaking engages, as part of its ongoing due diligence process, with affected communities, their legitimate representatives, or with credible proxies, about material actual and potential positive and/or negative impacts that do or are likely to affect them, and whether and how perspectives of affected communities are taken into account in the decision-making processes of the undertaking.</p> <p>21. The undertaking shall disclose whether and how the perspectives of affected communities inform its decisions or activities aimed at managing actual and potential impacts on communities. This shall include, where relevant, an explanation of:</p>	<p><b>Processes for engaging with affected communities</b></p> <p>AR 74. If the undertaking engages with affected communities and their representatives, when disclosing information under AR 73 (a), the undertaking shall disclose:</p> <p>a. its general processes for engaging where relevant with affected communities and their representatives about actual and potential material impacts on them;</p> <p><del>20. The objective of this Disclosure Requirement is to enable an understanding of whether and how the undertaking engages, as part of its ongoing due diligence process, with affected communities, their legitimate representatives, or with credible proxies, about material actual and potential positive and/or negative impacts that do or are likely to affect them, and whether and how perspectives of affected communities are taken into account in the decision-making processes of the undertaking.</del></p> <p>b. <del>The undertaking shall disclose</del> whether and how the perspectives of affected communities inform its decisions or activities aimed at managing the actual and potential material impacts on them. This shall include, where relevant, an explanation of:</p>

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<p>(a) whether engagement occurs with affected communities or their legitimate representatives directly, or with credible proxies that have insight into their situation;</p> <p>(b) the stage(s) at which engagement occurs, the type of engagement, and the frequency of the engagement;</p> <p>(c) the function and the most senior role within the undertaking that has operational responsibility for ensuring this engagement happens, and that the results inform the undertaking's approach;</p> <p>(d) where applicable, how the undertaking assesses the effectiveness of its engagement with affected communities, including, where relevant, any agreements or outcomes that result.</p>	<p><i>i.</i> whether engagement occurs with affected communities or their legitimate representatives directly, or with credible proxies that have insight into their situation;</p> <p><i>ii.</i> the stage(s) at which engagement occurs, the type of engagement and frequency of the engagement;</p>
<p>22. Where applicable, the undertaking shall disclose the steps it takes to gain insight into the perspectives of affected communities that may be particularly vulnerable to impacts and/or marginalised, and into the perspective of specific groups within the affected communities, such as women and girls.</p>	<p><del>22. Where applicable, the undertaking shall disclose the steps it takes to gain insight into the perspectives of affected communities that may be particularly vulnerable to impacts and/or marginalised, and into the perspective of specific groups within the affected communities, such as women and girls.</del></p>
<p>23. Where affected communities are indigenous peoples, the undertaking shall also disclose how it takes into account and ensures respect of their particular rights in its stakeholder engagement approach, including their right to free, prior and informed consent with regard to: (i) their cultural, intellectual, religious and spiritual property; (ii) activities affecting their lands and territories; and (iii) legislative or administrative measures that affect them. In particular, where engagement occurs with indigenous peoples, the undertaking shall also disclose whether and how indigenous peoples have been consulted on the mode and parameters of the engagement (for example, in designing the agenda, nature, and timeliness of the engagement).</p>	<p>AR 75. Where affected communities are indigenous peoples, the undertaking shall also disclose how it takes into account and ensures respect of their particular rights in its stakeholder engagement approach, including their right to free, prior and informed consent with regard to their cultural, intellectual, religious and spiritual property; activities affecting their lands and territories; and legislative or administrative measures that affect them. In particular, where engagement occurs with indigenous peoples, the undertaking shall also disclose whether and how indigenous peoples have been consulted on the mode and parameters of the engagement (for example, in designing the agenda, nature, and timeliness of the engagement).</p>
<p>24. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with affected communities, it shall disclose this to be the case. It may disclose a timeframe in which it aims to have such a process in place.</p>	<p>AR 76. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with affected communities <del>it shall disclose this to be the case.</del>, it may disclose a timeframe in which it aims to have such a process to be in place.</p>
<p>AR 13. Explanations of how the undertaking takes into account and ensures respect of the right of indigenous peoples to free, prior and informed consent may include information about processes to consult with indigenous peoples to obtain such consent. The undertaking shall consider how the consultation includes a good faith negotiation with affected indigenous peoples to obtain their free, prior and informed consent where the undertaking affects the lands, territories or resources that indigenous peoples customarily own, occupy or otherwise use; or relocates them from land or territories subject to traditional ownership or under customary use or occupation; or affects or exploits their cultural, intellectual, religious and spiritual property.</p>	<p>AR 80. Explanations of how the undertaking takes into account and ensures respect of the particular right of indigenous peoples to free, prior and informed consent, may include information about processes to consult with indigenous peoples to obtain their free prior and informed consent. <del>The undertaking shall consider how the consultation includes a good faith negotiation with affected indigenous peoples to obtain their free, prior and informed consent where the undertaking affects the lands, territories or resources that indigenous peoples customarily own, occupy or otherwise use; or relocates them from land or territories subject to traditional ownership or under customary use or occupation; or affects or exploits their cultural, intellectual, religious and spiritual property.</del></p>
<p>AR 14. When describing which function or role has operational responsibility for such engagement and/or ultimate accountability, the undertaking may disclose whether this is a dedicated role or function or part of a broader role or function, and whether any capacity building activities have been offered to support the staff to undertake engagement. If it cannot identify such a position or function, it may state that this is the case. This disclosure could also be fulfilled by making reference to information disclosed according to ESRS 2 GOV-1 The role of the administrative, management and supervisory bodies.</p>	<p>AR 14. When describing which function or role has operational responsibility for such engagement and/or ultimate accountability, the undertaking may disclose whether this is a dedicated role or function or part of a broader role or function, and whether any capacity building activities have been offered to support the staff to undertake engagement. If it cannot identify such a position or function, it may state that this is the case. This disclosure could also be fulfilled by making reference to information disclosed according to ESRS 2 GOV-1 The role of the administrative, management and supervisory bodies.</p>
	<p><b>Guidance on "Processes for engaging with affected communities"</b></p>



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<p>AR 15. When preparing the disclosures described in paragraph 20 b) and c), the following illustrations maybe considered:</p> <p>(a) examples of stages at which engagement occurs are i) determining the approach to mitigation and ii) evaluating the effectiveness of mitigation;</p> <p>(b) for type of engagement, these could be participation, consultation and/or information;</p> <p>(c) for the frequency of the engagement, information may be provided on whether engagement occurs on a regular basis, at certain points in a project or business process; and</p> <p>(d) for the role with operational responsibility, whether the undertaking requires relevant staff to have certain skills, or whether it provides training or capacity building to relevant staff to undertake engagement. In the case of material impacts, risks and opportunities related to indigenous peoples, this includes training on indigenous people's rights, including on free, prior and informed consent.</p>	<p>AR 77. When preparing the disclosures described in AR 74 b), the following illustrations may be considered:</p> <p>(a) examples of stages at which engagement occurs are i) determining the approach to mitigation and ii) evaluating the effectiveness of mitigation;</p> <p>(b) for type of engagement, these could be participation, consultation and/or information; and</p> <p>(c) for the frequency of the engagement, information may be provided on whether engagement occurs on a regular basis, at certain points in a project or business process, <i>for example, when a new harvest season begins or a new production line is opened</i>), as well as whether it occurs in response to legal requirements and/or in response to stakeholder requests and whether the result of the engagement is being integrated into the undertaking's decision-making processes.</p> <p><del>(d) for the role with operational responsibility, whether the undertaking requires relevant staff to have certain skills, or whether it provides training or capacity building to relevant staff to undertake engagement. In the case of material impacts, risks and opportunities related to indigenous peoples, this includes training on indigenous people's rights, including on free, prior and informed consent.</del></p>
<p>AR 16. To illustrate how the perspectives of communities have informed specific decisions or activities of the undertaking, the undertaking may provide examples from the current reporting period.</p>	<p>AR 78. To illustrate how the perspectives of affected communities have informed specific decisions or activities of the undertaking, the undertaking may provide examples from the current reporting period.</p>
<p><b>Disclosure Requirement S3-3 – Processes to remediate negative impacts and channels for affected communities to raise concerns</b></p> <p>25. The undertaking shall describe the processes it has in place to provide for or cooperate in the remediation of negative impacts on affected communities that the undertaking is connected with, as well as channels available to affected communities to raise concerns and have them addressed.</p> <p>26. The objective of this Disclosure Requirement is to enable an understanding of the formal means by which affected communities can make their concerns and needs known directly to the undertaking, and/or through which the undertaking supports the availability of such channels (for example, grievance mechanisms) by its business relationships, how follow up is performed with these communities regarding the issues raised, and the effectiveness of these channels.</p> <p>27. The undertaking shall describe:</p> <p>(a) its general approach to and processes for providing or contributing to remedy where it has identified that it has caused or contributed to a material negative impact on affected communities, including whether and how the undertaking assesses that the remedy provided is effective;</p>	<p><b><i>Processes to remediate negative impacts and channels for affected communities to raise concerns</i></b></p> <p><del>25. The undertaking shall describe the processes it has in place to provide for or cooperate in the remediation of negative impacts on affected communities that the undertaking is connected with, as well as channels available to affected communities to raise concerns and have them addressed.</del></p> <p><del>26. The objective of this Disclosure Requirement is to enable an understanding of the formal means by which affected communities can make their concerns and needs known directly to the undertaking, and/or through which the undertaking supports the availability of such channels (for example, grievance mechanisms) by its business relationships, how follow up is performed with these communities regarding the issues raised, and the effectiveness of these channels.</del></p> <p><i>AR 81. If the undertaking has in place processes to provide for or cooperate in the remediation of negative impacts on affected communities that the undertaking is connected with, as well as channels available to them to raise concerns and have them addressed, when disclosing information under AR 70 (b) it shall disclose:</i></p> <p>a) its approach to and processes for providing or contributing to remedy where it is connected with a material negative impact on affected communities, including whether and how the undertaking assesses that remedy provided is effective;</p>

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<p>(b) any specific channels it has in place for affected communities to raise their concerns or needs directly with the undertaking and have them addressed, including whether these are established by the undertaking itself and/or through participation in third-party mechanisms;</p> <p>(c) its processes through which the undertaking supports the availability of such channels by its business relationships; and</p> <p>(d) how it tracks and monitors issues raised and addressed, and how it ensures the effectiveness of the channels, including through involvement of stakeholders who are the intended users of those channels.</p>	<p><del>b) any specific channels it has in place for affected communities to raise their concerns or needs directly with the undertaking and have them addressed, including whether these are established by the undertaking itself and/or through participation in third-party mechanisms;</del></p> <p><del>(c) its processes through which the undertaking supports the availability of such channels by its business relationships; and</del> <b>(included as Guidance in AR 88)</b></p> <p><del>(d) how it tracks and monitors issues raised and addressed, and how it ensures the effectiveness of the channels, including through involvement of stakeholders who are the intended users of those channels.</del> <b>(included as Guidance in AR 92)</b></p>
<p>28. The undertaking shall disclose whether and how it assesses that affected communities are aware of and trust these structures or processes as a way to raise their concerns or needs and have them addressed. In addition, the undertaking shall disclose whether it has policies in place regarding the protection of individuals that use them against retaliation. If such information has been disclosed in accordance with ESRS G1-1, the undertaking may refer to that information.</p>	<p><del>AR 82. The undertaking shall</del> <i>may</i> disclose whether and how it assesses that affected communities are aware of, and trust, these structures or processes as a way to raise their concerns or needs and have them addressed. In addition, the undertaking shall disclose whether the undertaking has policies in place regarding the protection of individuals that use them against retaliation. <del>If such information has been disclosed in accordance with ESRS G1-1, the undertaking may refer to that information.</del></p>
<p>29. If the undertaking cannot disclose the above required information because it has not adopted a channel for raising concerns and/or does not support the availability of such a channel by its business relationships, it shall disclose this to be the case. It may disclose a timeframe in which it aims to have such a channel or processes in place.</p>	<p><del>AR 83. If the undertaking cannot disclose the above required information because it has not adopted a channel for raising concerns and/or does not support the availability of such a channel by its business relationships, it shall disclose this to be the case.</del> implemented those processes, it may disclose a timeframe in which it aims to have such processes to be in place.</p>
<p>AR 17. In fulfilling the requirements set out by Disclosure Requirement ESRS S3-3, the undertaking may be guided by the content of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises focused on remediation and grievance mechanisms.</p>	<p><b>Guidance on "Processes to remediate negative impacts and channels for affected communities to raise concerns"</b></p> <p>AR 84. In fulfilling the requirements set out in AR 81 to AR 83, the undertaking may be guided by the content of the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct focused on remediation and grievance mechanisms.</p>
<p>AR 18. Channels for raising concerns or needs, include grievance mechanisms, hotlines, dialogue processes or other means through which affected communities or their legitimate representatives can raise concerns about impacts or explain needs that they would like the undertaking to address. This could include channels provided by the undertaking directly, in addition to any other mechanisms the undertaking may use to gain insight into the management of impacts on communities, such as compliance audits. Where the undertaking is relying solely on information about the existence of such channels provided by its business relationships to answer this requirement, it may state that.</p>	<p>AR 85. Channels for raising concerns or needs include grievance mechanisms, hotlines, dialogue processes or other means through which affected communities or their legitimate representatives can raise concerns about impacts or explain needs that they would like the undertaking to address. This could include both channels provided by the undertaking directly, in addition to any other mechanisms an undertaking may use to gain insight into the management of impacts on communities, such as compliance audits. Where the undertaking is relying solely on information about the existence of such channels provided by its business relationships to answer this requirement, it may state that.</p>
<p>AR 19. To provide greater insight into the information covered in ESRS S3-3, the undertaking may explain whether and how communities that may be affected are able to access channels at the level of the undertaking they are affected by, in relation to each material impact. Relevant insights include information on whether affected communities can access channels in a language they understand, and whether they have been consulted in the design of such channels.</p>	<p>AR 86. To provide greater insight into the information covered in this Disclosure Requirement regarding affected communities, the undertaking may provide insight into whether and how communities that may be affected are able to access channels at the level of the undertaking they are affected by, in relation to each material impact. Relevant insights include information on whether affected communities can access channels in a language they understand, and whether they have been consulted in the design of such channels.</p>
<p>AR 20. Third party mechanisms could include those operated by the government, NGOs, industry associations and other collaborative initiatives. The undertaking may disclose whether these are accessible to all affected communities who may be potentially or actually materially</p>	<p><del>AR 87. Third party mechanisms could include those operated by the government, NGOs, industry associations and other collaborative initiatives.</del> <i>Channels could be provided by an industry wide initiative in which the undertaking takes part of, or by other third party</i></p>

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impacted by the undertaking, or individuals or organisations acting on their behalf or who are otherwise in a position to be aware of negative impacts.	<i>mechanisms such as the ones operated by the government or NGOs.</i> The undertaking may disclose whether these are accessible to all affected communities who may be potentially or actually materially impacted by the undertaking, or individuals or organisations acting on their behalf or who are otherwise in a position to be aware of negative impacts.
27. The undertaking shall describe: ... (c) its processes through which the undertaking supports the availability of such channels by its business relationships; and (d) how it tracks and monitors issues raised and addressed, and how it ensures the effectiveness of the channels, including through involvement of stakeholders who are the intended users of those channels.	AR 88. The undertaking <del>shall describe</del> <i>may disclose</i> its processes through which it supports the availability of such channels by its business relationships.
AR 21. In relation to the protection of individuals that use the mechanisms against retaliation, the undertaking may describe whether it treats grievances confidentially and with respect to the rights of privacy and data protection; and whether to the mechanisms can be used anonymously (for example, through representation by a third party).	AR 89. In relation to the protection of individuals that use the mechanisms against retaliation, the undertaking may describe whether it treats grievances confidentially and with respect to the rights of privacy and data protection; and whether the mechanisms can be used anonymously (for example, through representation by a third party).
AR 22. When disclosing processes related to providing and enabling remedy for indigenous peoples, relevant information includes whether and how the undertaking has considered their customs, traditions, rules and legal systems.	AR 90. When disclosing processes related to providing and enabling remedy for indigenous peoples, relevant information includes whether and how the undertaking has considered their customs, traditions, rules and legal systems.
AR 23. In disclosing whether and how the undertaking knows that affected communities are aware of and trust any of these channels, the undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of affected communities themselves. Examples of sources of information are surveys of community members that have used such channels and their levels of satisfaction with the process and outcomes.	AR 91. In disclosing whether and how the undertaking knows that affected communities are aware of and trust any of these channels, the undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of the people concerned. Examples of sources of information are surveys of community members that have used such channels and their levels of satisfaction with the process and outcomes.
27. The undertaking shall describe: ... (d) how it tracks and monitors issues raised and addressed, and how it ensures the effectiveness of the channels, including through involvement of stakeholders who are the intended users of those channels.	AR 92. The undertaking <del>shall describe</del> <i>may disclose</i> how it tracks and monitors issues raised and addressed, and, how it ensures the effectiveness of the channels, including through the involvement of stakeholders who are intended users of those channels.
AR 24. In describing the effectiveness of channels for affected communities to raise concerns, the undertaking may be guided by the following questions, based on the “effectiveness criteria for non- judicial grievance mechanisms”, as laid out in the UN Guiding Principles on Business and Human Rights, in particular Principle 31. The below considerations may be applied on an individual channel basis or for the collective system of channels: (a) do the channels hold legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust? (b) are the channels known and accessible to stakeholders? (c) do the channels have clear and known procedures, set timeframes and clarity on the processes? (d) do the channels ensure reasonable access to sources of information, advice and expertise? (e) do the channels offer transparency by providing sufficient information both to complainants and, where applicable, to meet any public interest at stake?	AR 93. In describing the effectiveness of channels for affected communities to raise concerns, the undertaking may be guided by the following questions, based on the “effectiveness criteria for non-judicial grievance mechanisms”, as laid out in the UN Guiding Principles on Business and Human Rights, in particular principle 31. The considerations below may be applied to individual channels or to a collective system of channels: (a) do the channels have legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust? (b) are the channels known and accessible to stakeholders? (c) do the channels have clear and known procedures, with indicative timeframes? (d) do the channels ensure reasonable access for stakeholders to sources of information, advice and expertise? (e) do the channels offer transparency by providing sufficient information both to complainants and, where applicable, to meet any public interest?

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<p>(f) do the outcomes achieved through the channels accord with internationally recognised human rights?</p> <p>(g) does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future impacts?</p> <p>(h) does the undertaking focus on dialogue with complainants as the means to reach agreed solutions, rather than seeking to unilaterally determine the outcome?</p>	<p>(f) do outcomes achieved through the channels accord with internationally recognised human rights?</p> <p>(g) does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future impacts?</p> <p>(h) does the undertaking focus on dialogue with complainants as the means to reach agreed solutions, rather than seeking to unilaterally determine the outcome?</p>
<p><b>Disclosure Requirement S3-4 – Taking action on material impacts on affected communities, and approaches to managing material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions</b></p> <p>30. The undertaking shall disclose how it takes action to address material impacts on affected communities, and to manage material risks and pursue material opportunities related to affected communities and the effectiveness of those actions.</p> <p>31. The objective of this Disclosure Requirement is twofold. Firstly, it is to provide an understanding of any actions and initiatives through which the undertaking seeks to:</p> <p>(a) prevent, mitigate and remediate the negative material impacts on affected communities; and/or</p> <p>(b) achieve positive material impacts for affected communities.</p> <p>Secondly, it is to enable an understanding of the ways in which the undertaking is addressing the material risks and pursuing the material opportunities related to affected communities. The undertaking shall provide a summarised description of the action plans and resources to manage its material impacts, risks, and opportunities related to affected communities as per ESRS 2 MDR-A Actions and resources in relation to material sustainability matters.</p> <p>32. In relation to material impacts, the undertaking shall describe:</p> <p>(a) actions taken, planned or underway to prevent or mitigate material negative impacts on affected communities;</p> <p>(b) whether and how it has taken action to provide or enable remedy in relation to an actual material impact;</p> <p>(c) any additional actions or initiatives it has in place with the primary purpose of delivering positive impacts for affected communities; and</p> <p>(d) how it tracks and assesses the effectiveness of these actions and initiatives in delivering intended outcomes for affected communities.</p> <p>33. In relation to paragraph 29, the undertaking shall describe:</p> <p>(a) the processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on affected communities;</p> <p>(b) its approach to taking action in relation to specific material negative impacts on communities, including any action in relation to its own practices regarding land acquisition,</p>	<p><b>Actions on material impacts on affected communities</b></p> <p><del>30. The undertaking shall disclose how it takes action to address material impacts on affected communities, and to manage material risks and pursue material opportunities related to affected communities and the effectiveness of those actions.</del></p> <p><del>31. The objective of this Disclosure Requirement is twofold. Firstly, it is to provide an understanding of any actions and initiatives through which the undertaking seeks to:</del></p> <p><del>(a) prevent, mitigate and remediate the negative material impacts on affected communities; and/or</del></p> <p><del>(b) achieve positive material impacts for affected communities.</del></p> <p><del>Secondly, it is to enable an understanding of the ways in which the undertaking is addressing the material risks and pursuing the material opportunities related to affected communities. The undertaking shall provide a summarised description of the action plans and resources to manage its material impacts, risks, and opportunities related to affected communities as per ESRS 2 MDR-A Actions and resources in relation to material sustainability matters.</del></p> <p>AR 94. When disclosing information on actions on material impacts related to affected communities, the undertaking shall describe:</p> <p>a. actions taken, planned or underway to prevent or mitigate material negative impacts on affected communities;</p> <p><del>(b) whether and how it has taken action to provide or enable remedy in relation to an actual material impact;</del></p> <p><del>(c) any additional actions or initiatives it has in place with the primary purpose of delivering positive impacts for affected communities; and</del></p> <p><del>(d) how it tracks and assesses the effectiveness of these actions and initiatives in delivering intended outcomes for affected communities.</del></p> <p>b. the processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on affected communities.</p>

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<p>planning and construction, operation or closure practices, as well as whether wider industry or collaborative action with other relevant parties will be required; and (c) how it ensures that processes to provide or enable remedy in the event of material negative impacts are available and effective in their implementation and outcomes.</p>	<p><del>(b) its approach to taking action in relation to specific material negative impacts on communities, including any action in relation to its own practices regarding land acquisition, planning and construction, operation or closure practices, as well as whether wider industry or collaborative action with other relevant parties will be required; and (c) how it ensures that processes to provide or enable remedy in the event of material negative impacts are available and effective in their implementation and outcomes.</del></p>
<p>34. In relation to material risks and opportunities, the undertaking shall describe: (a) what action is planned or underway to mitigate material risks for the undertaking arising from its impacts and dependencies on affected communities and how it tracks effectiveness in practice; and (b) what action is planned or underway to pursue material opportunities for the undertaking in relation to affected communities.</p>	<p><del>34. In relation to material risks and opportunities, the undertaking shall describe: (a) what action is planned or underway to mitigate material risks for the undertaking arising from its impacts and dependencies on affected communities and how it tracks effectiveness in practice; and (b) what action is planned or underway to pursue material opportunities for the undertaking in relation to affected communities.</del></p>
<p>35. The undertaking shall disclose whether and how it takes action to avoid causing or contributing to material negative impacts on affected communities through its own practices, including, where relevant, in relation to planning, land acquisition and exploitation, finance, extraction or production of raw materials, use of natural resources, and management of environmental impacts. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.</p>	<p>AR 95. The undertaking shall disclose whether and how it takes action to avoid causing or contributing to material negative impacts on affected communities through its own practices, including, where relevant, in relation to planning, land acquisition and exploitation, finance, extraction or production of raw materials, use of natural resources, and management of environmental impacts. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.</p>
<p>36. The undertaking shall also disclose whether severe human rights issues and incidents connected to affected communities have been reported and, if applicable, disclose these.</p>	<p>36. The undertaking shall also disclose whether severe human rights issues and incidents connected to affected communities have been reported and, if applicable, disclose these. <b>(included in EU Law table)</b></p>
<p>37. When disclosing the information required under paragraph 31 (c), the undertaking shall consider ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets if it evaluates the effectiveness of an action by setting a target.</p>	<p><del>37. When disclosing the information required under paragraph 31 (c), the undertaking shall consider ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets if it evaluates the effectiveness of an action by setting a target.</del></p>
<p>38. The undertaking shall disclose what resources are allocated to the management of its material impacts, with information that enables users to gain an understanding of how the material impacts are managed.</p>	<p><del>38. The undertaking shall disclose what resources are allocated to the management of its material impacts, with information that enables users to gain an understanding of how the material impacts are managed.</del></p>
<p><b>Disclosure Requirement S4-1 – Policies related to consumers and end-users</b></p> <p>13. The undertaking shall describe its policies adopted to manage its material impacts of its products and/or services on consumers and end-users, as well as associated material risks and opportunities.</p> <p>14. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of material impacts on consumers and/or end-users specifically, as well as policies that cover material risks or opportunities related to consumers and/or end-users.</p> <p>15. The disclosure required by paragraph 13 shall contain the information on the undertaking's policies to manage its material impacts, risks and opportunities related to consumers and/or</p>	<p><b>Guidance / Additional information for Policies related to consumers and end-users</b></p> <p><del>13. The undertaking shall describe its policies adopted to manage its material impacts of its products and/or services on consumers and end-users, as well as associated material risks and opportunities.</del></p> <p><del>14. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of material impacts on consumers and/or end-users specifically, as well as policies that cover material risks or opportunities related to consumers and/or end-users.</del></p> <p><del>15. The disclosure required by paragraph 13 shall contain the information on the undertaking's policies to manage its material impacts, risks and opportunities related to consumers and/or</del></p>

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<p>end-users in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters. In addition, the undertaking shall specify if such policies cover specific groups or all consumers and/or end-users.</p> <p>16. The undertaking shall describe its human rights policy commitments that are relevant to consumers and/or end-users, including those processes and mechanisms to monitor compliance with the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises. In its disclosure it shall focus on those matters that are material, as well as the general approach in relation to:</p> <p>(a) respect for the human rights of consumers and/or end-users;</p> <p>(b) engagement with consumers and/or end-users; and</p> <p>(c) measures to provide and/or enable remedy for human rights impacts.</p>	<p><del>end-users in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters. In addition, the undertaking shall specify if such policies cover specific groups or all consumers and/or end-users.</del></p> <p><del>16. The undertaking shall describe its human rights policy commitments that are relevant to consumers and/or end-users, including those processes and mechanisms to monitor compliance with the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises. In its disclosure it shall focus on those matters that are material, as well as the general approach in relation to:</del></p> <p><del>(a) respect for the human rights of consumers and/or end-users;</del> <b>(included in EU Law table)</b>  <b>AR 96. When describing its policies on consumers and end-users, the undertaking shall consider focusing on those matters that are material in relation to, as well as its general approach to:</b></p> <p>a. engagement with consumers and/or end-users (refer to AR 96 to AR 97); and</p> <p>b. measures to provide and/or enable remedy for human rights impacts (refer to AR 102 to AR 104).</p>
<p>17. The undertaking shall disclose whether and how its policies with regard to consumers and/or end-users are aligned with internationally recognised instruments relevant to consumers and/or end-users, including United Nations (UN) Guiding Principles on Business and Human Rights. The undertaking shall also disclose the extent to which cases of non-respect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises that involve consumers and/or end-users have been reported in its downstream value chain and, if applicable, an indication of the nature of such cases.</p>	<p><del>17. The undertaking shall disclose whether and how its policies with regard to consumers and/or end-users are aligned with internationally recognised instruments relevant to consumers and/or end-users, including United Nations (UN) Guiding Principles on Business and Human Rights. The undertaking shall also disclose the extent to which cases of non-respect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises that involve consumers and/or end-users have been reported in its downstream value chain and, if applicable, an indication of the nature of such cases.</del><b>(included in EU Law table)</b></p>
<p><b>Disclosure Requirement S4-2 – Processes for engaging with consumers and endusers about impacts</b></p> <p>18. The undertaking shall disclose its general processes for engaging with consumers and end-users and their representatives about actual and potential impacts on them.</p> <p>19. The objective of this Disclosure Requirement is to enable an understanding of whether and how the undertaking engages, as part of its ongoing due diligence process, with consumers and/or end-users, their legitimate representatives, or with credible proxies, about material actual and potential positive and/or negative impacts that do or are likely to affect them, and whether and how perspectives of consumers and/or end-users are taken into account in the decision-making processes of the undertaking.</p> <p>20. The undertaking shall disclose whether and how the perspectives of consumers and/or end-users inform its decisions or activities aimed at managing actual and potential impacts on consumers and/or end-users. This shall include, where relevant, an explanation of:</p>	<p><b>Processes for engaging with consumers and end-users</b></p> <p><i>AR 97. If the undertaking engages with consumers and end-users, when disclosing information under AR 96 (a), the undertaking shall disclose:</i></p> <p>a. its general processes for engaging where relevant with consumers and end-users and their representatives about actual and potential material impacts on them;</p> <p><del>19. The objective of this Disclosure Requirement is to enable an understanding of whether and how the undertaking engages, as part of its ongoing due diligence process, with consumers and/or end-users, their legitimate representatives, or with credible proxies, about material actual and potential positive and/or negative impacts that do or are likely to affect them, and whether and how perspectives of consumers and/or end-users are taken into account in the decision-making processes of the undertaking.</del></p> <p><del>b. The undertaking shall disclose whether and how the perspectives of its consumers and end-users inform its decisions or activities aimed at managing the actual and potential material impacts on them. This shall include, where relevant, an explanation of:</del></p>

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<p>(a) whether engagement occurs with affected consumers and/or end-users or their legitimate representatives directly, or with credible proxies that have insight into their situation;</p> <p>(b) the stage(s) at which engagement occurs, the type of engagement, and the frequency of the engagement;</p> <p>(c) the function and the most senior role within the undertaking that has operational responsibility for ensuring this engagement happens and that the results inform the undertaking's approach; and</p> <p>(d) where applicable, how the undertaking assesses the effectiveness of its engagement with consumers and/or end-users, and, where relevant, any agreements or outcomes that result from such engagement.</p>	<p><i>i.</i> whether engagement occurs with affected consumers and end-users or their legitimate representatives directly, or with credible proxies that have insight into their situation;</p> <p><i>ii.</i> the stage(s) at which engagement occurs, the type of engagement and frequency of the engagement;</p> <p><del>(c) the function and the most senior role within the undertaking that has operational responsibility for ensuring this engagement happens and that the results inform the undertaking's approach; and</del></p> <p><del>(d) where applicable, how the undertaking assesses the effectiveness of its engagement with consumers and/or end-users, and, where relevant, any agreements or outcomes that result from such engagement.</del></p>
<p>21. Where applicable, the undertaking shall disclose the steps it takes to gain insight into the perspectives of consumers and/or end-users that may be particularly vulnerable to impacts and/or marginalised (for example, people with disabilities, children, etc.).</p>	<p><del>21. Where applicable, the undertaking shall disclose the steps it takes to gain insight into the perspectives of consumers and/or end-users that may be particularly vulnerable to impacts and/or marginalised (for example, people with disabilities, children, etc.).</del></p>
<p>22. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with consumers and/or end-users, it shall disclose this to be the case. It may disclose a timeframe in which it aims to have such a process in place.</p>	<p><del>AR 98. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with consumers and end-users it shall disclose this to be the case, it may disclose a timeframe in which it aims to have such a process to be in place.</del></p>
<p>AR 15. When describing which function or role has operational responsibility for such engagement and/or ultimate accountability, the undertaking may disclose whether this is a dedicated role or function or part of a broader role or function, and whether any capacity building activities have been offered to support the staff to undertake engagement. If it cannot identify such a position or function, it may state that this is the case. This disclosure could also be fulfilled by making reference to information disclosed according to ESRS 2 GOV-1 The role of the administrative, management and supervisory bodies.</p> <p>AR 16. When preparing the disclosures described in paragraph 20 b) and c), the following illustrations may be considered:</p> <p>(a) for stage(s) at which engagement occurs, examples could be in determining mitigation approaches or in evaluating their effectiveness;</p> <p>(b) for type of engagement, these could be participation, consultation and/or information;</p> <p>(c) for the frequency of the engagement, information may be provided on whether engagement occurs on a regular basis, at certain points in a project or business process, as well as whether it occurs in response to legal requirements and/or in response to stakeholder requests and whether the result of the engagement is being integrated into the undertaking's decision-making processes; and</p> <p>(d) for the role with operational responsibility, whether the undertaking requires relevant staff to have certain skills, or whether it provides training or capacity building to relevant staff to undertake engagement.</p>	<p><b>Guidance on "Processes for engaging with consumers and end-users"</b></p> <p><del>AR 15. When describing which function or role has operational responsibility for such engagement and/or ultimate accountability, the undertaking may disclose whether this is a dedicated role or function or part of a broader role or function, and whether any capacity building activities have been offered to support the staff to undertake engagement. If it cannot identify such a position or function, it may state that this is the case. This disclosure could also be fulfilled by making reference to information disclosed according to ESRS 2 GOV-1 The role of the administrative, management and supervisory bodies.</del></p> <p>AR 99. When preparing the disclosures described in AR 96 b), the following illustrations may be considered:</p> <p>(a) examples of stages at which engagement occurs are i) determining the approach to mitigation and ii) evaluating the effectiveness of mitigation;</p> <p>(b) for type of engagement, these could be participation, consultation and/or information; and</p> <p>(c) for the frequency of the engagement, information may be provided on whether engagement occurs on a regular basis, at certain points in a project or business process, for example, when a new harvest season begins or a new production line is opened), as well as whether it occurs in response to legal requirements and/or in response to stakeholder requests and whether the result of the engagement is being integrated into the undertaking's decision-making processes.</p> <p><del>(d) for the role with operational responsibility, whether the undertaking requires relevant staff to have certain skills, or whether it provides training or capacity building to relevant staff to undertake engagement.</del></p>
<p>AR 17. To illustrate how the perspectives of consumers and/or end-users have informed specific decisions or activities of the undertaking, the undertaking may provide examples from the current reporting period.</p>	<p>AR 100. To illustrate how the perspectives of consumers and end-users have informed specific decisions or activities, the undertaking may provide examples from the current reporting period.</p>

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AR 14. Credible proxies who have knowledge of the interests, experiences or perspectives of consumers and end-users could include national consumer protection bodies for some consumers.	AR 101. Credible proxies who have knowledge of the interests, experiences or perspectives of consumers and end-users could include national consumer protection bodies for some consumers.
<p><b>Disclosure Requirement S4-3 – Processes to remediate negative impacts and channels for consumers and end-users to raise concerns</b></p> <p>23. The undertaking shall describe the processes it has in place to provide for or cooperate in the remediation of negative impacts on consumers and end-users that the undertaking is connected with, as well as channels available to consumers and endusers to raise concerns and have them addressed.</p> <p>24. The objective of this Disclosure Requirement is to enable an understanding of the formal means by which consumers and/or end-users can make their concerns and needs known directly to the undertaking, and/or through which the undertaking supports the availability of such channels (for example, grievance mechanisms) by its business relationships, how follow up is performed with these consumers and/or end-users regarding the issues raised, and the effectiveness of these channels.</p> <p>25. The undertaking shall describe:</p> <p>(a) its general approach to and processes for providing or contributing to remedy where it has identified that it has caused or contributed to a material negative impact on consumers and/or end-users, including whether and how the undertaking assesses that the remedy provided is effective;</p> <p>(b) any specific channels it has in place for consumers and/or end-users to raise their concerns or needs directly with the undertaking and have them addressed, including whether these are established by the undertaking itself and/or through participation in third-party mechanisms;</p> <p>(c) the processes through which the undertaking supports or requires the availability of such channels by its business relationships; and</p> <p>(d) how it tracks and monitors issues raised and addressed, and how it ensures the effectiveness of the channels, including through involvement of stakeholders who are the intended users.</p>	<p><b>Processes to remediate negative impacts and channels for consumers and end-users to raise concerns</b></p> <p><del>23. The undertaking shall describe</del> AR 102. <i>If the undertaking</i> has in place processes to provide for or cooperate in the remediation of negative impacts on consumers and end-users, that the undertaking is connected with, as well as channels available to them to raise concerns and have them addressed, <i>when disclosing information under AR 95 (b) it shall disclose:</i></p> <p><del>24. The objective of this Disclosure Requirement is to enable an understanding of the formal means by which consumers and/or end-users can make their concerns and needs known directly to the undertaking, and/or through which the undertaking supports the availability of such channels (for example, grievance mechanisms) by its business relationships, how follow up is performed with these consumers and/or end-users regarding the issues raised, and the effectiveness of these channels.</del></p> <p>a) its <del>general</del> approach to and processes for providing or contributing to remedy where it is connected with a material negative impact on consumers and end-users, including whether and how the undertaking assesses that remedy provided is effective;</p> <p>b) any <del>specific</del> channels it has in place for consumers and end-users to raise their concerns or needs <del>directly with the undertaking and have them addressed, including whether these are established by the undertaking itself and/or through participation in third party mechanisms.</del></p> <p><del>(c) the processes through which the undertaking supports or requires the availability of such channels by its business relationships; and</del> <b>(included in AR 108 below)</b></p> <p>(d) how it tracks and monitors issues raised and addressed, and how it ensures the effectiveness of the channels, including through involvement of stakeholders who are the intended users. <b>(included in AR 110 below)</b></p>
26. The undertaking shall disclose whether and how it assesses that consumers and/or endusers are aware of and trust these structures or processes as a way to raise their concerns or needs and have them addressed. In addition, the undertaking shall disclose whether it has policies in place to protect individuals from retaliation when they use such structures or processes. If such information has been disclosed in accordance with ESRS G1-1, the undertaking may refer to that information.	AR 103. The undertaking <del>shall</del> <i>may disclose</i> whether and how it assesses that consumers and/or end-users are aware of and trust these structures or processes as a way to raise their concerns or needs and have them addressed. In addition, the undertaking shall disclose whether the undertaking has policies in place regarding the protection of individuals that use them against retaliation. <del>when they use such structures or processes. If such information has been disclosed in accordance with ESRS G1-1, the undertaking may refer to that information.</del>
27. If the undertaking cannot disclose the above required information because it has not adopted a channel for raising concerns and/or does not support the availability of mechanisms by its business relationships, it shall disclose this to be the case. It may disclose a timeframe in which it aims to have such a channel or processes in place.	AR 104. If the undertaking cannot disclose the above required information because it has not <del>adopted a channel for raising concerns and/or does not support the availability of mechanisms by its business relationships, it shall disclose this to be the case</del> <i>implemented those processes,</i> it may disclose a timeframe in which it aims to have such processes to be in place.



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<p>AR 18. In fulfilling the requirements set out by the disclosure criteria of ESRS S4-3, the undertaking may be guided by the content of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises focused on remediation and grievance mechanisms.</p>	<p><b>Guidance on “Processes to remediate negative impacts and channels for consumers and end-users to raise concerns”</b></p> <p>AR 105. In fulfilling the requirements set out in AR 101 to AR 103, the undertaking may be guided by the content of the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct focused on remediation and grievance mechanisms.</p>
<p>AR 19. Channels for raising concerns or needs, include grievance mechanisms, hotlines, dialogue processes or other means through which consumers and/or end-users or their legitimate representatives can raise concerns about impacts or explain needs that they would like the undertaking to address. This could include channels provided by the undertaking directly and is to be disclosed in addition to any other mechanisms the undertaking may use to gain insight into the management of impacts on consumers and/or end-users, such as compliance audits. Where the undertaking is relying solely on information about the existence of such channels provided by its business relationships to answer this requirement, it may state that.</p>	<p>AR 106. Channels for raising concerns or needs include grievance mechanisms, hotlines, dialogue processes or other means through which consumers and end-users or their legitimate representatives can raise concerns about impacts or explain needs that they would like the undertaking to address. This could include channels provided by the undertaking directly and is to be disclosed in addition to any other mechanisms an undertaking may use to gain insight into the management of impacts on consumers and/or end-users, such as compliance audits. Where the undertaking is relying solely on information about the existence of such channels provided by its business relationships to answer this requirement, it may state that.</p>
<p>AR 20. To provide greater insight into the information covered in ESRS S4-3, the undertaking may provide insight into whether and how consumers and/or end-users that may be affected are able to access channels at the level of the undertaking they are affected by, in relation to each material impact.</p>	<p>AR 112. To provide greater insight into the information covered in this Disclosure Requirement regarding consumers and end-users, the undertaking may provide insight into whether and how consumers and/or end-users that may be affected are able to access channels at the level of the undertaking they are affected by, in relation to each material impact.</p>
<p>AR 21. Third party mechanisms could include those operated by the government, NGOs, industry associations and other collaborative initiatives. With regard to the scope of these mechanisms, the undertaking may disclose whether these are accessible to all consumers and/or end-users who may be potentially or actually materially impacted by the undertaking, or individuals or organisations acting on their behalf or who are otherwise in a position to be aware of negative impacts, and through which consumers and/or end-users (or individuals or organisations acting on their behalf or who are otherwise in a position to be aware of negative impacts), can raise complaints or concerns related to the undertaking's own activities.</p>	<p>AR 107. <del>Third party mechanisms could include those operated by the government, NGOs, industry associations and other collaborative initiatives. With regard to the scope of these mechanisms</del> These channels could be provided by an industry wide initiative in which the undertaking takes part of, or by other third party mechanisms such as the ones operated by the government or NGOs. The undertaking may disclose whether these are accessible to all consumers and/or end-users who may be potentially or actually materially impacted by the undertaking, or individuals or organisations acting on their behalf or who are otherwise in a position to be aware of negative impacts.</p>
<p>25. The undertaking shall describe: ... (c) the processes through which the undertaking supports or requires the availability of such channels by its business relationships; and</p>	<p>AR 108. The undertaking <del>shall describe</del> may disclose its processes through which it supports or requires the availability of such channels by its business relationships for consumers and end-users.</p>
<p>AR 22. In relation to the protection of individuals that use the mechanisms against the retaliation, the undertaking may describe whether it treats grievances confidentially and with respect to the rights of privacy and data protection; and whether they allow for consumer and/or end-users to use them anonymously (for example, through representation by a third party.)</p>	<p>AR 113. In relation to the protection of individuals that use the mechanisms against retaliation, the undertaking may describe whether it treats grievances confidentially and with respect to the rights of privacy and data protection; and whether the mechanisms can be used anonymously (for example, through representation by a third party).</p>
<p>AR 23. In disclosing whether and how the undertaking knows that consumers and/or end-users are aware of and trust any of these channels, the undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of consumers and/or end-users themselves. Examples of sources of information are surveys of consumers and/or end-users that have used such channels and their levels of satisfaction with the process and</p>	<p>AR 109. In disclosing whether and how the undertaking knows that consumers and/or end-users are aware of and trust any of these channels, the undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of the people concerned. Examples of sources of information are surveys of consumers and/or end-users that have used such channels and their levels of satisfaction with the process and outcomes. To</p>

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outcomes. To illustrate the usage level of such channels, the undertaking may disclose the number of complaints received from consumers and/or endusers during the reporting period.	illustrate the usage level of such channels, the undertaking may disclose the number of complaints received from consumers and/or end-users during the reporting period.
25. The undertaking shall describe: ... (d) how it tracks and monitors issues raised and addressed, and how it ensures the effectiveness of the channels, including through involvement of stakeholders who are the intended users.	AR 110. The undertaking <del>shall describe</del> <i>may disclose</i> how it tracks and monitors issues raised and addressed, and, how it ensures the effectiveness of the channels, including through the involvement of stakeholders who are intended users.
AR 24. In describing the effectiveness of channels for consumers and/or end-users to raise concerns, the undertaking may be guided by the following questions, based on the “effectiveness criteria for nonjudicial grievance mechanisms”, as laid out in the UN Guiding Principles on Business and Human Rights. The below considerations may be applied on an individual channel basis or for the collective system of channels: (a) do the channels hold legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust? (b) are the channels known and accessible to stakeholders? (c) do the channels have known procedures, set timeframes and clarity on the processes? (d) do the channels ensure reasonable access to sources of information, advice and expertise? (e) do the channels offer transparency by providing sufficient information both to complainants and where applicable, to meet any public interest at stake? (f) do the outcomes achieved from the channels accord with internationally recognised human rights? (g) does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future impacts? (h) does the undertaking focus on dialogue with complainants as the means to reach agreed solutions, rather than seeking to unilaterally determine the outcome? For more information, see Principle 31 of the UN Guiding Principles on Business and Human Rights.	AR 111. In describing the effectiveness of channels for consumers and/or end-users to raise concerns, the undertaking may be guided by the following questions, based on the “effectiveness criteria for non-judicial grievance mechanisms”, as laid out in the UN Guiding Principles on Business and Human Rights, in particular principle 31. The considerations below may be applied to individual channels or to a collective system of channels: (a) do the channels have legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust? (b) are the channels known and accessible to stakeholders? (c) do the channels have clear and known procedures, with indicative timeframes? (d) do the channels ensure reasonable access for stakeholders to sources of information, advice and expertise? (e) do the channels offer transparency by providing sufficient information both to complainants and, where applicable, to meet any public interest? (f) do outcomes achieved through the channels accord with internationally recognised human rights? (g) does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future impacts? (h) does the undertaking focus on dialogue with complainants as the means to reach agreed solutions, rather than seeking to unilaterally determine the outcome? <del>For more information, see Principle 31 of the UN Guiding Principles on Business and Human Rights.</del>
<b>Disclosure Requirement S4-4 – Taking action on material impacts on consumers and end- users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions</b>  28. The undertaking shall disclose how it takes action to address material impacts on consumers and end-users, and to manage material risks and pursue material opportunities related to consumers and end-users, and effectiveness of those actions.  29. The objective of this Disclosure Requirement is twofold. Firstly, it is to provide an understanding of any actions and initiatives through which the undertaking seeks to: (a) prevent, mitigate and remediate the negative material impacts on consumers and/or end-users, and/or (b) achieve positive material impacts for consumers and/or end-users.	<b><i>Actions on material impacts on consumers and end-users</i></b>  <del>28. The undertaking shall disclose how it takes action to address material impacts on consumers and end-users, and to manage material risks and pursue material opportunities related to consumers and end-users, and effectiveness of those actions.</del>  <del>29. The objective of this Disclosure Requirement is twofold. Firstly, it is to provide an understanding of any actions and initiatives through which the undertaking seeks to: (a) prevent, mitigate and remediate the negative material impacts on consumers and/or end-users, and/or (b) achieve positive material impacts for consumers and/or end-users.</del>

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<p>Secondly, it is to enable an understanding of the ways in which the undertaking is addressing the material risks and pursuing the material opportunities related to consumers and/or end-users.</p> <p>30. The undertaking shall provide a summarised description of the action plans and resources to manage its material impacts, risks, and opportunities related to consumers and end-users as per ESRS 2 MDR-A Actions and resources in relation to material sustainability matters.</p> <p>31. In relation to material impacts, the undertaking shall describe:</p> <p>(a) actions taken, planned or underway to prevent, mitigate or remediate material negative impacts on consumers and/or end-users;</p> <p>(b) whether and how it has taken action to provide or enable remedy in relation to an actual material impact;</p> <p>(c) any additional actions or initiatives it has in place with the primary purpose of positively contributing to improved social outcomes for consumers and/or end-users; and</p> <p>(d) how it tracks and assesses the effectiveness of these actions and initiatives in delivering intended outcomes for consumers and/or end-users.</p> <p>32. In relation to paragraph 28, the undertaking shall describe:</p> <p>(a) the processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on consumers and/or end-users;</p> <p>(b) its approaches to taking action in relation to specific material negative impacts on consumers and/or end-users, including any action in relation to its own practices regarding product design, marketing or sales, as well as whether wider industry or collaborative action with other relevant parties will be required; and</p> <p>(c) how it ensures that processes to provide or enable remedy in the event of material negative impacts are available and effective in their implementation and outcomes.</p>	<p><del>Secondly, it is to enable an understanding of the ways in which the undertaking is addressing the material risks and pursuing the material opportunities related to consumers and/or end-users.</del></p> <p><del>30. The undertaking shall provide a summarised description of the action plans and resources to manage its material impacts, risks, and opportunities related to consumers and end-users as per ESRS 2 MDR-A Actions and resources in relation to material sustainability matters.</del></p> <p><i>AR 114. When disclosing information on actions on material impacts related to consumers and end-users, the undertaking shall describe:</i></p> <p><i>a. actions taken, planned or underway to prevent, mitigate or remediate material negative impacts on consumers and/or end-users;</i></p> <p><del>(b) whether and how it has taken action to provide or enable remedy in relation to an actual material impact;</del></p> <p><del>(c) any additional actions or initiatives it has in place with the primary purpose of positively contributing to improved social outcomes for consumers and/or end-users; and</del></p> <p><del>(d) how it tracks and assesses the effectiveness of these actions and initiatives in delivering intended outcomes for consumers and/or end-users</del></p> <p>32. In relation to paragraph 28, the undertaking shall describe:</p> <p><i>b. the processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on consumers and/or end-users;</i></p> <p><del>(b) its approaches to taking action in relation to specific material negative impacts on consumers and/or end-users, including any action in relation to its own practices regarding product design, marketing or sales, as well as whether wider industry or collaborative action with other relevant parties will be required; and</del></p> <p><del>(c) how it ensures that processes to provide or enable remedy in the event of material negative impacts are available and effective in their implementation and outcomes.</del></p>
<p>33. In relation to material risks and opportunities, the undertaking shall describe:</p> <p>(a) what action is planned or underway to mitigate material risks for the undertaking arising from its impacts and dependencies on consumers and/or end-users and how it tracks effectiveness in practice; and</p> <p>(b) what action is planned or underway to pursue material opportunities for the undertaking in relation to consumers and/or end-users.</p>	<p><del>33. In relation to material risks and opportunities, the undertaking shall describe:</del></p> <p><del>(a) what action is planned or underway to mitigate material risks for the undertaking arising from its impacts and dependencies on consumers and/or end-users and how it tracks effectiveness in practice; and</del></p> <p><del>(b) what action is planned or underway to pursue material opportunities for the undertaking in relation to consumers and/or end-users.</del></p>
<p>34. The undertaking shall disclose whether and how it takes action to avoid causing or contributing to material negative impacts on consumers and/or end-users through its own practices, including, where relevant, in relation to marketing, sales and data use. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.</p>	<p><i>AR 115. The undertaking shall disclose whether and how it takes action to avoid causing or contributing to material negative impacts on consumers and/or end-users through its own practices, including, where relevant, in relation to marketing, sales and data use. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.</i></p>

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35. When preparing this disclosure, the undertaking shall consider whether severe human rights issues and incidents connected to its consumers and/or end-users have been reported and, if applicable, disclose these.	<del>35. When preparing this disclosure, the undertaking shall consider whether severe human rights issues and incidents connected to its consumers and/or end-users have been reported and, if applicable, disclose these.</del> <b>(included in EU Law table)</b>
36. Where the undertaking evaluates the effectiveness of an action by setting a target, in disclosing the information required under paragraph 32 (c), the undertaking shall consider ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets.	<del>36. Where the undertaking evaluates the effectiveness of an action by setting a target, in disclosing the information required under paragraph 32 (c), the undertaking shall consider ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets.</del>
37. The undertaking shall disclose what resources are allocated to the management of its material impacts with information that enables users to gain an understanding of how the material impacts are managed.	<del>37. The undertaking shall disclose what resources are allocated to the management of its material impacts with information that enables users to gain an understanding of how the material impacts are managed.</del>
<p><b>Disclosure Requirement G1-1– Business conduct policies and corporate culture</b></p> <p>7. The undertaking shall disclose its policies with respect to business conduct matters and how it fosters its corporate culture.</p> <p>8. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of its material impacts, risks and opportunities related to business conduct matters. It also aims to provide an understanding of the undertaking's approach to corporate culture.</p> <p>9. The disclosures required under paragraph 7 shall include how the undertaking establishes, develops, promotes and evaluates its corporate culture.</p> <p>10. The disclosures in paragraph 7 shall cover the following aspects related to the undertaking's policies on business conduct matters:</p> <p>(a) a description of the mechanisms for identifying, reporting and investigating concerns about unlawful behaviour or behaviour in contradiction of its code of conduct or similar internal rules; and whether it accommodates reporting from internal and/or external stakeholders.</p> <p>(b) where the undertaking has no policies on anti-corruption or anti-bribery consistent with the United Nations Convention against Corruption, it shall state this and whether it has plans to implement them and the timetable for implementation;</p> <p>(c) how the undertaking protects whistleblowers, including:</p> <p>i. details on the establishment of internal whistleblower reporting channels, including whether the undertaking provides for information and training to its own workers and information about the designation and training of staff receiving reports; and</p> <p>ii. measures to protect against retaliation its own workers who are whistleblowers in accordance with the applicable law transposing Directive (EU) 2019/1937 of the European Parliament and of the Council;</p> <p>(d) where the undertaking has no policies on the protection of whistle-blowers, it shall state this and whether it has plans to implement them and the timetable for implementation;</p> <p>(e) beyond the procedures to follow-up on reports by whistleblowers in accordance with the applicable law transposing Directive (EU) 2019/1937, whether the undertaking has procedures</p>	<p><b>BUSINESS CONDUCT</b></p> <p><b>Policies for Business conduct</b></p> <p><del>7. The undertaking shall disclose its policies with respect to business conduct matters and how it fosters its corporate culture.</del></p> <p><del>8. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of its material impacts, risks and opportunities related to business conduct matters. It also aims to provide an understanding of the undertaking's approach to corporate culture.</del></p> <p><del>9. The disclosures required under paragraph 7 shall include how the undertaking establishes, develops, promotes and evaluates its corporate culture.</del></p> <p><del>10. The disclosures in paragraph 7 shall cover the following aspects related to the undertaking's policies on business conduct matters:</del></p> <p><del>(a) a description of the mechanisms for identifying, reporting and investigating concerns about unlawful behaviour or behaviour in contradiction of its code of conduct or similar internal rules; and whether it accommodates reporting from internal and/or external stakeholders.</del></p> <p><del>(b) where the undertaking has no policies on anti-corruption or anti-bribery consistent with the United Nations Convention against Corruption, it shall state this and whether it has plans to implement them and the timetable for implementation;</del> <b>(included in EU Law table)</b></p> <p><del>(c) how the undertaking protects whistleblowers, including:</del></p> <p><del>i. details on the establishment of internal whistleblower reporting channels, including whether the undertaking provides for information and training to its own workers and information about the designation and training of staff receiving reports; and</del></p> <p><del>ii. measures to protect against retaliation its own workers who are whistleblowers in accordance with the applicable law transposing Directive (EU) 2019/1937 of the European Parliament and of the Council;</del></p> <p><del>(d) where the undertaking has no policies on the protection of whistle-blowers, it shall state this and whether it has plans to implement them and the timetable for implementation;</del> <b>(included in EU Law table)</b></p>

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<p>to investigate business conduct incidents, including incidents of corruption and bribery, promptly, independently and objectively;</p> <p>(f) where applicable, whether the undertaking has in place policies with respect to animal welfare;</p> <p>(g) the undertaking's policy for training within the organisation on business conduct, including target audience, frequency and depth of coverage; and</p> <p>(h) the functions within the undertaking that are most at risk in respect of corruption and bribery.</p>	<p><del>(e) beyond the procedures to follow up on reports by whistleblowers in accordance with the applicable law transposing Directive (EU) 2019/1937, whether the undertaking has procedures to investigate business conduct incidents, including incidents of corruption and bribery, promptly, independently and objectively;</del></p> <p><del>(f) where applicable, whether the undertaking has in place policies with respect to animal welfare;</del></p> <p><del>(g) the undertaking's policy for training within the organisation on business conduct, including target audience, frequency and depth of coverage; and</del></p> <p><del>(h) the functions within the undertaking that are most at risk in respect of corruption and bribery.</del></p> <p>AR 116. When disclosing the information on policies related to business conduct, the undertaking shall disclose:</p> <p>a) The role of the administrative, management and supervisory bodies related to business conduct; and</p> <p>b) The expertise of the administrative, management and supervisory bodies on business conduct matters;</p> <p>c) Whether it has policies on anti-corruption or anti-bribery;</p> <p>d) Where the undertaking has no policies, it shall state this and whether it has plans to implement them and the timetable for implementation;</p> <p>e) Whether it has policies on the protection of whistle-blowers;</p> <p>f) Where applicable, whether the undertaking has in place policies with respect to animal welfare.</p>
<p>11. Undertakings that are subject to legal requirements under national law transposing Directive (EU) 2019/1937, or to equivalent legal requirements with regard to the protection of whistleblowers, may comply with the disclosure specified in paragraph 10 (d) by stating that they are subject to those legal requirements.</p>	<p><del>11. Undertakings that are subject to legal requirements under national law transposing Directive (EU) 2019/1937, or to equivalent legal requirements with regard to the protection of whistleblowers, may comply with the disclosure specified in paragraph 10 (d) by stating that they are subject to those legal requirements.</del></p>
<p><b>Disclosure Requirement E1-4 – Targets related to climate change mitigation and adaptation</b></p> <p>30. The undertaking shall disclose the climate-related targets it has set.</p> <p>31. The objective of this Disclosure Requirement is to enable an understanding of the targets the undertaking has set to support its climate change mitigation and adaptation policies and address its material climate-related impacts, risks and opportunities.</p> <p>32. The disclosure of the targets required in paragraph 30 shall contain the information required in ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets.</p> <p>33. For the disclosure required by paragraph 30, the undertaking shall disclose whether and how it has set GHG emissions reduction targets and/or any other targets to manage material climate-related impacts, risks and opportunities, for example, renewable energy deployment, energy efficiency, climate change adaptation, and physical or transition risk mitigation.</p>	<p><b>Disclosure Requirement 12 (IR-4) – Targets in relation to sustainability matters</b></p> <p><del>30. The undertaking shall disclose the climate-related targets it has set.</del></p> <p><del>31. The objective of this Disclosure Requirement is to enable an understanding of the targets the undertaking has set to support its climate change mitigation and adaptation policies and address its material climate-related impacts, risks and opportunities.</del></p> <p><del>32. The disclosure of the targets required in paragraph 30 shall contain the information required in ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets.</del></p> <p><del>33. For the disclosure required by paragraph 30, the undertaking shall disclose whether and how it has set GHG emissions reduction targets and/or any other targets to manage material climate-related impacts, risks and opportunities, for example, renewable energy deployment, energy efficiency, climate change adaptation, and physical or transition risk mitigation.</del></p>

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<p>34. If the undertaking has set GHG emission reduction targets<sup>39</sup>, ESRS 2 MDR-T and the following requirements shall apply:</p>	<p><del>34. If the undertaking has set GHG emission reduction targets<sup>39</sup>, ESRS 2 MDR-T and the following requirements shall apply: AR 117. If the undertaking has targets on GHG emission reduction, it shall disclose, if material, the information reported in the table below:</del></p> <table border="1" data-bbox="1133 277 1908 386"> <thead> <tr> <th data-bbox="1133 277 1169 316">ID<sup>a</sup></th> <th data-bbox="1169 277 1541 316">Application Requirement<sup>a</sup></th> <th data-bbox="1541 277 1666 316">Sustainability topic<sup>a</sup></th> <th data-bbox="1666 277 1756 316">Targets -- T<sup>a</sup></th> <th data-bbox="1756 277 1908 316">EU Data Points<sup>a</sup></th> </tr> </thead> <tbody> <tr> <td data-bbox="1133 322 1169 386">1<sup>a</sup></td> <td data-bbox="1169 322 1541 386">The undertaking shall disclose its GHG emission reduction targets for scope 1, 2 and 3<sup>a</sup></td> <td data-bbox="1541 322 1666 386">climate change<sup>a</sup></td> <td data-bbox="1666 322 1756 386">T<sup>a</sup></td> <td data-bbox="1756 322 1908 386">SFDR Tab. 2 KPI 4<sup>¶</sup> ↑ Climate benchmark regulation, Art. 6<sup>a</sup></td> </tr> </tbody> </table>	ID <sup>a</sup>	Application Requirement <sup>a</sup>	Sustainability topic <sup>a</sup>	Targets -- T <sup>a</sup>	EU Data Points <sup>a</sup>	1 <sup>a</sup>	The undertaking shall disclose its GHG emission reduction targets for scope 1, 2 and 3 <sup>a</sup>	climate change <sup>a</sup>	T <sup>a</sup>	SFDR Tab. 2 KPI 4 <sup>¶</sup> ↑ Climate benchmark regulation, Art. 6 <sup>a</sup>
ID <sup>a</sup>	Application Requirement <sup>a</sup>	Sustainability topic <sup>a</sup>	Targets -- T <sup>a</sup>	EU Data Points <sup>a</sup>							
1 <sup>a</sup>	The undertaking shall disclose its GHG emission reduction targets for scope 1, 2 and 3 <sup>a</sup>	climate change <sup>a</sup>	T <sup>a</sup>	SFDR Tab. 2 KPI 4 <sup>¶</sup> ↑ Climate benchmark regulation, Art. 6 <sup>a</sup>							
<p>AR 24. When disclosing targets related to the prevention or mitigation of environmental impacts, the undertaking shall prioritise targets related to the reduction of the impacts in absolute terms rather than in relative terms. When targets address the prevention or mitigation of social impacts, they may be specified in terms of the effects on human rights, welfare or positive outcomes for affected stakeholders.</p>	<p>AR 118. When disclosing targets related to the prevention or mitigation of environmental impacts, the undertaking <del>shall</del> may prioritise targets related to the reduction of the impacts in absolute terms rather than in relative terms. When targets address the prevention or mitigation of social impacts, they may be specified in terms of the effects on human rights, welfare or positive outcomes for affected stakeholders.</p>										
<p>AR 25. The information on progress made towards achieving the targets may be presented in a comprehensive table, including information on the baseline and target value, milestones, and achieved performance over the prior periods.</p>	<p>AR 119. The information on progress made towards achieving the targets may be presented in a comprehensive table, including information on the baseline and target value, milestones, and achieved performance over the prior periods.</p>										
<p>AR 26. Where the undertaking describes progress in achieving the objectives of a policy in the absence of a measurable target, it may specify a baseline against which the progress is considered. For example, the undertaking may assess an increase of wages by a certain percentage for those below a fair wage; or may assess the quality of its relationships with local communities by reference to the proportion of issues raised by communities that were resolved to their satisfaction. The baseline and the assessment of the progress shall be related to the impacts, risks and opportunities which underpin the materiality of the matter addressed by the policy.</p>	<p><del>AR 26. Where the undertaking describes progress in achieving the objectives of a policy in the absence of a measurable target, it may specify a baseline against which the progress is considered. For example, the undertaking may assess an increase of wages by a certain percentage for those below a fair wage; or may assess the quality of its relationships with local communities by reference to the proportion of issues raised by communities that were resolved to their satisfaction. The baseline and the assessment of the progress shall be related to the impacts, risks and opportunities which underpin the materiality of the matter addressed by the policy.</del></p>										
	<p>AR 120. When disclosing on targets related to environmental matters, the undertaking shall identify those that are science-based.</p>										
	<p>AR 121. If the undertaking has targets it may disclose additional topic specific information defined in the following paragraphs.</p>										
<p>34. If the undertaking has set GHG emission reduction targets<sup>39</sup>, ESRS 2 MDR-T and the following requirements shall apply:</p> <p>(a) GHG emission reduction targets shall be disclosed in absolute value (either in tonnes of CO<sub>2</sub>eq or as a percentage of the emissions of a base year) and, where relevant, in intensity value;</p> <p>(b) GHG emission reduction targets shall be disclosed for Scope 1, 2, and 3 GHG emissions, either separately or combined. The undertaking shall specify, in case of combined GHG</p>	<p><b>ENVIRONMENT</b></p> <p><b>Guidance / Additional information for Targets on Climate change</b></p> <p><del>34. If the undertaking has set GHG emission reduction targets<sup>39</sup>, ESRS 2 MDR-T and the following requirements shall apply:</del></p> <p>AR 122. Regarding GHG emission reduction targets for scope 1, 2, and 3, the undertaking may disclose:</p> <p>a) GHG emission reduction targets shall be disclosed in absolute value (either in tonnes of CO<sub>2</sub>eq or as a percentage of the emissions of a base year) and, where relevant, in intensity value;</p>										

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<p>emission reduction targets, which GHG emission Scopes (1, 2 and/or 3) are covered by the target, the share related to each respective GHG emission Scope and which GHGs are covered. The undertaking shall explain how the consistency of these targets with its GHG inventory boundaries is ensured (as required by Disclosure Requirement E1-6). The GHG emission reduction targets shall be gross targets, meaning that the undertaking shall not include GHG removals, carbon credits or avoided emissions as a means of achieving the GHG emission reduction targets;</p> <p>(c) the undertaking shall disclose its current base year and baseline value, and from 2030 onwards, update the base year for its GHG emission reduction targets after every five-year period thereafter. The undertaking may disclose the past progress made in meeting its targets before its current base year provided that this information is consistent with the requirements of this Standard;</p> <p>(d) GHG emission reduction targets shall at least include target values for the year 2030 and, if available, for the year 2050. From 2030, target values shall be set after every 5-year period thereafter;</p> <p>(e) the undertaking shall state whether the GHG emission reduction targets are science-based and compatible with limiting global warming to 1.5°C. The undertaking shall state which framework and methodology has been used to determine these targets including whether they are derived using a sectoral decarbonisation pathway and what the underlying climate and policy scenarios are and whether the targets have been externally assured. As part of the critical assumptions for setting GHG emission reduction targets, the undertaking shall briefly explain how it has considered future developments (e.g., changes in sales volumes, shifts in customer preferences and demand, regulatory factors, and new technologies) and how these will potentially impact both its GHG emissions and emissions reductions; and</p> <p>(f) the undertaking shall describe the expected decarbonisation levers and their overall quantitative contributions to achieve the GHG emission reduction targets (e.g., energy or material efficiency and consumption reduction, fuel switching, use of renewable energy, phase out or substitution of product and process).</p>	<p>b) GHG emission reduction targets <del>shall be disclosed</del> for Scope 1, 2, and 3 GHG emissions, either separately or combined. The undertaking shall specify, in case of combined GHG emission reduction targets, which GHG emission Scopes (1, 2 and/or 3) are covered by the target <del>the share related to each respective GHG emission Scope and which GHGs are covered. The undertaking shall explain how the consistency of these targets with its GHG inventory boundaries is ensured (as required by Disclosure Requirement E1-6).</del> The GHG emission reduction targets shall be gross targets, meaning that the undertaking shall not include GHG removals, carbon credits or avoided emissions as a means of achieving the GHG emission reduction targets;</p> <p>;</p> <p><del>c) the undertaking shall disclose its</del> the current base year and baseline value of the target, and from 2030 onwards, update the base year for its GHG emission reduction targets after every five-year period thereafter; <del>The undertaking may disclose the past progress made in meeting its targets before its current base year provided that this information is consistent with the requirements of this Standard;</del></p> <p><del>(d) GHG emission reduction targets shall at least include target values for the year 2030 and, if available, for the year 2050. From 2030, target values shall be set after every 5-year period thereafter;</del></p> <p>d) <del>the undertaking shall state</del> whether the GHG emission reduction targets are science-based and compatible with limiting global warming to 1.5°C, <del>The undertaking shall state</del> <i>including information on</i> which framework or methodology has been used to determine these targets including whether they are derived using a sectoral decarbonisation pathway and what the underlying climate and policy scenarios are and whether they have been externally assured; <del>As part of the critical assumptions for setting GHG emission reduction targets, the undertaking shall briefly explain how it has considered future developments (e.g., changes in sales volumes, shifts in customer preferences and demand, regulatory factors, and new technologies) and how these will potentially impact both its GHG emissions and emissions reductions; and</del></p> <p>e) <del>the undertaking shall</del> describe the expected decarbonisation levers and their overall quantitative contributions to achieve the GHG emission reduction targets (e.g., energy or material efficiency and consumption reduction, fuel switching, use of renewable energy, phase out or substitution of product and process).</p>
	<p>AR 123. When setting climate change science-based targets or disclosing them, the undertaking may consider indications contained in resources like the Science Based Targets initiative (SBTi) for Small and Medium-Sized Enterprises (SMEs) by CDP, the United Nations Global Compact, the World Resources Institute, WWF; publication issued by WWF and BCG (2020), and Beyond Science-Based Targets: A Blueprint for Corporate Action on Climate and Nature.</p>
<p>AR 24 Under paragraph 35 (a), the undertaking may disclose GHG emission reduction targets in intensity value. Intensity targets are formulated as ratios of GHG emissions relative to a unit of physical activity or economic output. Relevant units of activity or output are referred to in ESRS sector standards. In cases where the undertaking has only set a GHG intensity reduction</p>	<p><del>AR 24 Under paragraph 35 (a), the undertaking may disclose GHG emission reduction targets in intensity value. Intensity targets are formulated as ratios of GHG emissions relative to a unit of physical activity or economic output. Relevant units of activity or output are referred to in ESRS sector standards. In cases where the undertaking has only set a GHG intensity reduction</del></p>

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<p>target, it shall nevertheless disclose the associated absolute values for the target year and interim target year(s). This may result in a situation where an undertaking is required to disclose an increase of absolute GHG emissions for the target year and interim target year(s), for example because it anticipates organic growth of its business.</p>	<p><del>target, it shall nevertheless disclose the associated absolute values for the target year and interim target year(s). This may result in a situation where an undertaking is required to disclose an increase of absolute GHG emissions for the target year and interim target year(s), for example because it anticipates organic growth of its business.</del></p>
<p>AR 25. When disclosing the information required under paragraph 35(b), the undertaking shall specify the share of the target related to each respective GHG emission Scope (1, 2 or 3). The undertaking shall state the method used to calculate Scope 2 GHG emissions included in the target (i.e., either the location-based or market-based method). If the boundary of the GHG emission reduction target diverges from that of the GHG emissions reported under Disclosure Requirement E1-6, the undertaking shall disclose which gases are covered, the respective percentage of Scope 1, 2, 3 and total GHG emissions covered by the target. For the GHG emission reduction targets of its subsidiaries, the undertaking shall analogously apply these requirements at the level of the subsidiary.</p>	<p><del>AR 124. When disclosing the information related to GHG emission reduction targets required under paragraph 35(b), the undertaking shall may specify the share of the target related to each respective GHG emission Scope (1, 2 or 3). The undertaking shall state may specify the method used to calculate Scope 2 GHG emissions included in the target (i.e., either the location-based or market-based method). If the boundary of the GHG emission reduction target diverges from that of the GHG emissions, the undertaking shall may disclose which gases are covered the respective percentage of Scope 1, 2, 3 and total GHG emissions covered by the target.. For the GHG emission reduction targets of its subsidiaries, the undertaking shall analogously apply these requirements at the level of the subsidiary.</del></p>
<p>AR 26. When disclosing the information required under paragraph 35 (c) on base year and baseline value:                      (a) the undertaking shall briefly explain how it has ensured that the baseline value against which the progress towards the target is measured is representative of the activities covered and the influences from external factors (e.g., temperature anomalies in a certain year influencing the amount of energy consumption and related GHG emissions). This can be done by the normalisation of the baseline value, e.g., by using a baseline value that is derived from a three-year average if this increases the representativeness and allows a more faithful representation of the baseline value;                      (b) the baseline value and base year shall not be changed unless significant changes in either the target or reporting boundary occur. In such a case, the undertaking shall explain how the new baseline value affects the new target, its achievement and presentation of progress over time. To foster comparability, when setting new targets, the undertaking shall select a recent base year that does not precede the first reporting year of the new target period by longer than three years. For example, for 2030 as the target year and a target period between 2025 and 2030, the base year shall be selected from the period between 2022 and 2025;                      (c) the undertaking shall update its base year from 2030 and after every five-year period thereafter. This means that before 2030, the base years chosen by undertakings' may be either the currently applied base year for existing targets or the first year of application of the CSRD (2024, 2025 or 2026) and, after 2030, every five years (2030, 2035, etc); and                      (d) when presenting climate-related targets, the undertaking may disclose the progress in meeting these targets made before its current base year. In doing so, the undertaking shall, to the greatest extent possible, ensure that the information on past progress is consistent with the requirements of this Standard. In the case of methodological differences, for example, regarding target boundaries, the undertaking shall provide a brief explanation for these differences.</p>	<p><del>AR 125. When disclosing the information required under paragraph 35 (c) on base year and baseline value:                      (a) the undertaking shall may briefly explain how it has ensured that the baseline value against which the progress towards the target is measured is representative in terms of the activities covered and the influences from external factors (e.g., temperature anomalies in a certain year influencing the amount of energy consumption and related GHG emissions). This can be done by the normalisation of the baseline value, e.g., by using a baseline value that is derived from a 3-year average if this increases the representativeness and allows a more faithful representation;                      (b) the baseline value and base year shall not be changed unless significant changes in either the target or reporting boundary occur. In such a case, the undertaking shall may explain how the new baseline value affects the new target, its achievement and presentation of progress over time. To foster comparability, when setting new targets, the undertaking shall may select a recent base year that does not precede the first reporting year of the new target period by longer than 3 years. For example, for 2030 as the target year and a target period between 2025 and 2030, the base year shall be selected from the period between 2022 and 2025;                      (c) the undertaking shall update its base year from 2030 and after every five-year period thereafter. This means that before 2030, the base years chosen by undertakings' may be either the currently applied base year for existing targets or the first year of application of the CSRD (2024, 2025 or 2026) and, after 2030, every five years (2030, 2035, etc); and                      (c) when presenting climate-related targets, the undertaking may disclose the progress in meeting these targets made before its current base year. In doing so, the undertaking shall, to the greatest extent possible, ensure that the information on past progress is consistent with the requirements of this Standard. In the case of methodological differences, for example, regarding target boundaries, the undertaking shall provide a brief explanation for these differences.</del></p>
<p>AR 27. When disclosing the information required under paragraphs 35 (d) and 35 (e), the undertaking shall present the information over the target period with reference to a sector-</p>	<p><del>AR 126. When disclosing the information required under paragraphs 35 (d) and 35 (e) The undertaking shall may present the information over the target period with reference to a sector-</del></p>



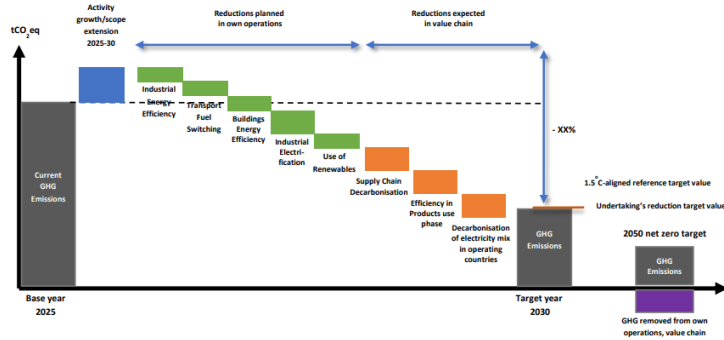
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<p>specific, if available, or a cross-sector emission pathway compatible with limiting global warming to 1.5°C. For this purpose, the undertaking shall calculate a 1.5°C aligned reference target value for Scope 1 and 2 (and, if applicable, a separate one for Scope 3) against which its own GHG emission reduction targets or interim targets in the respective Scopes can be compared.</p>	<p>specific, if available, or a cross-sector emission pathway compatible with limiting global warming to 1.5°C. For this purpose, the undertaking <del>shall</del> <i>may</i> calculate a 1.5°C aligned reference target value for Scope 1 and 2 (and, if applicable, a separate one for Scope 3) against which its own GHG emission reduction targets or interim targets in the respective Scopes can be compared.</p>												
<p>AR 28. The reference target value may be calculated by multiplying the GHG emissions in the base year with either a sector-specific (sectoral decarbonisation methodology) or cross-sector (contraction methodology) emission reduction factor. These emission reduction factors can be derived from different sources. The undertaking should ensure that the source used is based on an emission reduction pathway compatible with limiting global warming to 1.5°C.</p>	<p>AR 127. The reference target value may be calculated by multiplying the GHG emissions in the base year with either a sector-specific (sectoral decarbonisation methodology) or cross-sector (contraction methodology) emission reduction factor. These emission reduction factors can be derived from different sources. The undertaking should ensure that the source used is based on an emission reduction pathway compatible with limiting global warming to 1.5°C.</p>												
<p>AR 29. The emission reduction factors are subject to further development. Consequently, undertakings are encouraged to only use updated publicly available information.</p> <div data-bbox="100 555 640 683" data-label="Figure"> <table border="1"> <thead> <tr> <th></th> <th>2030</th> <th>2050</th> </tr> </thead> <tbody> <tr> <td>Cross-sector (ACA) reductions pathway based on the year 2020 as the reference year</td> <td>-42%</td> <td>-90%</td> </tr> </tbody> </table> </div> <p>Source: based on Pathways to Net-zero –SBTI Technical Summary (Version 1.0, October 2021)</p>		2030	2050	Cross-sector (ACA) reductions pathway based on the year 2020 as the reference year	-42%	-90%	<p>AR 128. The emission reduction factors are subject to further development. Consequently, undertakings are encouraged to only use updated publicly available information.</p> <div data-bbox="1137 528 1682 655" data-label="Figure"> <table border="1"> <thead> <tr> <th></th> <th>2030</th> <th>2050</th> </tr> </thead> <tbody> <tr> <td>Cross-sector (ACA) reductions pathway based on the year 2020 as the reference year</td> <td>-42%</td> <td>-90%</td> </tr> </tbody> </table> </div> <p>Source: based on Pathways to Net-zero –SBTI Technical Summary (Version 1.0, October 2021)</p>		2030	2050	Cross-sector (ACA) reductions pathway based on the year 2020 as the reference year	-42%	-90%
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Cross-sector (ACA) reductions pathway based on the year 2020 as the reference year	-42%	-90%											
<p>AR 29. The reference target value is dependent on the base year and baseline emissions of the undertaking's GHG emission reduction target. As a result, the reference target value for undertakings with a recent base year or from higher baseline emissions may be less challenging to achieve than it will be for undertakings that have already taken ambitious past actions to reduce GHG emissions. Therefore, undertakings that have in the past achieved GHG emissions reductions compatible with either a 1.5°C-aligned cross-sector or sectorspecific pathway, may adjust their baseline emissions accordingly to determine the reference target value. Accordingly, if the undertaking is adjusting the baseline emissions to determine the reference target value, it shall not consider GHG emission reductions that precede the year 2020 and it shall provide appropriate evidence of its past achieved GHG emission reduction.</p>	<p>AR 129. The reference target value is dependent on the base year and baseline emissions of the undertaking's GHG emission reduction target. As a result, the reference target value for undertakings with a recent base year or from higher baseline emissions may be less challenging to achieve than it will be for undertakings that already have taken ambitious past actions to reduce GHG emissions. Therefore, undertakings that have in the past achieved GHG emissions reductions compatible with either a 1.5°C-aligned cross-sector or sector-specific pathway, may adjust their baseline emissions accordingly to determine the reference target value. Accordingly, if the undertaking is adjusting the baseline emissions to determine the reference target value, it shall not consider GHG emission reductions that precede the year 2020 and it <del>shall</del> <i>should</i> provide appropriate evidence of its past achieved GHG emission reduction.</p>												
<p>AR 30. When disclosing the information required under paragraph 34 (f), the undertaking shall explain:</p> <ul style="list-style-type: none"> <li>(a) by reference to its climate change mitigation actions, the decarbonisation levers and their estimated quantitative contributions to the achievement of its GHG emission reduction targets broken down by each Scope (1, 2 and 3);</li> <li>(b) whether it plans to adopt new technologies and the role of these to achieve its GHG emission reduction targets; and</li> <li>(c) whether and how it has considered a diverse range of climate scenarios, at least including a climate scenario compatible with limiting global warming to 1.5°C, to detect relevant environmental-, societal-, technology-, market- and policy-related developments and determine its decarbonisation levers.</li> </ul>	<p>AR 130. When disclosing the information <del>required under paragraph 34 (f), related to expected decarbonisation levers</del> the undertaking <del>shall</del> <i>may</i> explain:</p> <ul style="list-style-type: none"> <li>(a) by reference to its climate change mitigation actions, the decarbonisation levers and their estimated quantitative contributions to the achievement of its GHG emission reduction targets broken down by each Scope (1, 2 and 3);</li> <li>(b) whether it plans to adopt new technologies and the role of these to achieve its GHG emission reduction targets; and</li> <li>(c) whether and how it has considered a diverse range of climate scenarios, at least including a climate scenario compatible with limiting global warming to 1.5°C, to detect relevant environmental-, societal-, technology-, market- and policy-related developments and determine its decarbonisation levers.</li> </ul>												

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AR 31. The undertaking may present its GHG emission reduction targets together with its climate change mitigation actions (see paragraph AR 19) as a table or graphical pathway showing developments over time. The following figure and table provide examples combining targets and decarbonisation levers:



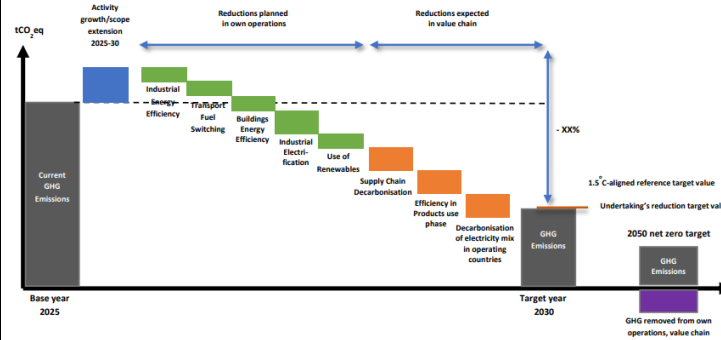
	Base year (e.g., 2025)	2030 target	2035 target	...	Up to 2050 target
GHG emissions (ktCO <sub>2</sub> eq)	100	60	40		
Energy efficiency and consumption reduction	-	-10	-4		
Material efficiency and consumption reduction	-	-5	-		
Fuel switching	-	-2	-		
Electrification	-	-	-10		
Use of renewable energy	-	-10	-3		
Phase out, substitution or modification of product	-	-8	-		
Phase out, substitution or modification of process	-	-5	-3		
Other	-	-			

Disclosure Requirement E2-3 – Targets related to pollution

- 20. The undertaking shall disclose the pollution-related targets it has set.
- 21. The objective of this Disclosure Requirement is to enable an understanding of the targets the undertaking has set to support its pollution-related policies and to address its material pollution-related impacts, risks and opportunities.
- 22. The description of targets shall contain the information requirements defined in ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets.
- 23. The disclosure required by paragraph 20 shall indicate whether and how its targets relate to the prevention and control of:

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AR 131. The undertaking may present its GHG emission reduction targets together with its climate change mitigation actions (see paragraph AR 20) as a table or graphical pathway showing developments over time. The following figure and table provide examples combining targets and decarbonisation levers:



	Base year (e.g., 2025)	2030 target	2035 target	...	Up to 2050 target
GHG emissions (ktCO <sub>2</sub> eq)	100	60	40		
Energy efficiency and consumption reduction	-	-10	-4		
Material efficiency and consumption reduction	-	-5	-		
Fuel switching	-	-2	-		
Electrification	-	-	-10		
Use of renewable energy	-	-10	-3		
Phase out, substitution or modification of product	-	-8	-		
Phase out, substitution or modification of process	-	-5	-3		
Other	-	-			

Guidance / Additional information for Targets on Pollution

- 20. The undertaking shall disclose the pollution-related targets it has set.
- 21. The objective of this Disclosure Requirement is to enable an understanding of the targets the undertaking has set to support its pollution-related policies and to address its material pollution-related impacts, risks and opportunities.
- 22. The description of targets shall contain the information requirements defined in ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets.
- AR 132. The disclosure required by paragraph 20 When disclosing information on targets that are related to pollution, the undertaking shall indicate *may specify* whether and how its targets

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(a) air pollutants and respective specific loads; (b) emissions to water and respective specific loads; (c) pollution to soil and respective specific loads; and (d) substances of concern and substances of very high concern.	relate to the prevention and control of air pollutants and respective specific loads, emissions to water and respective specific loads, pollution to soil and respective specific loads, and substances of concern and substances of very high concern.
24. In addition to ESRS 2 MDR-T, the undertaking may specify whether ecological thresholds (e.g., the biosphere integrity, stratospheric ozone-depletion, atmospheric aerosol loading, soil depletion, ocean acidification) and entity-specific allocations were taken into consideration when setting targets. If so, the undertaking may specify: (a) the ecological thresholds identified, and the methodology used to identify such thresholds; (b) whether or not the thresholds are entity-specific and if so, how they were determined; and (c) how responsibility for respecting identified ecological thresholds is allocated in the undertaking.	<del>24. In addition to ESRS 2 MDR-T, the undertaking may specify whether ecological thresholds (e.g., the biosphere integrity, stratospheric ozone-depletion, atmospheric aerosol loading, soil depletion, ocean acidification) and entity-specific allocations were taken into consideration when setting targets. If so, the undertaking may specify: (a) the ecological thresholds identified, and the methodology used to identify such thresholds; (b) whether or not the thresholds are entity-specific and if so, how they were determined; and (c) how responsibility for respecting identified ecological thresholds is allocated in the undertaking.</del>
25. The undertaking shall specify as part of the contextual information, whether the targets that it has set and presented are mandatory (required by legislation) or voluntary.	<del>25. The undertaking shall specify as part of the contextual information, whether the targets that it has set and presented are mandatory (required by legislation) or voluntary.</del>
AR 16. If the undertaking refers to ecological thresholds when setting targets, it may refer to the guidance provided by the Science-Based Targets Initiative for Nature (SBTN) in its interim guidance (Initial Guidance for Business, September 2020), or any other guidance with a scientifically acknowledged methodology that allows setting of science-based targets by identifying ecological thresholds and, if applicable, entity-specific allocations. Ecological thresholds can be local, national and/or global.	AR 133. If the undertaking refers to ecological thresholds when setting targets, it may refer to the guidance provided by the Science-Based Targets Initiative for Nature (SBTN) in its interim guidance (Initial Guidance for Business, September 2020, or any other guidance with a scientifically acknowledged methodology that allows setting of science-based targets by identifying ecological thresholds and, if applicable, entity-specific allocations. Ecological thresholds can be local, national and/or global.
AR 17. The undertaking may specify whether the target addresses shortcomings related to the Substantial Contribution criteria for Pollution Prevention and Control as defined in delegated acts adopted pursuant to Article 14(2) of Regulation (EU) 2020/852. Where the Do No Significant Harm (DNSH) criteria for Pollution Prevention and Control as defined in delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), and Article 15(2) of Regulation (EU) 2020/852 are not met, the undertaking may specify whether the target addresses shortcomings related those DNSH criteria.	AR 134. The undertaking may specify whether the target addresses shortcomings related to the Substantial Contribution criteria for Pollution Prevention and Control as defined in delegated acts adopted pursuant to Article 14(2) of Regulation (EU) 2020/852. Where the Do No Significant Harm (DNSH) criteria for Pollution Prevention and Control as defined in delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), and Article 15(2) of Regulation (EU) 2020/852 are not met, the undertaking may specify whether the target addresses shortcomings related those DNSH criteria.
AR 18. Where relevant to support the policies it has adopted, the undertaking may provide information on the targets set at site level.	<del>AR 18. Where relevant to support the policies it has adopted, the undertaking may provide information on the targets set at site level.</del>
AR 19. The targets may cover the undertaking's own operations and/or the value chain.	<del>AR 19. The targets may cover the undertaking's own operations and/or the value chain.</del>
<p><b>Disclosure Requirement E3-3 – Targets related to water and marine resources</b></p> <p>20. The undertaking shall disclose the water and marine resources-related targets it has set.</p> <p>21. The objective of this Disclosure Requirement is to enable an understanding of the targets the undertaking has adopted to support its water and marine resources-related policies and address its material water and marine resources-related impacts, risks and opportunities.</p> <p>22. The description of the targets shall contain the information requirements defined in ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets.</p> <p>23. The disclosure required by paragraph 20 shall indicate whether and how its targets relate to:</p>	<p><b>Guidance / Additional information for Targets on Water and marine resources</b></p> <p><del>20. The undertaking shall disclose the water and marine resources-related targets it has set.</del></p> <p><del>21. The objective of this Disclosure Requirement is to enable an understanding of the targets the undertaking has adopted to support its water and marine resources-related policies and address its material water and marine resources-related impacts, risks and opportunities.</del></p> <p><del>22. The description of the targets shall contain the information requirements defined in ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets.</del></p>

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<p>(a) the management of material impacts, risks and opportunities related to areas at water risk, including improvement of the water quality;</p> <p>(b) the responsible management of marine resources impacts, risks and opportunities including the nature and quantity of marine resources-related commodities (such as gravels, deep-sea minerals, seafood) used by the undertaking; and</p> <p>(c) the reduction of water consumption, including an explanation of how those targets relate to areas at water risk, including areas of high water-stress.</p>	<p><del>AR 135. The disclosure required by paragraph 20</del> When disclosing information on targets that are related to water and marine resources, the undertaking shall may indicate whether and how its targets relate to:</p> <p>a) the management of material impacts and, risks related to areas at water risk, including improvement of the water quality;</p> <p>b) the responsible management of marine resources impacts and, risks including the nature and quantity of marine resources-related commodities (such as gravels, deep-sea minerals, seafood) used by the undertaking; and</p> <p>c) the reduction of water consumption, including an explanation of how those targets relate to areas at water risk, including areas of high water-stress.</p>
<p>24. In addition to ESRS 2 MDR-T, the undertaking may specify whether ecological thresholds and entity-specific allocations were taken into consideration when setting targets. If so, the undertaking may specify:</p> <p>(a) the ecological thresholds identified, and the methodology used to identify such thresholds;</p> <p>(b) whether or not the thresholds are entity-specific and if so, how they were determined; and</p> <p>(c) how responsibility for respecting identified ecological thresholds is allocated in the undertaking.</p>	<p><del>24. In addition to ESRS 2 MDR-T, the undertaking may specify whether ecological thresholds and entity-specific allocations were taken into consideration when setting targets. If so, the undertaking may specify:</del></p> <p><del>(a) the ecological thresholds identified, and the methodology used to identify such thresholds;</del></p> <p><del>(b) whether or not the thresholds are entity-specific and if so, how they were determined; and</del></p> <p><del>(c) how responsibility for respecting identified ecological thresholds is allocated in the undertaking.</del></p>
<p>25. The undertaking shall specify as part of the contextual information, whether the targets it has set and presented are mandatory (required by legislation) or voluntary.</p>	<p><del>25. The undertaking shall specify as part of the contextual information, whether the targets it has set and presented are mandatory (required by legislation) or voluntary.</del></p>
<p>AR 22. If the undertaking refers to ecological thresholds when setting targets, it may refer to the guidance provided by the Science-Based Targets Initiative for Nature (SBTN) in its interim guidance (Initial Guidance for Business, September 2020). It may also refer to any other guidance with a scientifically acknowledged methodology that enables the setting of science-based targets by identifying ecological thresholds and, if applicable, organisationspecific allocations. Ecological thresholds can be local, national and/or global.</p>	<p>AR 136. If the undertaking refers to ecological thresholds when setting targets, it may refer to the guidance provided by the Science-Based Targets Initiative for Nature (SBTN) in its interim guidance (Initial Guidance for Business, September 2020). It may also refer to any other guidance with a scientifically acknowledged methodology that enables the setting of science-based targets by identifying ecological thresholds and, if applicable, organisation-specific allocations. Ecological thresholds can be local, national and/or global.</p>
<p>AR 23. The undertaking may provide targets relating to:</p> <p>(a) the reduction of water withdrawals; and</p> <p>(b) the reduction of water discharges.</p>	<p>AR 137. The undertaking may provide targets related to:</p> <p>(a) the reduction of water withdrawals; and</p> <p>(b) the reduction of water discharges.</p>
<p>AR 24. If the undertaking provides targets on withdrawals, it may include water withdrawal from polluted soils and aquifers, and water withdrawn and treated for remediation purposes.</p>	<p>AR 138. If the undertaking provides targets on withdrawals, it may include water withdrawal from polluted soils and aquifers, and water withdrawn and treated for remediation purposes.</p>
<p>AR 25. If the undertaking provides targets on discharges, it may include water discharges to groundwater such as reinjection to aquifers, or water returning to a groundwater source via a soakaway or a swale.</p>	<p>AR 139. If the undertaking provides targets on discharges, it may include water discharges to groundwater such as reinjection to aquifers, or water returning to a groundwater source via a soakaway or a swale.</p>
<p>AR 26. The targets may cover its own operations and/or its upstream and downstream value chain.</p>	<p><del>AR 26. The targets may cover its own operations and/or its upstream and downstream value chain.</del></p>
<p>AR 27. The undertaking may specify whether the target addresses shortcomings related to the Substantial Contribution criteria for Water and Marine Resources as defined in the Commission delegated acts adopted pursuant to Article 12(2) of Regulation (EU) 2020/852. Where the Do No Significant Harm (DNSH) criteria for Water and Marine Resources as defined in delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 13(2), Article 14(2), and Article 15(2) of Regulation (EU) 2020/852 are not met, the undertaking may specify whether the target addresses shortcomings related those DNSH criteria.</p>	<p><del>AR 27. The undertaking may specify whether the target addresses shortcomings related to the Substantial Contribution criteria for Water and Marine Resources as defined in the Commission delegated acts adopted pursuant to Article 12(2) of Regulation (EU) 2020/852. Where the Do No Significant Harm (DNSH) criteria for Water and Marine Resources as defined in delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 13(2), Article 14(2), and Article 15(2) of Regulation (EU) 2020/852 are not met, the undertaking may specify whether the target addresses shortcomings related those DNSH criteria.</del></p>

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<p><b>From Disclosure requirements related to ESRS 2 IRO-1 – Description of the processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities</b></p> <p>AR 4. The materiality assessment under ESRS E4 includes the undertaking's:</p> <p>(a) contribution to direct impact drivers on biodiversity loss:</p> <ul style="list-style-type: none"> <li>i. climate change;</li> <li>ii. land-use change (e.g., land artificialisation), freshwater-use change and sea- use change;</li> <li>iii. direct exploitation;</li> <li>iv. invasive alien species;</li> <li>v. pollution; and</li> <li>vi. others.</li> </ul> <p>(b) impacts on the state of species (i.e., species population size, species global extinction risk);</p> <p>(c) impacts on the extent and condition of ecosystems including through land degradation, desertification and soil sealing); and</p> <p>(d) impacts and dependencies on ecosystem service</p>	<p><b>Guidance / Additional information for Targets on Biodiversity and ecosystems</b></p> <p>AR 140. <del>AR 4. The materiality assessment under ESRS E4 includes the undertaking's</del> <i>When disclosing information on targets that are related to biodiversity and ecosystems, the undertaking may specify whether and how these targets are related to:</i></p> <p>(a) contribution to direct impact drivers on biodiversity loss:</p> <ul style="list-style-type: none"> <li><del>i. climate change;</del></li> <li><del>ii. land-use change (e.g., land artificialisation), freshwater-use change and sea- use change;</del></li> <li><del>iii. direct exploitation;</del></li> <li><del>iv. invasive alien species;</del></li> <li><del>v. pollution; and</del></li> <li><del>vi. others.</del></li> </ul> <p>(b) impacts on the state of species (i.e., species population size, species global extinction risk);</p> <p>(c) impacts on the extent and condition of ecosystems including through land degradation, desertification and soil sealing); and</p> <p>(d) impacts and dependencies on ecosystem service</p>
<p><b>Disclosure Requirement E4-4 – Targets related to biodiversity and ecosystems</b></p> <p>29. The undertaking shall disclose the biodiversity and ecosystem-related targets it has set.</p> <p>30. The objective of this Disclosure Requirement is to allow an understanding of the targets the undertaking has adopted to support its biodiversity and ecosystems policies and address its material related impacts, dependencies, risks and opportunities.</p> <p>31. The description of the targets shall follow the mandatory content defined in ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets.</p> <p>32. The disclosure required by paragraph 29 shall include the following information:</p> <p>(a) whether ecological thresholds and allocations of impacts to the undertaking were applied when setting targets. If so, the undertaking shall specify:</p> <ul style="list-style-type: none"> <li>i. the ecological thresholds identified and the methodology used to identify such thresholds;</li> <li>ii. whether or not the thresholds are entity-specific and if so, how they were determined; and</li> <li>iii. how responsibility for respecting identified ecological thresholds is allocated in the undertaking;</li> </ul> <p>(b) whether the targets are informed by, and/or aligned with the Kunming-Montreal Global Biodiversity Framework, relevant aspects of the EU Biodiversity Strategy for 2030 and other biodiversity and ecosystem-related national policies and legislation;</p>	<p><del>29. The undertaking shall disclose the biodiversity and ecosystem-related targets it has set.</del></p> <p><del>30. The objective of this Disclosure Requirement is to allow an understanding of the targets the undertaking has adopted to support its biodiversity and ecosystems policies and address its material related impacts, dependencies, risks and opportunities.</del></p> <p><del>31. The description of the targets shall follow the mandatory content defined in ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets.</del></p> <p>AR 141 <del>The disclosure required by paragraph 29 shall include the following information.</del> <i>When disclosing information on targets that are related to biodiversity and ecosystems, the undertaking shall may specify:</i></p> <ul style="list-style-type: none"> <li>a) whether ecological thresholds and allocations of impacts to the undertaking were applied when setting targets; <del>if so, the undertaking shall specify:</del> <ul style="list-style-type: none"> <li><del>i. the ecological thresholds identified and the methodology used to identify such thresholds;</del></li> <li><del>ii. whether or not the thresholds are entity-specific and if so, how they were determined; and</del></li> <li><del>iii. how responsibility for respecting identified ecological thresholds is allocated in the undertaking;</del></li> </ul> </li> <li>b) whether the targets are informed by, and / or aligned with the Kunming-Montreal Global Biodiversity Framework, relevant aspects of the EU Biodiversity Strategy for 2030 and other biodiversity and ecosystem-related national policies and legislation;</li> </ul>

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<p>(c) how the targets relate to the biodiversity and ecosystem impacts, dependencies, risks and opportunities identified by the undertaking in relation to its own operations and its upstream and downstream value chain;</p> <p>(d) the geographical scope of the targets, if relevant;</p> <p>(e) whether or not the undertaking used biodiversity offsets in setting its targets; and</p> <p>(f) to which of the layers of the mitigation hierarchy the target can be allocated (i.e., avoidance, minimisation, restoration and rehabilitation, compensation or offsets).</p>	<p><del>(e) how the targets relate to the biodiversity and ecosystem impacts, dependencies, risks and opportunities identified by the undertaking in relation to its own operations and its upstream and downstream value chain;</del></p> <p>c) the geographical scope of the targets, if relevant;</p> <p>d) whether or not the undertaking used biodiversity offsets; and</p> <p>e) to which of the layers of the mitigation hierarchy the target can be allocated (i.e., avoidance, minimisation, restoration and rehabilitation, compensation or offsets).</p>																																																																		
<p>AR 24. The targets related to material impacts may be presented in a table as illustrated below:</p> <table border="1" data-bbox="91 411 819 644"> <thead> <tr> <th rowspan="2">Type of target according to mitigation hierarchy</th> <th rowspan="2">Baseline value and base year</th> <th colspan="3">Target value and geographical scope</th> <th rowspan="2">Connected policy or legislation if relevant</th> </tr> <tr> <th>2025</th> <th>2030</th> <th>Up to 2050</th> </tr> </thead> <tbody> <tr> <td>Avoidance</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Minimisation</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Rehabilitation and restoration</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Compensation or offsets</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Type of target according to mitigation hierarchy	Baseline value and base year	Target value and geographical scope			Connected policy or legislation if relevant	2025	2030	Up to 2050	Avoidance						Minimisation						Rehabilitation and restoration						Compensation or offsets						<p>AR 142. The targets related to material impacts may be presented in a table as illustrated below:</p> <table border="1" data-bbox="1133 440 1861 673"> <thead> <tr> <th rowspan="2">Type of target according to mitigation hierarchy</th> <th rowspan="2">Baseline value and base year</th> <th colspan="3">Target value and geographical scope</th> <th rowspan="2">Connected policy or legislation if relevant</th> </tr> <tr> <th>2025</th> <th>2030</th> <th>Up to 2050</th> </tr> </thead> <tbody> <tr> <td>Avoidance</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Minimisation</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Rehabilitation and restoration</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Compensation or offsets</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Type of target according to mitigation hierarchy	Baseline value and base year	Target value and geographical scope			Connected policy or legislation if relevant	2025	2030	Up to 2050	Avoidance						Minimisation						Rehabilitation and restoration						Compensation or offsets					
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<p>The targets related to aspects listed in AR 4 of this standard, may be presented in a table as illustrated below:</p> <table border="1" data-bbox="91 735 819 842"> <thead> <tr> <th rowspan="2">Type of target according to sustainability matter</th> <th rowspan="2">Baseline value and base year</th> <th colspan="3">Target value and geographical scope</th> <th rowspan="2">Connected policy or legislation if relevant</th> </tr> <tr> <th>2025</th> <th>2030</th> <th>Up to 2050</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Type of target according to sustainability matter	Baseline value and base year	Target value and geographical scope			Connected policy or legislation if relevant	2025	2030	Up to 2050							<p>The targets related to aspects listed in paragraph AR 122 of this section, may be presented in a table as illustrated below:</p> <table border="1" data-bbox="1133 735 1861 842"> <thead> <tr> <th rowspan="2">Type of target according to sustainability matter</th> <th rowspan="2">Baseline value and base year</th> <th colspan="3">Target value and geographical scope</th> <th rowspan="2">Connected policy or legislation if relevant</th> </tr> <tr> <th>2025</th> <th>2030</th> <th>Up to 2050</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Type of target according to sustainability matter	Baseline value and base year	Target value and geographical scope			Connected policy or legislation if relevant	2025	2030	Up to 2050																																										
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<p>AR 26. Measurable targets related to biodiversity and ecosystems may be expressed as:</p> <p>(a) size and location of all habitat areas protected or restored, whether directly or indirectly controlled by the undertaking, and whether the success of the restoration measure was or is approved by independent external professionals;</p> <p>(b) recreated surfaces (environments in which management initiatives are implemented so as to create a habitat on a site where it did not exist initially); or</p> <p>(c) number or percentage of projects / sites whose ecological integrity was improved (e.g., installation of fish passes, wildlife corridors).</p>	<p>AR 143. Measurable targets related to biodiversity and ecosystems may be expressed as:</p> <p>(a) size and location of all habitat areas protected or restored, whether directly or indirectly controlled by the undertaking, and whether the success of the restoration measure was or is approved by independent external professionals;</p> <p>(b) recreated surfaces (environments in which management initiatives are implemented so as to create a habitat on a site where it did not exist initially); or</p> <p>(c) number or percentage of projects / sites whose ecological integrity was improved (e.g., installation of fish passes, wildlife corridors).</p>																																																																		
<p><b>Disclosure Requirement E5-3 – Targets related to resource use and circular economy</b></p> <p>21. The undertaking shall disclose the resource use and circular economy-related targets it has set.</p> <p>22. The objective of this Disclosure Requirement is to enable an understanding of the targets the undertaking has adopted to support its resource use and circular economy policy and to address its material impacts, risks and opportunities.</p> <p>23. The description of the targets shall contain the information requirements defined in ESRS2 MDR-T Tracking effectiveness of policies and actions through targets.</p>	<p><b>Guidance / Additional information for Targets on Resource use and circular economy</b></p> <p><del>21. The undertaking shall disclose the resource use and circular economy-related targets it has set.</del></p> <p><del>22. The objective of this Disclosure Requirement is to enable an understanding of the targets the undertaking has adopted to support its resource use and circular economy policy and to address its material impacts, risks and opportunities.</del></p> <p><del>23. The description of the targets shall contain the information requirements defined in ESRS2 MDR-T Tracking effectiveness of policies and actions through targets.</del></p>																																																																		

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<p>24. The disclosure required by paragraph 21 shall indicate whether and how the undertaking's targets relate to resource inflows and resource outflows, including waste and products and materials, and, more specifically to:</p> <p>(a) the increase of circular product design (including for instance design for durability, dismantling, reparability, recyclability etc);                      (b) the increase of circular material use rate;                      (c) the minimisation of primary raw material;                      (d) sustainable sourcing and use (in line with the cascading principle) of renewable resources;                      (e) the waste management, including preparation for proper treatment; and                      (f) other matters related to resource use or circular economy.</p> <p>25. The undertaking shall specify to which layer of the waste hierarchy the target relates.</p> <p>26. In addition to ESRS 2 MDR-T, the undertaking may specify whether ecological thresholds and entity-specific allocations were taken into consideration when setting targets. If so, the undertaking may specify:</p> <p>(a) the ecological thresholds identified, and the methodology used to identify such thresholds;                      (b) whether or not the thresholds are entity-specific and if so, how they were determined; and                      (c) how responsibility for respecting identified ecological thresholds is allocated in the undertaking.</p>	<p>AR 144. <del>When disclosing information on targets that are related to resource use and circular economy, The disclosure required by paragraph 21 shall indicate the undertaking may specify:</del></p> <p><del>a) whether and how its targets relate to resource inflows and resource outflows, including waste and products and materials;</del>  <del>(a) the increase of circular product design (including for instance design for durability, dismantling, reparability, recyclability etc);</del>  <del>(b) the increase of circular material use rate;</del>  <del>(c) the minimisation of primary raw material;</del>  <del>(d) sustainable sourcing and use (in line with the cascading principle) of renewable resources;</del>  <del>(e) the waste management, including preparation for proper treatment; and</del>  <del>(f) other matters related to resource use or circular economy.</del></p> <p>b) The undertaking shall specify to which layer of the waste hierarchy the target relates;                      c) In addition to ESRS 2 MDR-T, the undertaking may specify whether ecological thresholds and entity-specific allocations were taken into consideration when setting targets.. If so, the undertaking may specify:  <del>(a) the ecological thresholds identified, and the methodology used to identify such thresholds;</del>  <del>(b) whether or not the thresholds are entity-specific and if so, how they were determined; and</del>  <del>(c) how responsibility for respecting identified ecological thresholds is allocated in the undertaking.</del></p>
<p>27. The undertaking shall specify as part of the contextual information, whether the targets it has set and presented are mandatory (required by legislation) or voluntary.</p>	<p><del>27. The undertaking shall specify as part of the contextual information, whether the targets it has set and presented are mandatory (required by legislation) or voluntary.</del></p>
<p>AR 14. If the undertaking refers to ecological thresholds to set targets, it may refer to the guidance provided by the Science-Based Targets Initiative for Nature (SBTN) in its interim guidance (Initial Guidance for Business, September 2020) or any other guidance with a scientifically acknowledged methodology that allows to set science-based targets by identifying ecological thresholds and, if applicable, organisation-specific allocations. Ecological thresholds can be local, national and/or global.</p>	<p>AR 145. If the undertaking refers to ecological thresholds to set targets, it may refer to the guidance provided by the Science-Based Targets Initiative for Nature (SBTN) in its interim guidance (Initial Guidance for Business, September 2020) or any other guidance with a scientifically acknowledged methodology that allows to set science-based targets by identifying ecological thresholds and, if applicable, organisation-specific allocations. Ecological thresholds can be local, national and/or global.</p>
<p>AR 15. When providing information on targets, the undertaking shall prioritise targets in absolute value.</p>	<p>AR 146. When providing information on targets related to resource use and circular economy, the undertaking may prioritise targets in absolute value.</p>
<p>AR 16. When providing information targets according to paragraph 24, the undertaking shall consider the production phase, the use phase, and the end of functional life of products and materials.</p>	<p><del>AR 16. When providing information targets according to paragraph 24, the undertaking shall consider the production phase, the use phase, and the end of functional life of products and materials.</del></p>
<p>AR 17. When providing information on targets related to virgin renewable raw material under paragraph 24(c), the undertaking shall consider how those targets may impact biodiversity loss, also in light of ESRS E4.</p>	<p><del>AR 17. When providing information on targets related to virgin renewable raw material under paragraph 24(c), the undertaking shall consider how those targets may impact biodiversity loss, also in light of ESRS E4.</del></p>
<p>AR 18. The undertaking may disclose other targets under paragraph 24(f) including in relation to sustainable sourcing. If so, the undertaking shall explain the definition of sustainable sourcing it has adopted and how it relates to the objective set out in paragraph 22.</p>	<p><del>AR 18. The undertaking may disclose other targets under paragraph 24(f) including in relation to sustainable sourcing. If so, the undertaking shall explain the definition of sustainable sourcing it has adopted and how it relates to the objective set out in paragraph 22.</del></p>

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AR 19. The targets may cover the undertaking's own operations and/or its upstream and downstream value chain.	<del>AR 19. The targets may cover the undertaking's own operations and/or its upstream and downstream value chain.</del>
AR 20. The undertaking may specify whether the target addresses shortcomings related to the Substantial Contribution criteria for Circular Economy as defined in the delegated acts adopted pursuant to Article 13(2) of Regulation (EU) 2020/852. Where the Do No Significant Harm (DNSH) criteria for Circular Economy as defined in delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 14(2), and Article 15(2) of Regulation (EU) 2020/852 are not met, the undertaking may specify whether the target addresses shortcomings related those DNSH criteria.	<del>AR 20. The undertaking may specify whether the target addresses shortcomings related to the Substantial Contribution criteria for Circular Economy as defined in the delegated acts adopted pursuant to Article 13(2) of Regulation (EU) 2020/852. Where the Do No Significant Harm (DNSH) criteria for Circular Economy as defined in delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 14(2), and Article 15(2) of Regulation (EU) 2020/852 are not met, the undertaking may specify whether the target addresses shortcomings related those DNSH criteria.</del>
<p><b>Disclosure Requirement S1-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities</b></p> <p>44. The undertaking shall disclose the time-bound and outcome-oriented targets it may have set related to:</p> <p>(a) reducing negative impacts on its own workforce; and/or            (b) advancing positive impacts on its own workforce; and/or            (c) managing material risks and opportunities related to its own workforce.</p>	<p><b>SOCIAL</b>  <b>Guidance / Additional information for Targets on Own workforce</b></p> <p><del>The undertaking shall disclose the time-bound and outcome-oriented targets it may have set related to:AR 147. When disclosing information on targets that are related to own workforce, the undertaking may disclose a summarised description of the time-bound and outcome-oriented targets it may have set related to:</del></p> <p>a) reducing negative impacts on its own workforce; and/or            b) advancing positive impacts on its own workforce; and/or            c) managing material risks and opportunities related to its own workforce.</p>
45. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking is using outcome-oriented targets to drive and measure its progress in addressing its material negative impacts and/or advancing positive impacts on its own workforce, and/or in managing material risks and opportunities related to its own workforce.	<del>45. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking is using outcome-oriented targets to drive and measure its progress in addressing its material negative impacts and/or advancing positive impacts on its own workforce, and/or in managing material risks and opportunities related to its own workforce.</del>
46. The summarised description of the targets set to manage its material impacts, risks and opportunities related to the undertaking's own workforce shall contain the information requirements defined in ESRS 2 MDR-T.	<del>46. The summarised description of the targets set to manage its material impacts, risks and opportunities related to the undertaking's own workforce shall contain the information requirements defined in ESRS 2 MDR-T.</del>
47. The undertaking shall disclose the process for setting the targets, including whether and how the undertaking engaged directly with its own workforce or workers' representatives in: (a) setting any such targets; (b) tracking the undertaking's performance against them; and (c) identifying any lessons or improvements as a result of the undertaking's performance.	AR 148. The undertaking <del>shall</del> may disclose the process for setting the targets, including whether and how the undertaking engaged directly with its own workforce or workers' representatives in: a) setting any such targets; b) tracking the undertaking's performance against them; and c) identifying any lessons or improvements as a result of the undertaking's performance.
AR 49. When disclosing information about targets in accordance with paragraph 46, the undertaking may disclose: (a) the intended outcomes to be achieved in the lives of a certain number of people in its own workforce; (b) the stability of the targets over time in terms of definitions and methodologies to enable comparability over time; and/or (c) the standards or commitments which the targets are based on (for instance codes of conduct, sourcing policies, global frameworks, or industry codes).	<del>AR 49. When disclosing information about targets in accordance with paragraph 46, the undertaking may disclose: (a) the intended outcomes to be achieved in the lives of a certain number of people in its own workforce; (b) the stability of the targets over time in terms of definitions and methodologies to enable comparability over time; and/or (c) the standards or commitments which the targets are based on (for instance codes of conduct, sourcing policies, global frameworks, or industry codes).</del>



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AR 50. Targets related to risks and opportunities may be the same as or distinct from targets related to impacts. For example, a target to reach adequate wages for non-employees could both reduce impacts on those people and reduce associated risks in terms of the quality and reliability of their output.	<del>AR 50. Targets related to risks and opportunities may be the same as or distinct from targets related to impacts. For example, a target to reach adequate wages for non-employees could both reduce impacts on those people and reduce associated risks in terms of the quality and reliability of their output.</del>
AR 51. The undertaking may also distinguish between short-, medium- and long-term targets covering the same policy commitment. For example, the undertaking may have a long-term target to achieve an 80% reduction in health and safety incidents affecting its delivery drivers by 2030 and a near-term target to reduce the overtime hours of delivery drivers by x% while maintaining their income by 2024.	<del>AR 51. The undertaking may also distinguish between short-, medium- and long-term targets covering the same policy commitment. For example, the undertaking may have a long-term target to achieve an 80% reduction in health and safety incidents affecting its delivery drivers by 2030 and a near-term target to reduce the overtime hours of delivery drivers by x% while maintaining their income by 2024.</del>
AR 52. When modifying or replacing a target in the reporting period, the undertaking may explain the change by cross-referencing it to significant changes in the business model or to broader changes in the accepted standard or legislation from which the target is derived to provide contextual information as per ESRS 2 BP-2 Disclosures in relation to specific circumstances.	<del>AR 52. When modifying or replacing a target in the reporting period, the undertaking may explain the change by cross-referencing it to significant changes in the business model or to broader changes in the accepted standard or legislation from which the target is derived to provide contextual information as per ESRS 2 BP-2 Disclosures in relation to specific circumstances.</del>
<p><b>Disclosure Requirement S2-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities</b></p> <p>39. The undertaking shall disclose the time-bound and outcome-oriented targets it may have set related to:</p> <p>(a) reducing negative impacts on value chain workers; and/or            (b) advancing positive impacts on value chain workers; and/or            (c) managing material risks and opportunities related to value chain workers.</p>	<p><b>Guidance / Additional information for Targets on Value chain workers</b></p> <p><del>AR 149. 39. The undertaking shall disclose the time-bound and outcome-oriented targets it may have set related to: When disclosing information on targets that are related to value chain workers, the undertaking shall disclose may disclose a summarised description of the time-bound and outcome-oriented targets it may have set related to:</del></p> <p>a) reducing negative impacts on value chain workers; and/or            b) advancing positive impacts on value chain workers; and/or            c) managing material risks and opportunities related to value chain workers.</p>
40. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking is using time-bound and outcome-oriented targets to drive and measure its progress in addressing material negative impacts, and/or advancing positive impacts on value chain workers, and/or in managing material risks and opportunities related to value chain workers.	<del>40. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking is using time-bound and outcome-oriented targets to drive and measure its progress in addressing material negative impacts, and/or advancing positive impacts on value chain workers, and/or in managing material risks and opportunities related to value chain workers.</del>
41. The summarised description of the targets to manage its material impacts, risks and opportunities related to value chain workers shall contain the information requirements defined in ESRS 2 MDR-T.	<del>41. The summarised description of the targets to manage its material impacts, risks and opportunities related to value chain workers shall contain the information requirements defined in ESRS 2 MDR-T.</del>
42. The undertaking shall disclose the process for setting the targets, including whether and how the undertaking engaged directly with workers in the value chain, their legitimate representatives, or with credible proxies that have insight into their situation in: (a) setting any such targets; (b) tracking the undertaking's performance against them; and (c) identifying any lessons or improvements as a result of the undertaking's performance.	<del>AR 150. The undertaking shall may disclose the process for setting the targets, including whether and how the undertaking engaged directly with workers in the value chain, their legitimate representatives, or with credible proxies that have insight into their situation in: a) setting any such targets; b) tracking the undertaking's performance against them; and c) identifying any lessons or improvements as a result of the undertaking's performance.</del>
AR 45. When disclosing information about targets in accordance with paragraph 39, the undertaking may disclose: (a) the intended outcomes to be achieved in the lives of value chain workers, being as specific as possible;	<del>AR 45. When disclosing information about targets in accordance with paragraph 39, the undertaking may disclose: (a) the intended outcomes to be achieved in the lives of value chain workers, being as specific as possible;</del>

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(b) the stability of the targets over time in terms of definitions and methodologies to enable comparability over time; (c) the standards or commitments on which the targets are based (for instance codes of conduct, sourcing policies, global frameworks or industry codes).	<del>(b) the stability of the targets over time in terms of definitions and methodologies to enable comparability over time; (c) the standards or commitments on which the targets are based (for instance codes of conduct, sourcing policies, global frameworks or industry codes).</del>
AR 46. Targets related to material risks and opportunities may be the same as or distinct from targets related to material impacts. For example, a target to reach living wages for supply chain workers could both reduce impacts on those workers and reduce associated risks in terms of the quality and reliability of supply.	<del>AR 46. Targets related to material risks and opportunities may be the same as or distinct from targets related to material impacts. For example, a target to reach living wages for supply chain workers could both reduce impacts on those workers and reduce associated risks in terms of the quality and reliability of supply.</del>
AR 47. The undertaking may also distinguish between short-, medium- and long-term targets covering the same policy commitment. For example, the undertaking may have a longterm target to achieve an 80% reduction in health and safety incidents affecting the workers of a given supplier by 2030 and a near-term target to reduce their overtime hours of delivery drivers by x% while maintaining their income by 2024.	<del>AR 47. The undertaking may also distinguish between short-, medium- and long-term targets covering the same policy commitment. For example, the undertaking may have a longterm target to achieve an 80% reduction in health and safety incidents affecting the workers of a given supplier by 2030 and a near-term target to reduce their overtime hours of delivery drivers by x% while maintaining their income by 2024.</del>
AR 48. When modifying or replacing a target in the reporting period, the undertaking may explain the change by cross-referencing it to significant changes in the business model or to broader changes in the accepted standard or legislation from which the target is derived to provide contextual information, as per ESRS 2 BP-2 Disclosures in relation to specific circumstances.	<del>AR 48. When modifying or replacing a target in the reporting period, the undertaking may explain the change by cross-referencing it to significant changes in the business model or to broader changes in the accepted standard or legislation from which the target is derived to provide contextual information, as per ESRS 2 BP-2 Disclosures in relation to specific circumstances.</del>
<b>Disclosure Requirement S3-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities</b>  39. The undertaking shall disclose the time-bound and outcome-oriented targets it may have set related to:  (a) reducing negative impacts on affected communities; and/or (b) advancing positive impacts on affected communities; and/or (c) managing material risks and opportunities related to affected communities.	<b>Guidance / Additional information for Targets on Affected communities</b>  <del>39. The undertaking shall disclose the time-bound and outcome-oriented targets it may have set related to AR 151. When disclosing information on targets that are related to affected communities, the undertaking may disclose a summarised description of the time-bound and outcome-oriented targets it may have set related to:</del> a) reducing negative impacts on affected communities; and/or b) advancing positive impacts on affected communities; and/or c) managing material risks and opportunities related to affected communities.
40. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking is using time-bound and outcome-oriented targets to drive and measure its progress in addressing material negative impacts, and/or advancing positive impacts on affected communities, and/or in managing material risks and opportunities related to affected communities.	<del>40. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking is using time-bound and outcome-oriented targets to drive and measure its progress in addressing material negative impacts, and/or advancing positive impacts on affected communities, and/or in managing material risks and opportunities related to affected communities.</del>
41. The summarised description of the targets to manage its material impacts, risks and opportunities related to affected communities shall contain the information requirements defined in ESRS 2 MDR-T.	<del>41. The summarised description of the targets to manage its material impacts, risks and opportunities related to affected communities shall contain the information requirements defined in ESRS 2 MDR-T.</del>
42. The undertaking shall disclose the process for setting the targets, including whether and how the undertaking engaged directly with affected communities, their legitimate representatives, or with credible proxies that have insight into their situation in: (a) setting any such targets; (b) tracking the undertaking's performance against them; and (c) identifying, any, lessons or improvements as a result of the undertaking's performance.	<del>AR 152. The undertaking shall may disclose the process for setting the targets, including whether and how the undertaking engaged directly with affected communities, their legitimate representatives, or with credible proxies that have insight into their situation in:</del> a) setting any such targets; b) tracking the undertaking's performance against them; and c) identifying, any, lessons or improvements as a result of the undertaking's performance.

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SET 1 ESRS 2 (version July 2023)	LSME ESRS ED Section 2 and 3
<p>AR 44. When disclosing information about targets in accordance with paragraph 38, the undertaking may disclose:</p> <p>(a) the intended outcomes to be achieved in the lives of affected communities, being as specific as possible;</p> <p>(b) the stability of the targets over time in terms of definitions and methodologies to enable comparability over time;</p> <p>(c) the standards or commitments which the targets are based on (for instance codes of conduct, sourcing policies, global frameworks or industry codes).</p>	<p><del>AR 44. When disclosing information about targets in accordance with paragraph 38, the undertaking may disclose:</del></p> <p><del>(a) the intended outcomes to be achieved in the lives of affected communities, being as specific as possible;</del></p> <p><del>(b) the stability of the targets over time in terms of definitions and methodologies to enable comparability over time;</del></p> <p><del>(c) the standards or commitments which the targets are based on (for instance codes of conduct, sourcing policies, global frameworks or industry codes).</del></p>
<p>AR 45. Targets related to material risks and opportunities may be the same as or distinct from targets related to material impacts. For example, a target to fully restore livelihoods of affected communities following resettlement could both reduce impacts on those communities and reduce associated risks such as community protests.</p>	<p><del>AR 45. Targets related to material risks and opportunities may be the same as or distinct from targets related to material impacts. For example, a target to fully restore livelihoods of affected communities following resettlement could both reduce impacts on those communities and reduce associated risks such as community protests.</del></p>
<p>AR 46. The undertaking may also distinguish between short-, medium- and long-term targets covering the same policy commitment. For example, the undertaking may have as a main objective to employ community members at a local mining site, with the long-term goal of staffing 100% locally by 2025, and with the short-term objective of adding x percent of local employees every year up and until 2025.</p>	<p><del>AR 46. The undertaking may also distinguish between short-, medium- and long-term targets covering the same policy commitment. For example, the undertaking may have as a main objective to employ community members at a local mining site, with the long-term goal of staffing 100% locally by 2025, and with the short-term objective of adding x percent of local employees every year up and until 2025.</del></p>
<p>AR 47. When modifying or replacing a target in the reporting period, the undertaking may explain the change by linking it to significant changes in the business model or to broader changes in the accepted standard or legislation from which the target is derived to provide contextual information as per ESRS 2 BP-2 Disclosures in relation to specific circumstances.</p>	<p><del>AR 47. When modifying or replacing a target in the reporting period, the undertaking may explain the change by linking it to significant changes in the business model or to broader changes in the accepted standard or legislation from which the target is derived to provide contextual information as per ESRS 2 BP-2 Disclosures in relation to specific circumstances.</del></p>
<p><b>Disclosure Requirement S4-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities</b></p> <p>38. The undertaking shall disclose the time-bound and outcome-oriented targets it may have set related to:</p> <p>(a) reducing negative impacts on consumers and/or end-users; and/or</p> <p>(b) advancing positive impacts on consumers and/or end-users; and/or</p> <p>(c) managing material risks and opportunities related to consumers and/or end-users.</p>	<p><b>Guidance / Additional information for Targets on Consumers and end-users</b></p> <p><del>38. The undertaking shall disclose the time-bound and outcome-oriented targets it may have set related to:</del> AR 153. <i>When disclosing information on targets that are related to consumers and end-users, the undertaking may disclose a summarised description of the time-bound and outcome-oriented targets it may have set related to:</i></p> <p>a) reducing negative impacts on consumers and/or end-users; and/or</p> <p>b) advancing positive impacts on consumers and/or end-users; and/or</p> <p>c) managing material risks and opportunities related to consumers and/or end-users.</p>
<p>39. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking is using time-bound and outcome-oriented targets to drive and measure progress in addressing material negative impacts, and/or advancing positive impacts on consumers and/or end-users, and/or in managing material risks and opportunities related to consumers and/or end-users.</p>	<p><del>39. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking is using time-bound and outcome-oriented targets to drive and measure progress in addressing material negative impacts, and/or advancing positive impacts on consumers and/or end-users, and/or in managing material risks and opportunities related to consumers and/or end-users.</del></p>
<p>40. The summarised description of the targets to manage its material impacts, risks and opportunities related to consumers and/or end-users shall contain the information requirements defined in ESRS 2 MDR-T.</p>	<p><del>40. The summarised description of the targets to manage its material impacts, risks and opportunities related to consumers and/or end-users shall contain the information requirements defined in ESRS 2 MDR-T.</del></p>
<p>41. The undertaking shall disclose the process for setting the targets, including whether and how the undertaking engaged directly with consumers and/or end-users, their legitimate representatives, or with credible proxies that have insight into their situation in:</p>	<p>AR 154. The undertaking shall <i>may disclose</i> the process for setting the targets, including whether and how the undertaking engaged directly with consumers and/or end-users, their legitimate representatives, or with credible proxies that have insight into their situation in:</p>

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<p>(a) setting any such targets;                      (b) tracking the undertaking's performance against them; and                      (c) identifying, if any, lessons or improvements as a result of the undertaking's performance.</p>	<p>a) setting any such targets;                      b) tracking the undertaking's performance against them; and                      c) identifying, if any, lessons or improvements as a result of the undertaking's performance.</p>
<p>AR 42. When disclosing targets in relation to consumers and/or end-users, the undertaking may disclose:                      (a) the intended outcomes to be achieved in the lives of consumers and/or end-users, being as specific as possible;                      (b) their stability over time in terms of definitions and methodologies to enable comparability; and/or                      (c) references standards or commitments on which the targets are based are to be clearly defined in the reporting (for instance codes of conduct, sourcing policies, global frameworks or industry codes).</p>	<p><del>AR 42. When disclosing targets in relation to consumers and/or end-users, the undertaking may disclose:                      (a) the intended outcomes to be achieved in the lives of consumers and/or end-users, being as specific as possible;                      (b) their stability over time in terms of definitions and methodologies to enable comparability; and/or                      (c) references standards or commitments on which the targets are based are to be clearly defined in the reporting (for instance codes of conduct, sourcing policies, global frameworks or industry codes).</del></p>
<p>AR 43. Targets related to material risks and opportunities may be the same as or distinct from targets tied to material impacts. For example, a target to ensure equal access to finance for underserved consumers could both reduce discrimination impacts on those consumers and enlarge the undertaking's pool of customers.</p>	<p><del>AR 43. Targets related to material risks and opportunities may be the same as or distinct from targets tied to material impacts. For example, a target to ensure equal access to finance for underserved consumers could both reduce discrimination impacts on those consumers and enlarge the undertaking's pool of customers.</del></p>
<p>AR 44. The undertaking may also distinguish between short, medium and long-term targets covering the same policy commitment. For example, the undertaking may have as a main objective to make its online services accessible to people with disabilities, with the longterm goal of having adapted 100% of its online services by 2025, and with the short-term objective of adding x number of accessible features every year up and until 2025.</p>	<p><del>AR 44. The undertaking may also distinguish between short, medium and long-term targets covering the same policy commitment. For example, the undertaking may have as a main objective to make its online services accessible to people with disabilities, with the longterm goal of having adapted 100% of its online services by 2025, and with the short-term objective of adding x number of accessible features every year up and until 2025.</del></p>
<p>AR 45. When modifying or replacing a target in the reporting period, the undertaking may explain the change by cross-referencing it to significant changes in the business model or to broader changes in the accepted standard or legislation from which the target is derived to provide contextual information as per ESRS 2 BP-2 Disclosures in relation to specific circumstances.</p>	<p><del>AR 45. When modifying or replacing a target in the reporting period, the undertaking may explain the change by cross-referencing it to significant changes in the business model or to broader changes in the accepted standard or legislation from which the target is derived to provide contextual information as per ESRS 2 BP-2 Disclosures in relation to specific circumstances.</del></p>

# ESRS LSME ED Section 4 – Environment

ESRS SET 1 E1 / E2 / E3 / E4 / E5	ESRS LSME ED Section 4
<p><b>DISCLOSURE REQUIREMENTS</b></p>	
<p><b>ESRS E1 - CLIMATE CHANGE</b></p>	<p><del>ESRS E1 - CLIMATE CHANGE</del> <b>LSME ESRS SECTION 4 ENVIRONMENTAL DISCLOSURES</b> (E1, E2, E3, E4, and E5 in one section)</p>
<p><b>Objective</b></p> <p>1. The objective of this Standard is to specify Disclosure Requirements which will enable users of sustainability statements to understand:</p> <p>(a) how the undertaking affects climate change, in terms of material positive and negative actual and potential impacts;</p>	<p><b>Objective (Centralised for all E standards)</b></p> <p>1. <i>The objective of the Environmental Disclosures in this [draft] Standard is to enable users of sustainability statements to understand:</i></p> <p><i>(a) how the undertaking, actually or potentially, negatively impacts the following environmental topics:</i></p> <ul style="list-style-type: none"> <li><i>i. climate change (E1),</i></li> <li><i>ii. pollution of air, water and soil (E2),</i></li> <li><i>iii. water and marine resources (E3),</i></li> <li><i>iv. biodiversity and ecosystems (E4)</i></li> <li><i>v. resource use and circular economy (E5);</i></li> </ul>
<p>(b) the undertaking’s past, current, and future mitigation efforts in line with the Paris Agreement (or an updated international agreement on climate change) and compatible with limiting global warming to 1.5°C;</p> <p>(c) the plans and capacity of the undertaking to adapt its strategy and business model, in line with the transition to a sustainable economy and to contribute to limiting global warming to 1.5°C;</p>	<p><i>(b) the plans and capacity of the undertaking to adapt its strategy and business model(s) in line with the transition to a sustainable economy and international environmental agreements, goals and initiatives, including, but not limited to:</i></p> <ul style="list-style-type: none"> <li><i>i. the Paris Agreement (or an updated international agreement on climate change) and the objective of limiting global warming to 1.5°C (E1);</i></li> <li><i>ii. the alignment with the European Green Deal’s ambitions for prevention, control and elimination of pollution and the objective of creating a toxic-free environment with zero pollution in support of the EU Action Plan “Towards a Zero Pollution for Air, Water and Soil” (E2);</i></li> <li><i>iii. the alignment with the European Green Deal’s ambitions for clean water and the sustainability of the blue economy and fisheries sectors considering the EU Water Framework Directive and the EU Marine Strategy Framework Directive and the EU Maritime Spatial Planning Directive (E3);</i></li> <li><i>iv. the Kunming-Montreal Global Biodiversity Framework and its goals and targets, the EU Biodiversity Strategy for 2030, the Directive 2009/147/EC of the European Parliament and of the Council and Council Directive 92/43/EEC (EU Birds and Habitats Directives), the Directive 2008/56/EC of the European Parliament and of the Council (Marine Strategy Framework Directive) (E4);</i></li> <li><i>v. the alignment with circular economy principles, including but not limited to minimising waste, maintaining the value of products, materials and other resources at their highest value and</i></li> </ul>

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ESRS SET 1 E1 / E2 / E3 / E4 / E5	ESRS LSME ED Section 4
	<i>enhancing their efficient use in production and consumption, based on the EU Circular Economy Action Plan, the Waste Framework directive and the EU industrial strategy (E5).</i>
(d) any other actions taken by the undertaking, and the result of such actions to prevent, mitigate or remediate actual or potential negative impacts, and to address risks and opportunities;	(c) any actions taken by the undertaking, and the result of such actions to prevent, mitigate or remediate potential negative impacts on the environmental topics, including: <i>i. to reduce GHG emissions and increase energy efficiency (E1); ii. to prevent, control and reduce pollution of air, water and soil (E2); iii. to reduce water consumption and to protect water and marine resources (E3); iv. to protect and restore biodiversity and ecosystems (E4); and v. to prevent and decrease resource depletion, increase resource efficiency and help decoupling the economic growth from the use of materials (E5).</i>
(e) the nature, type and extent of the undertaking's material risks and opportunities arising from the undertaking's impacts and dependencies on climate change, and how the undertaking manages them; and	(d) the nature, type and extent of the undertaking's material risks arising from the undertaking's impacts and dependencies on the environmental topics, and how the undertaking manages them; and
(f) the financial effects on the undertaking over the short-, medium- and long-term of risks and opportunities arising from the undertaking's impacts and dependencies on climate change.	(e) the <del>short-, medium- and long-term</del> financial effects on the undertaking over the short-, <del>medium- and long-term</del> of material risks arising from the undertaking's impacts and dependencies on the environment.
2. The Disclosure Requirements of this Standard take into account the requirements of related EU legislation and regulation (i.e., EU Climate Law[1], Climate Benchmark Standards Regulation[2], Sustainable Finance Disclosure Regulation (SFDR)[3], EU Taxonomy[33], and EBA Pillar 3 disclosure requirements[34]).	2. The Disclosure Requirements of this Standard take into account the requirements of related EU legislation and regulation (i.e., EU Climate Law[1], Climate Benchmark Standards Regulation[2], Sustainable Finance Disclosure Regulation (SFDR)[3], EU Taxonomy[33], and EBA Pillar 3 disclosure requirements[34]).
3. This Standard covers Disclosure Requirements related to the following sustainability matters: "Climate change mitigation" and "Climate change adaptation". It also covers energy-related matters, to the extent that they are relevant to climate change.	2. This [draft] Section 4 covers Disclosure Requirements related to the following sustainability matters as per AR. 15, Appendix A, Section 1 of this standard.
4. Climate change mitigation relates to the undertaking's endeavours to the general process of limiting the increase in the global average temperature to 1,5 °C above pre-industrial levels in line with the Paris Agreement. This Standard covers disclosure requirements related but not limited to the seven Greenhouse gases (GHG) carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF6) and nitrogen trifluoride (NF3). It also covers Disclosure Requirements on how the undertaking addresses its GHG emissions as well as the associated transition risks.	4. <del>Climate change mitigation relates to the undertaking's endeavours to the general process of limiting the increase in the global average temperature to 1,5 °C above pre-industrial levels in line with the Paris Agreement. This Standard covers disclosure requirements related but not limited to the seven Greenhouse gases (GHG) carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF6) and nitrogen trifluoride (NF3). It also covers Disclosure Requirements on how the undertaking addresses its GHG emissions as well as the associated transition risks.</del>
5. Climate change adaptation relates to the undertaking's process of adjustment to actual and expected climate change.	5. <del>Climate change adaptation relates to the undertaking's process of adjustment to actual and expected climate change.</del>
6. This Standard covers Disclosure Requirements regarding climate-related hazards that can lead to physical climate risks for the undertaking and its adaptation solutions to reduce these risks. It also covers transition risks arising from the needed adaptation to climate-related hazards.	6. <del>This Standard covers Disclosure Requirements regarding climate-related hazards that can lead to physical climate risks for the undertaking and its adaptation solutions to reduce these risks. It also covers transition risks arising from the needed adaptation to climate-related hazards.</del>
7. The Disclosure Requirements related to "Energy" cover all types of energy production and consumption.	7. <del>The Disclosure Requirements related to "Energy" cover all types of energy production and consumption.</del>
	3. The objectives in par. 1 and the metrics disclosure requirements under section 4 E1 to E5 shall be read in conjunction with Section 2 and 3 of this [draft], General Disclosures.
	4. The undertaking shall apply the requirements in this Section, when it concludes that the corresponding topic is material (according to chapter 3.3 Double materiality, 3.4 Impact materiality and 3.5 Financial materiality of Section 1). Following the undertaking's assessment

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	<i>of the materiality of the information according to paragraph 36 of Section 1, the sustainability statement shall include those disclosures prescribed in this Section that are assessed to be material. Individual datapoints may be omitted when the corresponding information is not material and the undertaking concludes the information is not needed to meet the objective of the Disclosure Requirement.</i>
	<i>5. The Disclosure Requirements under E1 to E5 of this Section of the [draft] Standard take into account the requirements of related EU legislation and regulation (i.e., EU Climate Law, Regulation (EU) 2019/2088 (SFDR), Regulation (EU) 2020/852 (the EU Taxonomy), Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), and EBA Pillar 3 ESG risk disclosure requirements.</i>
<b>Interactions with other ESRS</b>	<b><del>Interactions with other ESRS</del></b>
8. Ozone-depleting substances (ODS), nitrogen oxides (NOX) and sulphur oxides (SOX), among other air emissions, are connected to climate change but are covered under the reporting requirements in ESRS E2.	<del>8. Ozone-depleting substances (ODS), nitrogen oxides (NOX) and sulphur oxides (SOX), among other air emissions, are connected to climate change but are covered under the reporting requirements in ESRS E2.</del>
9. Impacts on people that may arise from the transition to a climate-neutral economy are covered under the ESRS S1 Own workforce, ESRS S2 Workers in the value chain, ESRS S3 Affected communities and ESRS S4 Consumers and end-users.	<del>9. Impacts on people that may arise from the transition to a climate-neutral economy are covered under the ESRS S1 Own workforce, ESRS S2 Workers in the value chain, ESRS S3 Affected communities and ESRS S4 Consumers and end-users.</del>
10. Climate change mitigation and adaptation are closely related to topics addressed in particular in ESRS E3 Water and marine resources and ESRS E4 Biodiversity and ecosystems. With regard to water and as illustrated in the table of climate-related hazards in AR 11, this standard addresses acute and chronic physical risks which arise from the water and ocean-related hazards. Biodiversity loss and ecosystem degradation that may be caused by climate change are addressed in ESRS E4 Biodiversity and ecosystems.	<del>10. Climate change mitigation and adaptation are closely related to topics addressed in particular in ESRS E3 Water and marine resources and ESRS E4 Biodiversity and ecosystems. With regard to water and as illustrated in the table of climate-related hazards in AR 11, this standard addresses acute and chronic physical risks which arise from the water and ocean-related hazards. Biodiversity loss and ecosystem degradation that may be caused by climate change are addressed in ESRS E4 Biodiversity and ecosystems.</del>
11. This Standard should be read and applied in conjunction with ESRS 1 General requirements and ESRS 2 General disclosures.	<del>11. This Standard should be read and applied in conjunction with ESRS 1 General requirements and ESRS 2 General disclosures.</del>
<b>Disclosure Requirements</b>	<b><del>Disclosure Requirements</del></b>
<b>ESRS 2 General disclosures</b>	<b><del>ESRS 2 General disclosures</del></b>
12. The requirements of this section should be read and applied in conjunction with the disclosures required by ESRS 2 on Chapter 2 Governance, Chapter 3 Strategy and Chapter 4 Impact, risk and opportunity management. The resulting disclosures shall be presented in the sustainability statement alongside the disclosures required by ESRS 2, except for ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model, for which the undertaking may, in accordance with ESRS2 paragraph 46, present the disclosures alongside the other disclosures required in this topical standard.	<del>12. The requirements of this section should be read and applied in conjunction with the disclosures required by ESRS 2 on Chapter 2 Governance, Chapter 3 Strategy and Chapter 4 Impact, risk and opportunity management. The resulting disclosures shall be presented in the sustainability statement alongside the disclosures required by ESRS 2, except for ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model, for which the undertaking may, in accordance with ESRS2 paragraph 46, present the disclosures alongside the other disclosures required in this topical standard.</del>
<b>Governance</b>	<b><del>Governance</del></b>
<b>Disclosure requirement related to ESRS 2 GOV-3 Integration of sustainability-related performance in incentive schemes</b>	<b><del>Disclosure requirement related to ESRS 2 GOV-3 Integration of sustainability-related performance in incentive schemes</del></b>

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<p>13. The undertaking shall disclose whether and how climate-related considerations are factored into the remuneration of members of the administrative, management and supervisory bodies, including if their performance has been assessed against the GHG emission reduction targets reported under Disclosure Requirement E1-4 and the percentage of the remuneration recognised in the current period that is linked to climate related considerations, with an explanation of what the climate considerations are.</p>	<p><del>13. The undertaking shall disclose whether and how climate-related considerations are factored into the remuneration of members of the administrative, management and supervisory bodies, including if their performance has been assessed against the GHG emission reduction targets reported under Disclosure Requirement E1-4 and the percentage of the remuneration recognised in the current period that is linked to climate related considerations, with an explanation of what the climate considerations are.</del></p>
<p><b>Strategy</b></p>	<p>(Centralised Section 3 AR)</p>
<p><b>Disclosure Requirement E1-1 – Transition plan for climate change mitigation</b></p> <p>14. The undertaking shall disclose its transition plan for climate change mitigation.</p>	
<p>15. The objective of this Disclosure Requirement is to enable an understanding of the undertaking's past, current, and future mitigation efforts to ensure that its strategy and business model are compatible with the transition to a sustainable economy, and with the limiting of global warming to 1.5 °C in line with the Paris Agreement and with the objective of achieving climate neutrality by 2050 and, where relevant, the undertaking's exposure to coal, oil and gas-related activities.</p>	
<p>16. The information required by paragraph 14 shall include:</p> <p>(a) by reference to GHG emission reduction targets (as required by Disclosure Requirement E1-4), an explanation of how the undertaking's targets are compatible with the limiting of global warming to 1.5°C in line with the Paris Agreement;</p> <p>(b) by reference to GHG emission reduction targets (as required by Disclosure Requirement E1-4) and the climate change mitigation actions (as required by Disclosure Requirement E1-3), an explanation of the decarbonisation levers identified, and key actions planned, including changes in the undertaking's product and service portfolio and the adoption of new technologies in its own operations, or the upstream and/or downstream value chain;</p> <p>(c) by reference to the climate change mitigation actions (as required by Disclosure Requirement E1-3), an explanation and quantification of the undertaking's investments and funding supporting the implementation of its transition plan, with a reference to the key performance indicators of taxonomy-aligned CapEx, and where relevant the CapEx plans, that the undertaking discloses in accordance with Commission Delegated Regulation (EU) 2021/2178;</p> <p>(d) a qualitative assessment of the potential locked-in GHG emissions from the undertaking's key assets and products. This shall include an explanation of if and how these emissions may jeopardise the achievement of the undertaking's GHG emission reduction targets and drive transition risk, and if applicable, an explanation of the undertaking's plans to manage its GHG-intensive and energyintensive assets and products;</p> <p>(e) for undertakings with economic activities that are covered by delegated regulations on climate adaptation or mitigation under the Taxonomy Regulation, an explanation of any objective or plans (CapEX, CapEX plans, OpEX) that the undertaking has for aligning its economic activities (revenues, CapEx, OpEx) with the criteria established in Commission Delegated Regulation 2021/213936;</p>	



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<p>(f) if applicable, a disclosure of significant CapEx amounts invested during the reporting period related to coal, oil and gas-related economic activities;<sup>37</sup></p> <p>(g) a disclosure on whether or not the undertaking is excluded from the EU Paris-aligned Benchmarks;<sup>38</sup></p> <p>(h) an explanation of how the transition plan is embedded in and aligned with the undertaking's overall business strategy and financial planning;</p> <p>(i) whether the transition plan is approved by the administrative, management and supervisory bodies; and</p> <p>(j) an explanation of the undertaking's progress in implementing the transition plan.</p>	
<p>17. In case the undertaking does not have a transition plan in place, it shall indicate whether and, if so, when it will adopt a transition plan.</p>	
<p><b>Disclosure Requirement related to ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model</b></p> <p>18. The undertaking shall explain for each material climate-related risk it has identified, whether the entity considers the risk to be a climate-related physical risk or climate-related transition risk.</p>	(Centralised Section 2 AR)
<p>19. The undertaking shall describe the resilience of its strategy and business model in relation to climate change. This description shall include:</p> <p>(a) the scope of the resilience analysis;</p> <p>(b) how and when the resilience analysis has been conducted, including the use of climate scenario analysis as referenced in the Disclosure Requirement related to ESRS 2 IRO-1 and the related application requirement paragraphs; and</p> <p>(c) the results of the resilience analysis including the results from the use of scenario analysis.</p>	
<p><b>Impact, risk and opportunity management</b></p> <p><b>Disclosure requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material climate-related impacts, risks and opportunities</b></p> <p>20. The undertaking shall describe the process to identify and assess climate-related impacts, risks and opportunities. This description shall include its process in relation to:</p> <p>(a) impacts on climate change, in particular, the undertaking's GHG emissions (as required by Disclosure Requirement ESRS E1-6);</p> <p>(b) climate-related physical risks in own operations and along the upstream and downstream value chain, in particular:</p> <p>i. the identification of climate-related hazards, considering at least high emission climate scenarios; and</p> <p>ii. the assessment of how its assets and business activities may be exposed and are sensitive to these climate-related hazards, creating gross physical risks for the undertaking.</p> <p>(c) climate-related transition risks and opportunities in own operations and along the upstream and downstream value chain, in particular:</p>	(Centralised Section 2 AR)

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<p>i. the identification of climate-related transition events, considering at least a climate scenario in line with limiting global warming to 1.5°C with no or limited overshoot; and</p> <p>ii. the assessment of how its assets and business activities may be exposed to these climate-related transition events, creating gross transition risks or opportunities for the undertaking.</p>	
<p>21. When disclosing the information required under paragraphs 20 (b) and 20 (c) the undertaking shall explain how it has used climate-related scenario analysis, including a range of climate scenarios, to inform the identification and assessment of physical risks and transition risks and opportunities over the short-, medium- and long-term.</p>	
<p><b>Disclosure Requirement E1-2 – Policies related to climate change mitigation and adaptation</b></p> <p>22. The undertaking shall describe its policies adopted to manage its material impacts, risks and opportunities related to climate change mitigation and adaptation.</p> <p>23. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of its material climate change mitigation and adaptation impacts, risks and opportunities.</p> <p>24. The disclosure required by paragraph 22 shall contain the information on the policies the undertaking has in place to manage its material impacts, risks and opportunities related to climate change mitigation and adaptation in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters.</p> <p>25. The undertaking shall indicate whether and how its policies address the following areas:</p> <p>(a) climate change mitigation;</p> <p>(b) climate change adaptation;</p> <p>(c) energy efficiency;</p> <p>(d) renewable energy deployment; and</p> <p>(e) other</p>	<p><del>Disclosure Requirement E1-2 – Policies related to climate change mitigation and adaptation</del></p> <p><b>Disclosure Requirement 11 (IR-3) – Policies and actions in relation to sustainability matters</b></p> <p>(Centralised Section 3 AR)</p>
<p><b>Disclosure Requirement E1-3 – Actions and resources in relation to climate change policies</b></p> <p>26. The undertaking shall disclose its climate change mitigation and adaptation actions and the resources allocated for their implementation.</p> <p>27. The objective of this Disclosure Requirement is to provide an understanding of the key actions taken and planned to achieve climate-related policy objectives and targets.</p> <p>28. The description of the actions and resources related to climate change mitigation and adaptation shall follow the principles stated in ESRS 2 MDR-A Actions and resources in relation to material sustainability matters.</p> <p>29. In addition to ESRS 2 MDR-A, the undertaking shall:</p> <p>(a) when listing key actions taken in the reporting year and planned for the future, present the climate change mitigation actions by decarbonisation lever including the nature-based solutions;</p> <p>(b) when describing the outcome of the actions for climate change mitigation, include the achieved and expected GHG emission reductions; and</p>	<p><del>Disclosure Requirement E1-3 – Actions and resources in relation to climate change policies</del></p> <p><b>Disclosure Requirement 11 (IR-3) – Policies and actions in relation to sustainability matters</b></p> <p>(Centralised Section 3 AR)</p>

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<p>(c) relate significant monetary amounts of CapEx and OpEx required to implement the actions taken or planned to:</p> <p>i. the relevant line items or notes in the financial statements;</p> <p>ii. the key performance indicators required under Commission Delegated Regulation (EU) 2021/2178; and iii. if applicable, the CapEx plan required by Commission Delegated Regulation (EU) 2021/2178.</p>	
<p><b>Metrics and targets</b></p>	<p><b>Metrics and targets</b></p>
<p><b>Disclosure Requirement E1-4 – Targets related to climate change mitigation and adaptation</b></p>	<p><b>Disclosure Requirement E1-4 – Targets related to climate change mitigation and adaptation</b>  <b>Disclosure Requirement 11 (IR-4) – Targets in relation to sustainability matters</b></p>
<p>30. The undertaking shall disclose the climate-related targets it has set.</p>	<p>(Centralised Section 3 AR)</p>
<p>31. The objective of this Disclosure Requirement is to enable an understanding of the targets the undertaking has set to support its climate change mitigation and adaptation policies and address its material climate-related impacts, risks and opportunities.</p>	
<p>32. The disclosure of the targets required in paragraph 30 shall contain the information required in ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets.</p>	
<p>33. For the disclosure required by paragraph 30, the undertaking shall disclose whether and how it has set GHG emissions reduction targets and/or any other targets to manage material climate-related impacts, risks and opportunities, for example, renewable energy deployment, energy efficiency, climate change adaptation, and physical or transition risk mitigation.</p>	
<p>34. If the undertaking has set GHG emission reduction targets<sup>[4]</sup>, ESRS 2 MDR-T and the following requirements shall apply:</p> <p>(a) GHG emission reduction targets shall be disclosed in absolute value (either in tonnes of CO<sub>2</sub>eq or as a percentage of the emissions of a base year) and, where relevant, in intensity value;</p> <p>(b) GHG emission reduction targets shall be disclosed for Scope 1, 2, and 3 GHG emissions, either separately or combined. The undertaking shall specify, in case of combined GHG emission reduction targets, which GHG emission Scopes (1, 2 and/or 3) are covered by the target, the share related to each respective GHG emission Scope and which GHGs are covered. The undertaking shall explain how the consistency of these targets with its GHG inventory boundaries is ensured (as required by Disclosure Requirement E1-6). The GHG emission reduction targets shall be gross targets, meaning that the undertaking shall not include GHG removals, carbon credits or avoided emissions as a means of achieving the GHG emission reduction targets;</p> <p>(c) the undertaking shall disclose its current base year and baseline value, and from 2030 onwards, update the base year for its GHG emission reduction targets after every fiveyear period thereafter. The undertaking may disclose the past progress made in meeting its targets before its current base year provided that this information is consistent with the requirements of this Standard;</p> <p>(d) GHG emission reduction targets shall at least include target values for the year 2030 and, if available, for the year 2050. From 2030, target values shall be set after every 5year period thereafter;</p>	

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<p>(e) the undertaking shall state whether the GHG emission reduction targets are science-based and compatible with limiting global warming to 1.5°C. The undertaking shall state which framework and methodology has been used to determine these targets including whether they are derived using a sectoral decarbonisation pathway and what the underlying climate and policy scenarios are and whether the targets have been externally assured. As part of the critical assumptions for setting GHG emission reduction targets, the undertaking shall briefly explain how it has considered future developments (e.g., changes in sales volumes, shifts in customer preferences and demand, regulatory factors, and new technologies) and how these will potentially impact both its GHG emissions and emissions reductions; and</p> <p>(f) the undertaking shall describe the expected decarbonisation levers and their overall quantitative contributions to achieve the GHG emission reduction targets (e.g., energy or material efficiency and consumption reduction, fuel switching, use of renewable energy, phase out or substitution of product and process).</p>	
<p><b>Disclosure Requirement E1-5 – Energy consumption and mix</b></p>	<p><b>Disclosure Requirement E1-1– Energy consumption and mix</b></p>
<p>35. The undertaking shall provide information on its energy consumption and mix.</p>	<p>6. The undertaking shall provide information on its energy consumption and mix.</p>
<p>36. The objective of this Disclosure Requirement is to provide an understanding of the undertaking's total energy consumption in absolute value, improvement in energy efficiency, exposure to coal, oil and gas-related activities, and the share of renewable energy in its overall energy mix.</p>	<p>7. The objective of this Disclosure Requirement is to provide an understanding of the undertaking's total energy consumption in absolute value, improvement in energy efficiency, exposure to coal, oil and gas-related activities, and the share of renewable energy in its overall energy mix.</p>
<p>37. The disclosure required by paragraph 35 shall include the total energy consumption in MWh related to own operations disaggregated by:</p> <p>(a) total energy consumption from fossil sources[5];</p> <p>(b) total energy consumption from nuclear sources;</p> <p>(c) total energy consumption from renewable sources disaggregated by:</p> <p>i. fuel consumption for renewable sources including biomass (also comprising industrial and municipal waste of biologic origin), biofuels, biogas, hydrogen from renewable sources[6], etc.;</p> <p>ii. consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources; and</p> <p>iii. consumption of self-generated non-fuel renewable energy.</p>	<p>8. The disclosure required by paragraph 6 shall include the total energy consumption in MWh related to own operations disaggregated by:</p> <p>(a) Total energy consumption from fossil sources;</p> <p>(b) Total energy consumption from nuclear sources;</p> <p>(c) total energy consumption from renewable sources <del>disaggregated by:</del></p> <p><del>i. fuel consumption for renewable sources including biomass (also comprising industrial and municipal waste of biologic origin), biofuels, biogas, hydrogen from renewable sources[6], etc.;</del></p> <p><del>ii. consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources; and</del></p> <p><del>iii. consumption of self-generated non-fuel renewable energy.; and</del></p> <p><i>(d) where applicable, the undertaking shall disaggregate and disclose separately its non-renewable energy production and renewable energy production in MWh.</i></p>
<p>38. The undertaking with operations in high climate impact sectors[7] shall further disaggregate their total energy consumption from fossil sources by:</p> <p>(a) fuel consumption from coal and coal products;</p> <p>(b) fuel consumption from crude oil and petroleum products;</p> <p>(c) fuel consumption from natural gas;</p> <p>(d) fuel consumption from other fossil sources;</p> <p>(e) consumption of purchased or acquired electricity, heat, steam, or cooling from fossil sources;</p>	<p><del>38. The undertaking with operations in high climate impact sectors[7] shall further disaggregate their total energy consumption from fossil sources by:</del></p> <p><del>(a) fuel consumption from coal and coal products;</del></p> <p><del>(b) fuel consumption from crude oil and petroleum products;</del></p> <p><del>(c) fuel consumption from natural gas;</del></p> <p><del>(d) fuel consumption from other fossil sources;</del></p> <p><del>(e) consumption of purchased or acquired electricity, heat, steam, or cooling from fossil sources;</del></p>
<p>39. In addition, where applicable, the undertaking shall disaggregate and disclose separately its non-renewable energy production and renewable energy production in MWh.[8]</p>	<p><b>(Merged in par. 8 above).</b></p>

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<p><b>Energy intensity based on net revenue<sup>[9]</sup></b></p> <p>40. The undertaking shall provide information on the energy intensity (total energy consumption per net revenue) associated with activities in high climate impact sectors.</p> <p>41. The disclosure on energy intensity required by paragraph 40 shall only be derived from the total energy consumption and net revenue from activities in high climate impact sectors.</p> <p>42. The undertaking shall specify the high climate impact sectors that are used to determine the energy intensity required by paragraph 40.</p> <p>43. The undertaking shall disclose the reconciliation to the relevant line item or notes in the financial statements of the net revenue amount from activities in high climate impact sectors (the denominator in the calculation of the energy intensity required by paragraph 40).</p>	<p><b>Energy intensity based on net revenue</b></p> <p>9. The undertaking shall provide information on the energy intensity (total energy consumption per net revenue) associated with activities in high climate impact sectors. The disclosure on energy intensity <del>required by paragraph 40</del> shall only be derived from the total energy consumption and net revenue from activities in high climate impact sectors.</p> <p>10. The undertaking shall specify the high climate impact sectors that are used to determine the energy intensity required by paragraph 9.</p> <p>11. The undertaking shall disclose the reconciliation to the relevant line item or notes in the financial statements of the net revenue amount from activities in high climate impact sectors (the denominator in the calculation of the energy intensity required by paragraph 9). <i>If it is not possible to provide a reconciliation after making reasonable efforts to do so, the undertaking shall provide an explanation of where in the financial statements the net revenue amount from activities in high climate impact sectors can be found.</i></p>
<p><b>Disclosure Requirement E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions</b></p> <p>44. The undertaking shall disclose in metric tonnes of CO<sub>2</sub>eq its:</p> <p>(a) gross Scope 1 GHG emissions;</p> <p>(b) gross Scope 2 GHG emissions;</p> <p>(c) gross Scope 3 GHG emissions; and</p> <p>(d) total GHG emissions.</p> <p>45. The objective of the Disclosure Requirement in paragraph 44 in respect of:</p> <p>(a) gross Scope 1 GHG emissions as required by paragraph 44 (a) is to provide an understanding of the direct impacts of the undertaking on climate change and the proportion of its total GHG emissions that are regulated under emission trading schemes.</p> <p>(b) gross Scope 2 GHG emissions as required by paragraph 44 (b) is to provide an understanding of the indirect impacts on climate change caused by the undertaking's consumed energy whether externally purchased or acquired.</p> <p>(c) gross Scope 3 GHG emissions as required by paragraph 44 (c) is to provide an understanding of the GHG emissions that occur in the undertaking's upstream and downstream value chain beyond its Scope 1 and 2 GHG emissions. For many undertakings, Scope 3 GHG emissions may be the main component of their GHG inventory and are an important driver of the undertaking's transition risks.</p> <p>(d) total GHG emissions as required by paragraph 44 (d) is to provide an overall understanding of the undertaking's GHG emissions and whether they occur from its own operations or the upstream and downstream value chain. This disclosure is a prerequisite for measuring progress towards reducing GHG emissions in accordance with the undertaking's climate-related targets and EU policy goals.</p> <p>The information from this Disclosure Requirement is also needed to understand the undertaking's climate-related transition risks.</p>	<p><b>Disclosure Requirement E1-2– Gross Scopes 1, 2, 3 and Total GHG emissions</b></p> <p>12. The undertaking shall disclose in metric tonnes of CO<sub>2</sub>eq its:</p> <p>(a) gross Scope 1 GHG emissions;</p> <p>(b) gross Scope 2 GHG emissions;</p> <p>(c) gross Scope 3 GHG emissions; and</p> <p>(d) total GHG emissions.</p> <p>13. The objective of the Disclosure Requirement in paragraph 12 in respect of:</p> <p>(a) gross Scope 1 GHG emissions as required by paragraph 12 (a) is to provide an understanding of the direct impacts of the undertaking on climate change and the proportion of its total GHG emissions that are regulated under emission trading schemes.</p> <p>(b) gross Scope 2 GHG emissions as required by paragraph 12(b) is to provide an understanding of the indirect impacts on climate change caused by the undertaking's consumed energy whether externally purchased or acquired.</p> <p>(c) gross Scope 3 GHG emissions as required by paragraph 12(c) is to provide an understanding of the GHG emissions that occur in the undertaking's upstream and downstream value chain beyond its Scope 1 and 2 GHG emissions. For many undertakings, Scope 3 GHG emissions may be the main component of the GHG inventory and are an important driver of the undertaking's transition risks.</p> <p>(d) total GHG emissions as required by paragraph 12(d) is to provide an overall understanding of the undertaking's GHG emissions and whether they occur from its own operations or the upstream and downstream value chain. This disclosure is a prerequisite for measuring progress towards reducing GHG emissions in accordance with the undertaking's climate-related targets and EU policy goals.</p> <p>14. The information from this Disclosure Requirement is also needed to understand the undertaking's climate-related transition risks.</p>
<p>46. When disclosing the information on GHG emissions required under paragraph 44, the undertaking shall refer to ESRS 1 paragraphs from 62 to 67. In principle, the data on GHG</p>	<p>15. When disclosing the information on GHG emissions required under paragraph 12, the undertaking shall refer to <i>[draft] ESRS LSME section 1 Reporting undertaking and value chain.</i></p>

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<p>emissions of its associates or joint ventures that are part of the undertaking's upstream and downstream value chain (ESRS 1 Paragraph 67) are not limited to the share of equity held. For its associates, joint ventures, unconsolidated subsidiaries (investment entities) and contractual arrangements that are joint arrangements not structured through an entity (i.e., jointly controlled operations and assets), the undertaking shall include the GHG emissions in accordance with the extent of the undertaking's operational control over them.</p>	<p><i>In principle, the data on GHG emissions of its associates or joint ventures that are part of the undertaking's upstream and downstream value chain (Section 1 par. 62) are not limited to the share of equity held. For its associates, joint ventures, unconsolidated subsidiaries (investment entities) and contractual arrangements that are joint arrangements not structured through an entity (i.e., jointly controlled operations and assets), the undertaking shall include the GHG emissions in accordance with reflecting the extent of the undertaking's operational control over them.</i></p>
<p>47. In case of significant changes in the definition of what constitutes the reporting undertaking and its upstream and downstream value chain, the undertaking shall disclose these changes and explain their effect on the year-to-year comparability of its reported GHG emissions (i.e., the effect on the comparability of current versus previous reporting period GHG emissions).</p>	<p>16. In case of significant changes in the definition of what constitutes the reporting undertaking and <del>its upstream and downstream</del> <i>its value chain</i>, the undertaking shall disclose these changes and explain their effect on the year-to-year comparability of its reported GHG emissions (i.e., the effect on the comparability of current versus previous reporting period GHG emissions).</p>
<p>48. The disclosure on gross Scope 1 GHG emissions required by paragraph 44 (a) shall include: (a) the gross Scope 1 GHG emissions in metric tonnes of CO<sub>2</sub>eq; and (b) the percentage of Scope 1 GHG emissions from regulated emission trading schemes.</p>	<p>17. The disclosure on gross Scope 1 GHG emissions required by paragraph 12 (a) shall include: (a) the gross Scope 1 GHG emissions in metric tonnes of CO<sub>2</sub>eq; and (b) <i>if applicable</i>, the percentage of Scope 1 GHG emissions from regulated emission trading schemes.</p>
<p>49. The disclosure on gross Scope 2 GHG emissions required by paragraph 44 (b) shall include: (a) the gross location-based Scope 2 GHG emissions in metric tonnes of CO<sub>2</sub>eq; and (b) the gross market-based Scope 2 GHG emissions in metric tonnes of CO<sub>2</sub>eq.</p>	<p>18. The disclosure on gross Scope 2 GHG emissions required by paragraph 12 (b) shall include: (a) the gross location-based Scope 2 GHG emissions in metric tonnes of CO<sub>2</sub>eq; and (b) <i>if applicable</i>, the gross market-based Scope 2 GHG emissions in metric tonnes of CO<sub>2</sub>eq.</p>
<p>50. For Scope 1 and Scope 2 emissions disclosed as required by paragraphs 44 (a) and (b) the undertaking shall disaggregate the information, separately disclosing emissions from: (a) the consolidated accounting group (the parent and subsidiaries); and (b) investees such as associates, joint ventures, or unconsolidated subsidiaries that are not fully consolidated in the financial statements of the consolidated accounting group, as well as contractual arrangements that are joint arrangements not structured through an entity (i.e., jointly controlled operations and assets), for which it has operational control.</p>	<p><del>50. For Scope 1 and Scope 2 emissions disclosed as required by paragraphs 44 (a) and (b) the undertaking shall disaggregate the information, separately disclosing emissions from: (a) the consolidated accounting group (the parent and subsidiaries); and (b) investees such as associates, joint ventures, or unconsolidated subsidiaries that are not fully consolidated in the financial statements of the consolidated accounting group, as well as contractual arrangements that are joint arrangements not structured through an entity (i.e., jointly controlled operations and assets), for which it has operational control.</del></p>
<p>51. The disclosure of gross Scope 3 GHG emissions required by paragraph 44 (c) shall include GHG emissions in metric tonnes of CO<sub>2</sub>eq from each significant Scope 3 category (i.e. each Scope 3 category that is a priority for the undertaking).</p>	<p>19. The disclosure of gross Scope 3 GHG emissions required by paragraph 12(c) shall include GHG emissions in metric tonnes of CO<sub>2</sub>eq from each significant Scope 3 category (i.e., each Scope 3 category that is a priority for the undertaking).</p>
<p>52. The disclosure of total GHG emissions required by paragraph 44 (d) shall be the sum of Scope 1, 2 and 3 GHG emissions required by paragraphs 44 (a) to (c). The total GHG emissions shall be disclosed with a disaggregation that makes a distinction of: (a) the total GHG emissions derived from the underlying Scope 2 GHG emissions being measured using the location-based method; and (b) the total GHG emissions derived from the underlying Scope 2 GHG emissions being measured using the market-based method.</p>	<p>20. The disclosure of total GHG emissions required by paragraph 12(d) shall be the sum of Scope 1, 2 and 3 GHG emissions required by paragraphs 12(a) to 12(c). The total GHG emissions shall be disclosed with a disaggregation that makes a distinction of: (a) the total GHG emissions derived from the underlying Scope 2 GHG emissions being measured using the location-based method; and (b) <i>if applicable</i>, the total GHG emissions derived from the underlying Scope 2 GHG emissions being measured using the market-based method.</p>
<p><b>GHG Intensity based on net revenue[11]</b>  53. The undertaking shall disclose its GHG emissions intensity (total GHG emissions per net revenue).</p>	<p><b>GHG Intensity based on net revenue</b>  21. The undertaking shall disclose its GHG emissions intensity <del>(total GHG emissions per net revenue)</del>. <del>The disclosure on GHG intensity required by paragraph 53</del> <i>It shall provide the total GHG emissions in metric tonnes of CO<sub>2</sub>eq (required by paragraph 12(d)) per net revenue.</i></p>

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54. The disclosure on GHG intensity required by paragraph 53 shall provide the total GHG emissions in metric tonnes of CO2eq (required by paragraph 44 (d)) per net revenue.	
55. The undertaking shall disclose the reconciliation to the relevant line item or notes in the financial statements of the net revenue amounts (the denominator in the calculation of the GHG emissions intensity required by paragraph 53).	22. The undertaking shall disclose the reconciliation to the relevant line item or notes in the financial statements of the net revenue amounts (the denominator in the calculation of the GHG emissions intensity required by paragraph 21). <i>If it is not possible to provide a reconciliation after making reasonable efforts to do so, the undertaking shall provide an explanation of where in the financial statements net revenue amounts can be found.</i>
	23. <i>Small and non-complex credit institutions (see Section 1 paragraph 2b)) may replace net revenue with a different financial indicator, until a sectoral standard is established.</i>
<p><b>Disclosure Requirement E1-7 – GHG removals and GHG mitigation projects financed through carbon credits</b></p> <p>56. The undertaking shall disclose:</p> <p>(a) GHG removals and storage in metric tonnes of CO2eq resulting from projects it may have developed in its own operations, or contributed to in its upstream and downstream value chain; and</p> <p>(b) the amount of GHG emission reductions or removals from climate change mitigation projects outside its value chain it has financed or intends to finance through any purchase of carbon credits.</p>	<p><b>Disclosure Requirement E1-3 – GHG removals and GHG mitigation projects financed through carbon credits</b></p> <p>24. <i>If applicable</i>, the undertaking shall disclose:</p> <p>(a) GHG removals and storage in metric tonnes of CO2eq resulting from projects it may have developed in its own operations, <del>or contributed to in its upstream and downstream value chain;</del> and</p> <p>(b) the amount of GHG emission reductions or removals from climate change mitigation projects outside its value chain it has financed <del>or intends to finance</del> through any purchase of carbon credits.</p>
57. The objective of this Disclosure Requirement is: <p>(a) to provide an understanding of the undertaking's actions to permanently remove or actively support the removal of GHG from the atmosphere, potentially for achieving net-zero targets (as stated in paragraph 60).</p> <p>(b) to provide an understanding of the extent and quality of carbon credits the undertaking has purchased or intends to purchase from the voluntary market, potentially for supporting its GHG neutrality claims (as stated in paragraph 61).</p>	25. The objective of this Disclosure Requirement is: <p>(a) to provide an understanding of the undertaking's actions to permanently remove <del>or actively support the removal of</del> GHG from the atmosphere, <del>potentially for achieving net-zero targets (as stated in paragraph 60).</del></p> <p>(b) to provide an understanding of the extent and quality of carbon credits the undertaking has purchased or intends to purchase from the voluntary market, potentially for supporting its GHG neutrality claims (as stated in paragraph 28).</p>
58. The disclosure on GHG removals and storage required by paragraph 56 (a) shall include, if applicable: <p>(a) the total amount of GHG removals and storage in metric tonnes of CO2eq disaggregated and separately disclosed for the amount related to the undertaking's own operations and its upstream and downstream value chain, and broken down by removal activity; and</p> <p>(b) the calculation assumptions, methodologies and frameworks applied by the undertaking.</p>	26. The disclosure on GHG removals and storage required by paragraph 24 (a) shall include, if applicable: <p>(a) the total amount of GHG removals and storage in metric tonnes of CO2eq, <del>disaggregated and separately disclosed for the amount related to the undertaking's own operations and its upstream and downstream value chain,</del> broken down by removal activity; and</p> <p>(b) the calculation assumptions, methodologies and frameworks applied by the undertaking.</p>
59. The disclosure on carbon credits required by paragraph 56 (b) shall include, if applicable: <p>(a) the total amount of carbon credits outside the undertaking's value chain in metric tonnes of CO2eq that are verified against recognised quality standards and cancelled in the reporting period; and</p> <p>(b) the total amount of carbon credits outside the undertaking's value chain in metric tonnes of CO2eq planned to be cancelled in the future and whether they are based on existing contractual agreements or not.</p>	27. The disclosure on carbon credits required by paragraph 24 (b) shall include, if applicable, the total amount of carbon credits outside the undertaking's value chain in metric tonnes of CO2eq that are verified against recognised quality standards and cancelled in the reporting period. <p><del>(b) the total amount of carbon credits outside the undertaking's value chain in metric tonnes of CO2eq planned to be cancelled in the future and whether they are based on existing contractual agreements or not.</del></p>
60. In the case where the undertaking discloses a net-zero target in addition to the gross GHG emission reduction targets in accordance with Disclosure Requirement E1-4, paragraph 30, it	<del>60. In the case where the undertaking discloses a net-zero target in addition to the gross GHG emission reduction targets in accordance with Disclosure Requirement E1-4, paragraph 30, it</del>

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<p>shall explain the scope, methodologies and frameworks applied and how the residual GHG emissions (after approximately 90-95% of GHG emission reduction with the possibility for justified sectoral variations in line with a recognised sectoral decarbonisation pathway) are intended to be neutralised by, for example, GHG removals in its own operations and upstream and downstream value chain.</p>	<p><del>shall explain the scope, methodologies and frameworks applied and how the residual GHG emissions (after approximately 90-95% of GHG emission reduction with the possibility for justified sectoral variations in line with a recognised sectoral decarbonisation pathway) are intended to be neutralised by, for example, GHG removals in its own operations and upstream and downstream value chain.</del></p>
<p>61. In the case where the undertaking may have made public claims of GHG neutrality that involve the use of carbon credits, it shall explain:</p> <p>(a) whether and how these claims are accompanied by GHG emission reduction targets as required by Disclosure requirement ESRS E1-4;</p> <p>(b) whether and how these claims and the reliance on carbon credits neither impede nor reduce the achievement of its GHG emission reduction targets[12], or, if applicable, its net zero target; and</p> <p>(c) the credibility and integrity of the carbon credits used, including by reference to recognised quality standards.</p>	<p>28. In the case where the undertaking may have made public claims of GHG neutrality that involve the use of carbon credits, it shall explain:</p> <p>(a) Whether and how these claims are accompanied by GHG emission reduction targets as required by <i>Section 2 DR 12 (IR-4)</i>;</p> <p>(b) Whether and how these claims and the reliance on carbon credits neither impede nor reduce the achievement of its GHG emission reduction targets, or, if applicable, its net zero target; and</p> <p>(c) The credibility and integrity of the carbon credits used, including by reference to recognised quality standards.</p>
<p><b>Disclosure Requirement E1-8 – Internal carbon pricing</b></p>	<p><b>Disclosure Requirement E1-8 – Internal carbon pricing</b></p>
<p>62. The undertaking shall disclose whether it applies internal carbon pricing schemes, and if so, how they support its decision making and incentivise the implementation of climate-related policies and targets.</p>	<p><del>62. The undertaking shall disclose whether it applies internal carbon pricing schemes, and if so, how they support its decision making and incentivise the implementation of climate-related policies and targets.</del></p>
<p>63. The information required in paragraph 62 shall include:</p> <p>(a) the type of internal carbon pricing scheme, for example, the shadow prices applied for CapEX or research and development (R&amp;D) investment decision making, internal carbon fees or internal carbon funds;</p> <p>(b) the specific scope of application of the carbon pricing schemes (activities, geographies, entities, etc.);</p> <p>(c) the carbon prices applied according to the type of scheme and critical assumptions made to determine the prices, including the source of the applied carbon prices and why these are deemed relevant for their chosen application. The undertaking may disclose the calculation methodology of the carbon prices including the extent to which these have been set using scientific guidance and how their future development is related to science-based carbon pricing trajectories; and</p> <p>(d) the current year approximate gross GHG emission volumes by Scopes 1, 2 and, where applicable, Scope 3 in metric tonnes of CO<sub>2</sub>eq covered by these schemes, as well as their share of the undertaking's overall GHG emissions for each respective Scope.</p>	<p><del>63. The information required in paragraph 62 shall include:</del></p> <p><del>(a) the type of internal carbon pricing scheme, for example, the shadow prices applied for CapEX or research and development (R&amp;D) investment decision making, internal carbon fees or internal carbon funds;</del></p> <p><del>(b) the specific scope of application of the carbon pricing schemes (activities, geographies, entities, etc.);</del></p> <p><del>(c) the carbon prices applied according to the type of scheme and critical assumptions made to determine the prices, including the source of the applied carbon prices and why these are deemed relevant for their chosen application. The undertaking may disclose the calculation methodology of the carbon prices including the extent to which these have been set using scientific guidance and how their future development is related to science-based carbon pricing trajectories; and</del></p> <p><del>(d) the current year approximate gross GHG emission volumes by Scopes 1, 2 and, where applicable, Scope 3 in metric tonnes of CO<sub>2</sub>eq covered by these schemes, as well as their share of the undertaking's overall GHG emissions for each respective Scope.</del></p>
<p><b>Disclosure Requirement E1-9 – Anticipated financial effects from material physical and transition risks and potential climate-related opportunities</b></p>	<p><b>Disclosure Requirement E1-4– Anticipated financial effects from material physical and transition risks and potential climate-related opportunities</b></p>
<p>64. The undertaking shall disclose its:</p> <p>(a) anticipated financial effects from material physical risks;</p> <p>(b) anticipated financial effects from material transition risks; and</p> <p>(c) potential to benefit from material climate-related opportunities.</p>	<p>29. The undertaking shall disclose its:</p> <p>(a) anticipated financial effects from material physical risks;</p> <p>(b) anticipated financial effects from material transition risks.</p> <p>and</p> <p><del>(c) potential to benefit from material climate-related opportunities.</del></p>



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<p>65. The information required by paragraph 64 is in addition to the information on current financial effects required under ESRS 2 SBM-3 para 48 (d). The objective of this Disclosure Requirement related to:</p> <p>(a) anticipated financial effects due to material physical risks and transition risks is to provide an understanding of how these risks have (or could reasonably be expected to have) a material influence on the undertaking's financial position, financial performance and cash flows, over the short-, medium- and long- term. The results of scenario analysis used to conduct resilience analysis as required under paragraphs AR 10 to AR 13 should inform the assessment of anticipated financial effects from material physical and transition risks.</p> <p>(b) potential to pursue material climate-related opportunities is to enable an understanding of how the undertaking may financially benefit from material climate- related opportunities. This disclosure is complementary to the key performance indicators to be disclosed in accordance with Commission Delegated Regulation (EU) 2021/2178.</p>	<p>30. The information required by paragraph 29 is in addition to the information on the current financial effects required under ESRS Section 2 SBM-3 para 37 (d). The objective of this Disclosure Requirement related to anticipated financial effects due to material physical risks and transition risks is to provide an understanding of how these risks have (or could reasonably be expected to have) a material influence on the undertaking's financial position, financial performance and cash flows, over the short-, medium- and long-term. If the undertaking uses scenario analysis to conduct resilience analysis, the results of such analysis <del>as required under paragraphs AR 10 to AR 13</del> should inform the assessment of anticipated financial effects from material physical and transition risks.</p> <p><del>(b) potential to pursue material climate-related opportunities is to enable an understanding of how the undertaking may financially benefit from material climate- related opportunities. This disclosure is complementary to the key performance indicators to be disclosed in accordance with Commission Delegated Regulation (EU) 2021/2178.</del></p>
<p>66. The disclosure of anticipated financial effects from material physical risks required by paragraph 64 (a) shall include:</p> <p>(a) the monetary amount and proportion (percentage) of assets at material physical risk over the short-, medium- and long-term before considering climate change adaptation actions; with the monetary amounts of these assets disaggregated by acute and chronic physical risk;</p> <p>(b) the proportion of assets at material physical risk addressed by the climate change adaptation actions;</p> <p>(c) the location of significant assets at material physical risk; and</p> <p>(d) the monetary amount and proportion (percentage) of net revenue from its business activities at material physical risk over the short-, medium- and long-term.</p>	<p>31. The disclosure of anticipated financial effects from material physical risks required by paragraph 29 (a) shall include:</p> <p>(a) the monetary amount and proportion (percentage) of assets at material physical risk over the short-, medium- and long-term before considering climate change adaptation actions; with the monetary amounts of these assets disaggregated by acute and chronic physical risk;</p> <p>(b) the proportion of assets at material physical risk addressed by the climate change adaptation actions;</p> <p>(c) the location of significant assets at material physical risk; and</p> <p>(d) the monetary amount and proportion (percentage) of net revenue from its business activities at material physical risk over the short-, medium- and long-term.</p>
<p>67. The disclosure of anticipated financial effects from material transition risks required by paragraph 64 (b) shall include:</p> <p>(a) the monetary amount and proportion (percentage) of assets at material transition risk over the short-, medium- and long-term before considering climate mitigation actions;</p> <p>(b) the proportion of assets at material transition risk addressed by the climate change mitigation actions;</p> <p>(c) a breakdown of the carrying value of the undertaking's real estate assets by energyefficiency classes<sup>[15]</sup>;</p> <p>(d) liabilities that may have to be recognised in financial statements over the short-, medium- and long-term; and</p> <p>(e) the monetary amount and proportion (percentage) of net revenue from its business activities at material transition risk over the short-, medium- and long-term including, where relevant, the net revenue from the undertaking's customers operating in coal, oil and gas-related activities.</p>	<p>32. The disclosure of anticipated financial effects from material transition risks required by paragraph 29 (b) shall include:</p> <p>(a) the monetary amount and proportion (percentage) of assets at material transition risk over the short-, medium- and long-term before considering climate mitigation actions;</p> <p>(b) the proportion of assets at material transition risk addressed by the climate change mitigation actions;</p> <p>(c) a breakdown of the carrying value of the undertaking's real estate assets by energyefficiency classes;</p> <p>(d) <i>if applicable</i>, liabilities that may have to be recognised in financial statements over the short-, medium- and long-term; and</p> <p>(e) the monetary amount and proportion (percentage) of net revenue from its business activities at material transition risk over the short-, medium- and long-term including, where relevant, the net revenue from the undertaking's customers operating in coal, oil and gas-related activities.</p> <p><i>The undertaking may use ranges instead of a single amount.</i></p>
<p>68. The undertaking shall disclose reconciliations to the relevant line items or notes in the financial statements of the following:</p> <p>(a) significant amounts of the assets and net revenue at material physical risk (as required by paragraph 66);</p> <p>(b) significant amounts of the assets, liabilities, and net revenue at material transition risk (as required by paragraph 67).</p>	<p>33. <i>The undertaking shall disclose which relevant line items or notes in the financial statements are affected by significant amounts of the assets and net revenue at material physical risk (as required by paragraph 31) and by significant amounts of the assets, liabilities, and net revenue at material transition risk (as required by paragraph 32).</i></p>

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<p>69. For the disclosure of the potential to pursue climate-related opportunities required by paragraph 64 (c) the undertaking shall consider[16]:</p> <p>(a) its expected cost savings from climate change mitigation and adaptation actions; and</p> <p>(b) the potential market size or expected changes to net revenue from low-carbon products and services or adaptation solutions to which the undertaking has or may have access.</p>	<p>34. <i>The undertaking may disclose its potential to pursue material climate-related opportunities, to enable an understanding of how the undertaking may financially benefit from material climate-related opportunities. This disclosure is complementary to the key performance indicators to be disclosed in accordance with Commission Delegated Regulation (EU) 2021/2178.</i></p> <p>35. For the disclosure of potential to pursue climate-related opportunities <del>required by paragraph 64 (c)</del>, the undertaking <del>shall</del> <i>may</i> consider:</p> <p>(a) its expected cost savings from climate change mitigation and adaptation actions; and</p> <p>(b) the potential market size or expected changes to net revenue from low-carbon products and services or adaptation solutions to which the undertaking has or may have access.</p>
<p>70. A quantification of the financial effects that arise from opportunities is not required if such a disclosure does not meet the qualitative characteristics of useful information included under ESRS 1 Appendix B Qualitative characteristics of information.</p>	<p><del>70. A quantification of the financial effects that arise from opportunities is not required if such a disclosure does not meet the qualitative characteristics of useful information included under ESRS 1 Appendix B Qualitative characteristics of information.</del></p>
<p><b>ESRS E2 – POLLUTION</b></p>	
<p><b>Objective</b></p>	<p><b>Objective</b></p> <p>(Merged and simplified with rest of Environmental Objectives)</p>
<p><b>Interaction with other ESRS</b></p>	<p><b>Interaction with other ESRS</b></p>
<p><b>ESRS 2 General disclosures</b></p>	<p><b>ESRS 2 General disclosures</b></p>
<p><b>Disclosure Requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material pollution-related impacts, risks and opportunities</b></p> <p>11. The undertaking shall describe the process to identify material impacts, risks and opportunities and shall provide information on:</p> <p>(a) whether the undertaking has screened its site locations and business activities in order to identify its actual and potential pollution-related impacts, risks and opportunities in its own operations and upstream and downstream value chain, and if so, the methodologies, assumptions and tools used in the screening;</p> <p>(b) whether and how the undertaking has conducted consultations, in particular with affected communities.</p>	<p><del><b>Disclosure requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material pollution-related impacts, risks and opportunities</b></del></p> <p><b>Disclosure Requirement 9 (IR-1) – Description of the processes to identify and assess material impacts and risks</b></p> <p>(Centralised Section 2 AR)</p>
<p><b>Disclosure Requirement E2-1 – Policies related to pollution</b></p> <p>12. The undertaking shall describe its policies adopted to manage its material impacts, risks and opportunities related to pollution prevention and control.</p> <p>13. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of material pollution-related impacts, risks and opportunities.</p> <p>14. The disclosure required by paragraph 12 shall contain the information on the policies the undertaking has in place to manage its material impacts, risks and opportunities related to</p>	<p><del><b>Disclosure Requirement E1-2 – Policies related to pollution</b></del></p> <p><b>Disclosure Requirement 11 (IR-3) – Policies and actions in relation to sustainability matters</b></p> <p>(Centralised Section 3 AR)</p>

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ESRS SET 1 E1 / E2 / E3 / E4 / E5	ESRS LSME ED Section 4
<p>pollution in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters.</p>	
<p>15. The undertaking shall indicate, with regard to its own operations and its upstream and downstream value chain, whether and how its policies address the following areas where material:</p> <p>(a) mitigating negative impacts related to pollution of air, water and soil including prevention and control;</p> <p>(b) substituting and minimising the use of substances of concern, and phasing out substances of very high concern, in particular for non-essential societal use and in consumer products; and</p> <p>(c) avoiding incidents and emergency situations, and if and when they occur, controlling and limiting their impact on people and the environment.</p>	
<p><b>Disclosure Requirement E2-2 – Actions and resources related to pollution</b></p>	<p><b>Disclosure Requirement E2-2 – Actions and resources related to Pollution</b>  <b>Disclosure Requirement 11 (IR-3) – Policies and actions in relation to sustainability matters</b></p>
<p>16. The undertaking shall disclose its pollution-related actions and the resources allocated to their implementation.</p>	
<p>17. The objective of this Disclosure Requirement is to enable an understanding of the key actions taken and planned to achieve the pollution-related policy objectives and targets.</p>	<p>(Centralised Section 3 AR)</p>
<p>18. The description of the pollution-related action plans and resources shall contain the information prescribed in ESRS 2 MDR-A Actions and resources in relation to material sustainability matters.</p>	
<p>19. In addition to ESRS 2 MDR-A, the undertaking may specify to which layer in the following mitigation hierarchy an action and resources can be allocated:</p> <p>(a) avoid pollution including any phase out of materials or compounds that have a negative impact (prevention of pollution at source);</p> <p>(b) reduce pollution, including: any phase-out of materials or compounds; meeting enforcement requirements such as Best Available Techniques (BAT) requirements; or meeting the Do No Significant Harm criteria for pollution prevention and control according to the EU Taxonomy Regulation and its Delegated Acts (minimisation of pollution); and</p> <p>(c) restore, regenerate and transform ecosystems where pollution has occurred (control of the impacts both from regular activities and incidents).</p>	
<p><b>Metrics and targets</b></p> <p><b>Disclosure Requirement E2-3 – Targets related to pollution</b></p>	<p><b>Metrics and targets</b>  <b>Disclosure Requirement E1-4 – Targets related to pollution</b>  <b>Disclosure Requirement 12 (IR-4) – Targets in relation to sustainability matters</b></p>
<p>20. The undertaking shall disclose the pollution-related targets it has set.</p>	<p>(Centralised Section 3 AR)</p>
<p>21. The objective of this Disclosure Requirement is to enable an understanding of the targets the undertaking has set to support its pollution-related policies and to address its material pollution-related impacts, risks and opportunities.</p>	
<p>22. The description of targets shall contain the information requirements defined in ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets.</p>	

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<p>23. The disclosure required by paragraph 20 shall indicate whether and how its targets relate to the prevention and control of:</p> <ul style="list-style-type: none"> <li>(a) air pollutants and respective specific loads;</li> <li>(b) emissions to water and respective specific loads;</li> <li>(c) pollution to soil and respective specific loads; and</li> <li>(d) substances of concern and substances of very high concern.</li> </ul>	
<p>24. In addition to ESRS 2 MDR-T, the undertaking may specify whether ecological thresholds (e.g., the biosphere integrity, stratospheric ozone-depletion, atmospheric aerosol loading, soil depletion, ocean acidification) and entity-specific allocations were taken into consideration when setting targets. If so, the undertaking may specify:</p> <ul style="list-style-type: none"> <li>(a) the ecological thresholds identified, and the methodology used to identify such thresholds;</li> <li>(b) whether or not the thresholds are entity-specific and if so, how they were determined; and</li> <li>(c) how responsibility for respecting identified ecological thresholds is allocated in the undertaking.</li> </ul>	
<p>25. The undertaking shall specify as part of the contextual information, whether the targets that it has set and presented are mandatory (required by legislation) or voluntary.</p>	
<p><b>Disclosure Requirement E2-4 – Pollution of air, water and soil</b></p>	<p><b>Disclosure Requirement E2-1– Pollution of air, water and soil</b></p>
<p>26. The undertaking shall disclose the pollutants that it emits through its own operations, as well as the microplastics it generates or uses.</p>	<p>36. The undertaking shall disclose the pollutants that it emits through its own operations, as well as the microplastics it generates or uses.</p>
<p>27. The objective of this Disclosure Requirement is to provide an understanding of the emissions that the undertaking generates to air, water and soil in its own operations, and of its generation and use of microplastics.</p>	<p>37. The objective of this Disclosure Requirement is to provide an understanding of <del>the emissions that the undertaking generates</del> <i>the undertaking's emissions</i> to air, water and soil in its own operations and of its generation and use of microplastics.</p>
<p>28. The undertaking shall disclose the amounts of:</p> <ul style="list-style-type: none"> <li>(a) each pollutant listed in Annex II of Regulation (EC) No 166/2006 of the European Parliament and of the Council<sup>64</sup> (European Pollutant Release and Transfer Register “EPRTTR Regulation”) emitted to air, water and soil, with the exception of emissions of GHGs which are disclosed in accordance with ESRS E1 Climate Change;</li> <li>(b) microplastics generated or used by the undertaking.</li> </ul>	<p>38. The undertaking shall disclose the amounts of:</p> <ul style="list-style-type: none"> <li>(a) each pollutant <i>-emitted to air, water and soil</i> listed in Annex II of Regulation (EC) No 166/2006 of the European Parliament and of the Council<sup>13</sup> (European Pollutant Release and Transfer Register “E-PRTR Regulation” <del>emitted to air, water and soil</del> <i>for which the applicable threshold value at facility level is exceeded</i>, with the exception of emissions of GHGs which are disclosed in accordance with [draft] LSME ESRS E1 Climate Change;</li> <li>(b) microplastics generated or used by the undertaking.</li> </ul>
<p>29. The amounts referred in paragraph 28 shall be consolidated amounts including the emissions from those facilities over which the undertaking has financial control and those over which it has operational control. The consolidation shall include only the emissions from facilities for which the applicable threshold value specified in Annex II of Regulation (EC) No 166/2006 is exceeded.</p>	<p>Moved in AR 51</p>
<p>30. The undertaking shall put its disclosure into context and describe:</p> <ul style="list-style-type: none"> <li>(a) the changes over time,</li> <li>(b) the measurement methodologies; and</li> <li>(c) the process(es) to collect data for pollution-related accounting and reporting, including the type of data needed and the information sources.</li> </ul>	<p>39. The undertaking shall put its disclosure into context and describe:</p> <ul style="list-style-type: none"> <li>(a) the changes over time,</li> <li>(b) the measurement methodologies; and</li> <li>(c) the process(es) to collect data for pollution-related accounting and reporting, including the type of data needed and the information sources.</li> </ul>

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31. When an inferior methodology compared to direct measurement of emissions is chosen to quantify emissions, the reasons for choosing this inferior methodology shall be outlined by the undertaking. If the undertaking uses estimates, it shall disclose the standard, sectoral study or sources which form the basis of its estimates, as well as the possible degree of uncertainty and the range of estimates reflecting the measurement uncertainty.	Moved in AR52
<p><b>Disclosure Requirement E2-5 – Substances of concern and substances of very high concern</b></p> <p>32. The undertaking shall disclose information on the production, use, distribution, commercialisation and import/export of substances of concern and substances of very high concern, on their own, in mixtures or in articles.</p>	<p><b>Disclosure Requirement E2-2 – Substances of concern and substances of very high concern</b></p> <p>40. The undertaking shall disclose information on the production, use, distribution, commercialisation and import/export of substances of concern and substances of very high concern on their own, in mixtures or in articles.</p>
33. The objective of this Disclosure Requirement is to enable an understanding of the impact of the undertaking on health and the environment through substances of concern and through substances of very high concern on their own. It is also to enable an understanding of the undertaking's material risks and opportunities, including exposure to those substances and risks arising from changes in regulations.	41. The objective of this Disclosure Requirement is to enable an understanding of the impact of the undertaking on health and the environment through substances of concern and through substances of very high concern on their own. It is also to enable an understanding of the undertaking's material risks <del>and opportunities</del> , including exposure to those substances and risks arising from changes in regulations.
34. The disclosure required by paragraph 32 shall include the total amounts of substances of concern that are generated or used during the production or that are procured, and the total amounts of substances of concern that leave its facilities as emissions, as products, or as part of products or services split into main hazard classes of substances of concern.	42. The disclosure required by paragraph 40 shall include the total amounts of substances of concern that are generated or used during the production or that are procured, and the total amounts of substances of concern that leave its facilities as emissions, as products, or as part of products or services split into main hazard classes of substances of concern
35. The undertaking shall present separately the information for substances of very high concern.	43. The undertaking shall present separately the information for the total amount of substances of very high concern.
<p><b>Disclosure Requirement E2-6 – Anticipated financial effects from material pollution-related risks and opportunities</b></p> <p>36. The undertaking shall disclose the anticipated financial effects of material pollution related risks and opportunities.</p>	<p><del><b>Disclosure Requirement E2-6 – Anticipated financial effects from material pollution-related risks and opportunities</b></del>  <b>Anticipated financial effects from material environmental-related matters other than climate (E6)</b></p> <p>(Merged and simplified with rest of the Anticipated financial effect other than climate in new DR E6)</p>
37. The information required by paragraph 36 is in addition to the information on current financial effects on the undertaking's, financial position, financial performance and cash flows for the reporting period required under ESRS 2 SBM-3 para 48 (d).	
38. The objective of this Disclosure Requirement is to provide an understanding of: (a) anticipated financial effects due to material risks arising from pollution-related impacts and dependencies and how these risks have (or could reasonably be expected to have) a material influence on the undertaking's, financial position financial performance and cash flows, over the short-, medium- and long-term. (b) anticipated financial effects due to material opportunities related to pollution prevention and control.	

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<p>39. The disclosure shall include:</p> <p>(a) a quantification of the anticipated financial effects in monetary terms before considering pollution-related actions, or where not possible without undue cost or effort, qualitative information. For financial effects arising from opportunities, a quantification is not required if it would result in disclosure that does not meet the qualitative characteristics of information (see ESRS 1 Appendix B Qualitative characteristics of information);</p> <p>(b) a description of the effects considered, the related impacts and the time horizons in which they are likely to materialise; and</p> <p>(c) the critical assumptions used to quantify the anticipated financial effects, as well as the sources and level of uncertainty of those assumptions.</p>	
<p>40. The information provided under paragraph 38(a) shall include:</p> <p>(a) the share of net revenue made with products and services that are or that contain substances of concern, and the share of net revenue made with products and services that are or that contain substances of very high concern;</p> <p>(b) the operating and capital expenditures incurred in the reporting period in conjunction with major incidents and deposits;</p> <p>(c) the provisions for environmental protection and remediation costs, e.g., for rehabilitating contaminated sites, recultivating landfills, removal of environmental contamination at existing production or storage sites and similar measures.</p>	
<p>41. The undertaking shall disclose any relevant contextual information including a description of material incidents and deposits whereby pollution had negative impacts on the environment and/or is expected to have negative effects on the undertaking's financial cash flows, financial position and financial performance with short-, medium- and long-term time horizons.</p>	
<p><b>ESRS E3 - WATER AND MARINE RESOURCES</b></p>	
<p><b>Objective</b></p>	<p><b>Objective</b></p> <p>(Merged and simplified with rest of Environmental Objectives)</p>
<p><b>Interaction with other ESRS</b></p>	<p><b>Interaction with other ESRS</b></p>
<p><b>ESRS 2 General disclosures</b></p>	<p><b>ESRS 2 General disclosures</b></p>
<p><b>Impact, risk and opportunity management</b></p> <p><b>Disclosure Requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities</b></p> <p>8. The undertaking shall describe the process to identify material impacts, risks and opportunities and shall provide information on:</p> <p>(a) whether and how the undertaking it has screened its assets and activities in order to identify its actual and potential water and marine resources-related impacts, risks and opportunities in its own operations and its upstream and downstream value chain, and if so the methodologies, assumptions and tools used in the screening;</p> <p>(b) whether and how it has conducted consultations, in, with affected communities[1].</p>	<p><b>Impact, risk and opportunity management</b></p> <p><del><b>Disclosure Requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities</b></del></p> <p><b>Disclosure Requirement 9 (IR-1) – Description of the processes to identify and assess material impacts and risks</b></p> <p>(Centralised Section 2 AR)</p>

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<p><b>Disclosure Requirement E3-1 – Policies related to water and marine resources</b></p>	<p><del><b>Disclosure Requirement E3-1 – Policies related to water and marine resources</b></del>  <b>Disclosure Requirement 11 (IR-3) – Policies and actions in relation to sustainability matters</b></p>
<p>9. The undertaking shall describe its policies adopted to manage its material impacts, risks and opportunities related to water and marine resources[32].</p>	<p>(Centralised Section 3 AR)</p>
<p>10. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of its material water and marine resources-related impacts, risks and opportunities.</p>	
<p>11. The disclosure required by paragraph 9 shall contain the information on the policies the undertaking has in place to manage its material impacts, risks and opportunities related to water and marine resources in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters.</p>	
<p>12. The Disclosure Requirements in ESRS 2, in topical ESRS and in sector-specific ESRS are structured into the following reporting areas:</p> <p>(a) Governance (GOV): the governance processes, controls and procedures used to monitor, manage and oversee impacts, risks and opportunities (see ESRS 2, chapter 2 Governance);</p> <p>(b) Strategy (SBM): how the undertaking’s strategy and business model interact with its material impacts, risks and opportunities, including how the undertaking addresses those impacts, risks and opportunities (see ESRS 2, chapter 3 Strategy);</p> <p>(c) Impact, risk and opportunity management (IRO): the process(es) by which the undertaking:</p> <p>i. identifies impacts, risks and opportunities and assesses their materiality (see IRO-1 in section 4.1 of ESRS 2),</p> <p>ii. manages material sustainability matters through policies and actions (see section 4.2 of ESRS 2).</p> <p>(d) Metrics and targets (MT): the undertaking’s performance, including targets it has set and progress towards meeting them (see ESRS 2, chapter 5 Metrics and targets).</p>	
<p>13. If at least one of the sites of the undertaking is located in an area of high-water stress and it is not covered by a policy, the undertaking shall state this to be the case and provide reasons for not having adopted such a policy. The undertaking may disclose a timeframe in which it aims to adopt such a policy.[33]</p>	

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14. The undertaking shall specify whether it has adopted policies or practices related to sustainable oceans and seas[34].	
<p><b>Disclosure Requirement E3-2 – Actions and resources related to water and marine resources</b></p> <p>15. The undertaking shall disclose its water and marine resources-related actions and the resources allocated to their implementation.</p>	<p><del><b>Disclosure Requirement E3-2 – Actions and resources related to water and marine resources</b></del>  <b>Disclosure Requirement 11 (IR-3) – Policies and actions in relation to sustainability matters</b></p>
16. The objective of this Disclosure Requirement is to enable an understanding of the key actions taken and planned to achieve the water and marine resources-related policy objectives and targets.	(Centralised Section 3 AR)
17. The description of the actions and resources shall follow the principles defined in ESRS 2 MDR-A Actions and resources in relation to material sustainability matters. In addition to ESRS 2 MDR-A, the undertaking may specify to which layer in the mitigation hierarchy an action and	
<p>18. Resources can be allocated to:</p> <ul style="list-style-type: none"> <li>(a) avoid the use of water and marine resources;</li> <li>(b) reduce the use of water and marine resources such as through efficiency measures;</li> <li>(c) reclaiming and reuse of water; or</li> <li>(d) restoration and regeneration of aquatic ecosystem and water bodies.</li> </ul> <p>19. The undertaking shall specify actions and resources in relation to areas at water risk, including areas of high-water stress.</p>	
<p><b>Metrics and targets</b></p> <p><b>Disclosure Requirement E3-3 – Targets related to water and marine resources</b></p> <p>20. The undertaking shall disclose the water and marine resources-related targets it has set.</p> <p>21. The objective of this Disclosure Requirement is to enable an understanding of the targets the undertaking has adopted to support its water and marine resources-related policies and address its material water and marine resources-related impacts, risks and opportunities.</p> <p>22. The description of the targets shall contain the information requirements defined in ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets.</p> <p>23. The disclosure required by paragraph 20 shall indicate whether and how its targets relate to:</p> <ul style="list-style-type: none"> <li>(a) the management of material impacts, risks and opportunities related to areas at water risk, including improvement of the water quality;</li> </ul>	<p><b>Metrics and targets</b></p> <p><del><b>Disclosure Requirement E3-3 – Targets related to water and marine resources</b></del>  <b>Disclosure Requirement 12 (IR-4) – Targets in relation to sustainability matters</b></p> <p>(Centralised Section 3 AR)</p>



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<p>(b) the responsible management of marine resources impacts, risks and opportunities including the nature and quantity of marine resources-related commodities (such as gravels, deep-sea minerals, seafood) used by the undertaking; and</p> <p>(c) the reduction of water consumption, including an explanation of how those targets relate to areas at water risk, including areas of high water-stress.</p>	
<p>24. In addition to ESRS 2 MDR-T, the undertaking may specify whether ecological thresholds and entity-specific allocations were taken into consideration when setting targets. If so, the undertaking may specify:</p> <p>(a) the ecological thresholds identified, and the methodology used to identify such thresholds;</p> <p>(b) whether or not the thresholds are entity-specific and if so, how they were determined; and</p> <p>(c) how responsibility for respecting identified ecological thresholds is allocated in the undertaking.</p>	
<p>25. The undertaking shall specify as part of the contextual information, whether the targets it has set and presented are mandatory (required by legislation) or voluntary.</p>	
<p><b>Disclosure Requirement E3-4 – Water consumption</b></p> <p>26. The undertaking shall disclose information on its water consumption performance related to its material impacts, risks and opportunities.</p>	<p><b>Disclosure Requirement E3-1 – Water consumption</b></p> <p>44. The undertaking shall disclose information on its water consumption performance related to its material impacts <i>and risks, and opportunities</i>.</p>
<p>27. The objective of this Disclosure Requirement is to provide an understanding of the undertaking's water consumption and any progress by the undertaking in relation to its targets.</p>	<p>45. The objective of this Disclosure Requirement is to provide an understanding of the undertaking's water consumption <del>and any progress by the undertaking in relation to its targets.</del></p>
<p>28. The disclosure required by paragraph 26 relates to own operations and shall include:</p> <p>(a) total water consumption in m3;</p> <p>(b) total water consumption in m3 in areas at water risk, including areas of high-water stress;</p> <p>(c) total water recycled and reused in m3;<sup>[35]</sup></p> <p>(d) total water stored and changes in storage in m3; and</p> <p>(e) any contextual information necessary regarding points (a) to (d), including the water basins' water quality and quantity, how the data have been compiled, such as any standards, methodologies, and assumptions used, including whether the information is calculated, estimated, modelled, or sourced from direct measurements, and the approach taken for this, such as the use of any sector-specific factors.</p>	<p>46. The disclosure required by paragraph 44 relates to own operations and shall include:</p> <p>(a) total water consumption in m3;</p> <p>(b) total water consumption in m3 in areas at material water risk, including areas of high-water stress;</p> <p>(c) total water recycled and reused in m3;</p> <p>(d) total water stored and changes in storage in m3;</p> <p>(e) any contextual information necessary regarding points (a) and (d), including the water basins' water quality and quantity, how the data have been compiled, such as any standards, methodologies, and assumptions used, including whether the information is calculated, estimated, modelled, or sourced from direct measurements, and the approach taken for this, such as of the use of any sector-specific sectors.</p>
<p>29. The undertaking shall provide information on its water intensity: total water consumption in its own operations in m3 per million EUR net revenue<sup>76</sup>.</p>	<p>47. The undertaking shall provide information on its water intensity: total water consumption in its own operations in m3 per million EUR net revenue.</p>
	<p>48. <i>Small and non-complex credit institutions (see Section 1 paragraph 2b)) may replace net revenue with a different financial indicator, until a sectoral standard is established.</i></p>
<p><b>Disclosure Requirement E3-5 – Anticipated financial effects from material water and marine resources-related risks and opportunities</b></p> <p>30. The undertaking shall disclose the anticipated financial effects of material water and marine resources-related risks and opportunities.</p>	<p><b>Disclosure Requirement E2-6 – Anticipated financial effects from material pollution-related risks and opportunities</b></p>

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<p>31. The information required by paragraph 30 is in addition to the information on current financial effects on the entity's financial position, financial performance and cash flows for the reporting period required under ESRS 2 SBM-3 para 48 (d).</p>	<p><b>Anticipated financial effects from material environmental-related matters other than climate (E6)</b></p>
<p>32. The objective of this Disclosure Requirement is to provide an understanding of:                      (a) anticipated financial effects due to material risks arising from water and marine resources-related impacts and dependencies and how these risks have (or could reasonably be expected to have) a material influence on the undertaking's financial position, financial performance and cash flows, over the short-, medium- and long-term; and                      (b) anticipated financial effects due to material opportunities related to water and marine resources.</p>	<p>(Merged and simplified with rest of Anticipated financial effect other than climate page 19)</p>
<p>33. The disclosure shall include:                      (a) a quantification of the anticipated financial effects in monetary terms before considering water and marine resources-related actions or where not possible without undue cost or effort, qualitative information. For financial effects arising from opportunities, a quantification is not required if it would result in disclosure that does not meet the qualitative characteristics of information (see ESRS 1 Appendix B Qualitative characteristics of information);                      (b) a description of the effects considered, the impacts and dependencies to which they relate, and the time horizons in which they are likely to materialise; and                      (c) the critical assumptions used to quantify the anticipated financial effects, as well as the sources and level of uncertainty of those assumptions.</p>	
<p><b>ESRS E4 - BIODIVERSITY AND ECOSYSTEMS</b></p>	
<p><b>Objective</b></p>	<p><b>Objective</b>  (Merged and simplified with rest of Environmental Objectives)</p>
<p><b>Interaction with other ESRS</b></p>	<p><b>Interaction with other ESRS</b></p>
<p><b>ESRS 2 General disclosures</b></p>	<p><b>ESRS 2 General disclosures</b></p>
<p><b>Strategy</b></p> <p><b>Disclosure Requirement E4-1 – Transition plan and consideration of biodiversity and ecosystems in strategy and business model</b></p> <p>11. The undertaking shall disclose how its biodiversity and ecosystem impacts, dependencies, risks and opportunities originate from and trigger adaptation of its strategy and business model.</p> <p>12. The objective of this Disclosure Requirement is to enable an understanding of the resilience of the undertaking's strategy and business model in relation to biodiversity and ecosystems, and of the compatibility of the undertaking's strategy and business model with regard to relevant local, national and global public policy targets related to biodiversity and ecosystems.</p> <p>13. The undertaking shall describe the resilience of its strategy and business model in relation to biodiversity and ecosystems. The description shall include:                      (a) an assessment of the resilience of the current business model and strategy to biodiversity and ecosystems-related physical, transition and systemic risks;                      (b) the scope of the resilience analysis in relation to the undertaking's own operations and its up stream and downstream value chain and in relation to the risks considered in that analysis;</p>	<p><b>Strategy</b></p> <p><del><b>Disclosure Requirement E4-1 – Transition plan and consideration of biodiversity and ecosystems in strategy and business model</b></del></p>

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<p>(c) the key assumptions made;</p> <p>(d) the time horizons used;</p> <p>(e) the results of the resilience analysis; and</p> <p>(f) the involvement of stakeholders, including, where appropriate, holders of indigenous and local knowledge.</p>	
<p>14. If information specified in this disclosure requirement is disclosed by the undertaking as part of the information required under ESRS 2 SBM-3, the undertaking may refer to the information it has disclosed under ESRS 2 SBM-3.</p>	
<p>15. The undertaking may disclose its transition plan to improve and, ultimately, achieve alignment of its business model and strategy with the vision of the Kunming-Montreal Global Biodiversity Framework and its relevant goals and targets, the EU Biodiversity Strategy for 2030, and with respecting planetary boundaries related to biosphere integrity and land-system change.</p>	
<p><b>Disclosure Requirement SBM 3 – Material impacts, risks and opportunities and their interaction with strategy and business model</b></p> <p>16. The undertaking shall disclose:</p> <p>(a) a list of material sites in its own operations, including sites under its operational control, based on the results of paragraph 17(a). The undertaking shall disclose these locations by:</p> <p>i. specifying the activities negatively affecting biodiversity sensitive areas<sup>80</sup>;</p> <p>ii. providing a breakdown of sites according to the impacts and dependencies identified, and to the ecological status of the areas (with reference to the specific ecosystem baseline level) where they are located; and</p> <p>iii. specifying the biodiversity-sensitive areas impacted, for users to be able to determine the location and the responsible competent authority with regards to the activities specified in paragraph 16(a) i.</p> <p>(b) whether it has identified material negative impacts with regards to land degradation, desertification or soil sealing<sup>81</sup>; and</p> <p>(c) whether it has operations that affect threatened species<sup>82</sup>.</p>	<p><b>Disclosure Requirement related to ESRS 2 SBM-3 – Material impacts and risks and opportunities and their interaction with strategy and business model(s)</b></p> <p>(Centralised Section 2 AR)</p>
<p>Impact, risk and opportunity management</p> <p><b>Disclosure Requirement related to ESRS 2 IRO-1 Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks, dependencies and opportunities</b></p> <p>17. The undertaking shall describe its process to identify material impacts, risks, dependencies and opportunities. The description of the process shall include whether and how the undertaking:</p> <p>(a) identified and assessed actual and potential impacts on biodiversity and ecosystems at own site locations and in the upstream and downstream value chain, including assessment criteria applied;</p>	<p><b>Disclosure Requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities</b></p> <p><i>Disclosure Requirement 9 (IR-1) – Description of the processes to identify and assess material impacts and risks</i></p> <p>(Centralised Section 2 AR)</p>

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<p>(b) identified and assessed dependencies on biodiversity and ecosystems and their services at own site locations and in the upstream and downstream value chain, including assessment criteria applied, and, if this assessment includes ecosystem services that are disrupted or likely to be;</p> <p>(c) identified and assessed transition and physical risks and opportunities related to biodiversity and ecosystems, including assessment criteria applied based on its impacts and dependencies;</p> <p>(d) considered systemic risks;</p> <p>(e) conducted consultations with affected communities on sustainability assessments of shared biological resources and ecosystems and, in particular:</p> <p>i. when a site, a raw material production or sourcing is likely to negatively impact biodiversity and ecosystems, the identification of the specific sites, raw materials production or sourcing with negative or potentially negative impacts on affected communities;</p> <p>ii. when affected communities are likely to be impacted, the undertaking, shall disclose how these communities were involved in the materiality assessment; and</p> <p>iii. with respect to impacts on ecosystem services of relevance to affected communities in its own operations, the undertaking shall indicate how negative impacts may be avoided. If these impacts are unavoidable, the undertaking may indicate its plans to minimise them and implement mitigation measures that aim to maintain the value and functionality of priority services.</p>	
<p>18. The undertaking may disclose whether and how it has used biodiversity and ecosystems scenario analysis to inform the identification and assessment of material risks and opportunities over short-, medium- and long-term time horizons. If the undertaking has used such scenario analysis, it may disclose the following information:</p> <p>(a) why the considered scenarios were selected;</p> <p>(b) how the considered scenarios are updated according to evolving conditions and emerging trends; and</p> <p>(c) whether the scenarios are informed by expectations published by authoritative intergovernmental bodies, such as the Convention for Biological Diversity and, where relevant, by scientific consensus, such as that expressed by the Intergovernmental Science-policy Platform on Biodiversity and Ecosystem Services (IPBES).</p>	
<p>19. The undertaking shall specifically disclose:</p> <p>(a) whether or not it has sites located in or near biodiversity-sensitive areas and whether activities related to these sites negatively affect these areas by leading to the deterioration of natural habitats and the habitats of species and to the disturbance of the species for which a protected area has been designated; and</p> <p>(b) whether it has been concluded that it is necessary to implement biodiversity mitigation measures, such as those identified in: Directive 2009/147/EC of the European Parliament and of the Council on the conservation of wild birds; Council Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora; an Environmental Impact Assessment (EIA) as defined in Article 1(2), point (g), of Directive 2011/92/EU of the European Parliament and of the Council[42] on the assessment of the effects of certain public and private projects on the environment; and for activities located in third countries, in accordance with equivalent national provisions or international standards,</p>	

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such as the International Finance Corporation (IFC) Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources.	
<b>Disclosure Requirement E4-2 – Policies related to biodiversity and ecosystems</b>	<del><b>Disclosure Requirement E4-2 – Policies related to biodiversity and ecosystems</b></del> <b>Disclosure Requirement 11 (IR-3) – Policies and actions in relation to sustainability matters</b>
20. The undertaking shall describe its adopted policies to manage its material impacts, risks, dependencies, and opportunities related to biodiversity and ecosystems.	(Centralised Section 3 AR)
21. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of its material biodiversity and ecosystem- related impacts, dependencies, risks and opportunities.	
22. The disclosure required by paragraph 20 shall contain the information on the policies the undertaking has in place to manage its material impacts, risks, dependencies and opportunities related to biodiversity and ecosystems in accordance with ESRS 2 MDR-P (Policies adopted to manage material sustainability matters).	
23. In addition to the provisions of ESRS 2 MDR-P the undertaking shall describe whether and how its biodiversity and ecosystems-related policies: (a) relate to the matters specified in ESRS E4 AR 4; (b) relate to its material biodiversity and ecosystems-related impacts; (c) relate to material dependencies and material physical and transition risks and opportunities; (d) support traceability of products, components and raw materials with material actual or potential impacts on biodiversity and ecosystems along the value chain; (e) address production, sourcing or consumption from ecosystems that are managed to maintain or enhance conditions for biodiversity, as demonstrated by regular monitoring and reporting of biodiversity status and gains or losses; and (f) address social consequences of biodiversity and ecosystems-related impacts.	
24. The undertaking shall specifically disclose whether it has adopted: (a) biodiversity and ecosystem protection policy covering operational sites owned, leased, or managed in or near a biodiversity sensitive area; (b) sustainable land / agriculture practices or policies <sup>84</sup> ; (c) sustainable oceans / seas practices or policies <sup>85</sup> ; and (d) policies to address deforestation <sup>86</sup> .	
<b>Disclosure Requirement E4-3 – Actions and resources related to biodiversity and ecosystems</b>	<del><b>Disclosure Requirement E4-2 – Actions and resources related to biodiversity and ecosystems</b></del> <b>Disclosure Requirement 11 (IR-3) – Policies and actions in relation to sustainability matters</b>
25. The undertaking shall disclose its biodiversity and ecosystems-related actions and the resources allocated to their implementation.	(Centralised Section 3 AR)
26. The objective of this Disclosure Requirement is to enable an understanding of the key actions taken and planned that significantly contribute to the achievement of biodiversity and ecosystems-related policy objectives and targets.	

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27. The description of key actions and resources shall follow the mandatory content defined in ESRS 2 MDR-A Actions and resources in relation to material sustainability matters.	
28. In addition, the undertaking : (a) may disclose how it has applied the mitigation hierarchy with regard to its actions (avoidance, minimisation, restoration/rehabilitation, and compensation or offsets); (b) shall disclose whether it used biodiversity offsets in its action plans. If the actions contain biodiversity offsets, the undertaking shall include the following information: i. the aim of the offset and key performance indicators used; ii. the financing effects (direct and indirect costs) of biodiversity offsets in monetary terms; and; iii. a description of offsets including area, type, the quality criteria applied and the standards that the biodiversity offsets comply with; (c) shall describe whether and how it has incorporated local and indigenous knowledge and nature- based solutions into biodiversity and ecosystems-related actions.	
<p><b>Metrics and targets</b></p> <p><b>Disclosure Requirement E4-4 – Targets related to biodiversity and ecosystems</b></p>	<p><b>Disclosure Requirement E3-3 – Targets related to biodiversity and ecosystems</b> <b>Disclosure Requirement 12 (IR-4) – Targets in relation to sustainability matters</b></p>
<p><b>Disclosure Requirement E4-4 – Targets related to biodiversity and ecosystems</b></p> <p>29. The undertaking shall disclose the biodiversity and ecosystem-related targets it has set.</p>	<p>(Centralised Section 3 AR)</p>
30. The objective of this Disclosure Requirement is to allow an understanding of the targets the undertaking has adopted to support its biodiversity and ecosystems policies and address its material related impacts, dependencies, risks and opportunities.	
31. The description of the targets shall follow the mandatory content defined in ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets.	
32. The disclosure required by paragraph 29 shall include the following information: (a) whether ecological thresholds and allocations of impacts to the undertaking were applied when setting targets. If so, the undertaking shall specify: i. the ecological thresholds identified and the methodology used to identify such thresholds; ii. whether or not the thresholds are entity-specific and if so, how they were determined; and iii. how responsibility for respecting identified ecological thresholds is allocated in the undertaking; (b) whether the targets are informed by, and/or aligned with the Kunming-Montreal Global Biodiversity Framework, relevant aspects of the EU Biodiversity Strategy for 2030 and other biodiversity and ecosystem-related national policies and legislation; (c) how the targets relate to the biodiversity and ecosystem impacts, dependencies, risks and opportunities identified by the undertaking in relation to its own operations and its upstream and downstream value chain; (d) the geographical scope of the targets, if relevant; (e) whether or not the undertaking used biodiversity offsets in setting its targets; and (f) to which of the layers of the mitigation hierarchy the target can be allocated (i.e., avoidance, minimisation, restoration and rehabilitation, compensation or offsets).	

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<p><b>Disclosure Requirement E4-5 – Impact metrics related to biodiversity and ecosystems</b></p> <p>33. The undertaking shall report metrics related to its material impacts on biodiversity and ecosystems.</p>	<p><b>Disclosure Requirement E4-1 – Impact metrics related to biodiversity and ecosystems change</b></p> <p>49. The undertaking shall report metrics related to its material impacts on biodiversity and ecosystems.</p>
<p>34. The objective of this Disclosure Requirement is to enable an understanding of the performance of the undertaking against impacts identified as material in the materiality assessment on biodiversity and ecosystems change.</p>	<p>50. The objective of this Disclosure Requirement is to enable an understanding of the performance of the undertaking against impacts identified as material in the materiality assessment on biodiversity and ecosystems change.</p>
<p>35. If the undertaking identified sites located in or near biodiversity-sensitive areas that it is negatively affecting (see paragraph 19(a)), the undertaking shall disclose the number and area (in hectares) of sites owned, leased or managed in or near these protected areas or key biodiversity areas.</p>	<p>51. If the undertaking has identified <i>owned, leased or managed</i> sites located in or near biodiversity sensitive areas <i>which are negatively affected</i> (see [draft] Section 2 AR 27) by the activity of those sites, the undertaking shall disclose the number and area (in hectares) of sites in or near these protected areas or key biodiversity areas.</p>
<p>36. If the undertaking has identified material impacts with regards to land-use change, or impacts on the extent and condition of ecosystems, it may also disclose their land-use based on a Life Cycle Assessment.</p>	<p>52. If the undertaking has identified material impacts with regards to land-use change, or impacts on the extent and condition of ecosystems, it may also disclose their land-use based on a Life Cycle Assessment.</p>
<p>37. For datapoints specified in paragraphs 38 to 41, the undertaking shall consider its own operations.</p>	<p><del>37. For datapoints specified in paragraphs 38 to 41, the undertaking shall consider its own operations.</del></p>
<p>38. If the undertaking has concluded that it directly contributes to the impact drivers of land-use change, freshwater-use change and/or sea-use change, it shall report relevant metrics. The undertaking may disclose metrics that measure:</p> <p>(a) the conversion over time (e.g. 1 or 5 years) of land cover (e.g. deforestation or mining);</p> <p>(b) changes over time (e.g. 1 or 5 years) in the management of the ecosystem (e.g., through the intensification of agricultural management, or the application of better management practices or forestry harvesting);</p> <p>(c) changes in the spatial configuration of the landscape (e.g. fragmentation of habitats, changes in ecosystem connectivity);</p> <p>(d) changes in ecosystem structural connectivity (e.g. habitat permeability based on physical features and arrangements of habitat patches); and</p> <p>(e) the functional connectivity (e.g. how well genes or individuals move through land, freshwater and seascape).</p>	<p>53. If the undertaking has concluded that it directly contributes to the impact drivers of land-use change, water-use change <del>freshwater-use change</del> and/ or sea-use change, the undertaking shall report relevant metrics. The undertaking <i>shall consider its own operations and</i> may disclose metrics that measure:</p> <p>(a) the conversion over time (e.g., 1 or 5 years) of land cover (e.g., deforestation or mining);</p> <p>(b) changes over time (e.g., 1 or 5 years) in the management of the ecosystem (e.g., through the intensification of agricultural management, or the application of better management practices or forestry harvesting);</p> <p>(c) changes in the spatial configuration of the landscape (e.g., fragmentation of habitats, changes in ecosystem connectivity);</p> <p>(d) changes in ecosystem structural connectivity (e.g., habitat permeability based on physical features and arrangements of habitat patches); and</p> <p>(e) the functional connectivity (e.g., how well genes or individuals move through land, freshwater and seascape).</p>
<p>39. If the undertaking concluded that it directly contributes to the accidental or voluntary introduction of invasive alien species, the undertaking may disclose the metrics it uses to manage pathways of introduction and spread of invasive alien species and the risks posed by invasive alien species.</p>	<p><del>39. If the undertaking concluded that it directly contributes to the accidental or voluntary introduction of invasive alien species, the undertaking may disclose the metrics it uses to manage pathways of introduction and spread of invasive alien species and the risks posed by invasive alien species.</del></p> <p>51. <i>The undertaking may disclose additional metrics related to the introduction of invasive or alien species or the ecosystem condition and extent.</i></p>
<p>40. If the undertaking identified material impacts related to the state of species, the undertaking may report metrics it considers relevant. The undertaking may:</p> <p>(a) refer to relevant disclosure requirements in ESRS E1, ESRS E2, ESRS E3, and ESRS E5;</p>	<p><del>40. If the undertaking identified material impacts related to the state of species, the undertaking may report metrics it considers relevant. The undertaking may:</del></p> <p><del>(a) refer to relevant disclosure requirements in ESRS E1, ESRS E2, ESRS E3, and ESRS E5;</del></p>

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<p>(b) consider population size, range within specific ecosystems as well as extinction risk. These aspects provide insight on the health of a single species' population and its relative resilience to human induced and naturally occurring change;</p> <p>(c) disclose metrics that measure changes in the number of individuals of a species within a specific area;</p> <p>(d) disclose metrics on species at extinction risk[46] that measure:</p> <p>i. the threat status of species and how activities/pressures may affect the threat status; or</p> <p>ii changes in the relevant habitat for a threatened species as a proxy for the undertaking's impact on the local population's extinction risk.</p>	<p><del>(b) consider population size, range within specific ecosystems as well as extinction risk. These aspects provide insight on the health of a single species' population and its relative resilience to human induced and naturally occurring change;</del></p> <p><del>(c) disclose metrics that measure changes in the number of individuals of a species within a specific area;</del></p> <p><del>(d) disclose metrics on species at extinction risk[46] that measure:</del></p> <p><del>i. the threat status of species and how activities/pressures may affect the threat status; or</del></p> <p><del>ii changes in the relevant habitat for a threatened species as a proxy for the undertaking's impact on the local population's extinction risk.</del></p>
<p>41. If the undertaking identified material impacts related to ecosystems, it may disclose:</p> <p>(a) with regard to ecosystems extent, metrics that measure area coverage of a particular ecosystem without necessarily considering the quality of the area being assessed, such as habitat cover. For example, forest cover is a measure of the extent of a particular ecosystem type, without factoring in the condition of the ecosystem (e.g., provides the area without describing the species diversity within the forest).</p> <p>(b) with regard to ecosystems condition:</p> <p>i. metrics that measure the quality of ecosystems relative to a pre-determined reference state;</p> <p>ii. metrics that measure multiple species within an ecosystem rather than the number of individuals within a single species within an ecosystem (for example: scientifically established species richness and abundance indicators that measure the development of (native) species composition within an ecosystem against the reference state at the beginning of the first reporting period as well as the targeted state outlined in the Kunming-Montreal Global Biodiversity Framework, or an aggregation of species' conservation status if relevant); or</p> <p>iii. metrics that reflect structural components of condition such as habitat connectivity (i.e., how linked habitats are to each other).</p>	<p><del>41. If the undertaking identified material impacts related to ecosystems, it may disclose:</del></p> <p><del>(a) with regard to ecosystems extent, metrics that measure area coverage of a particular ecosystem without necessarily considering the quality of the area being assessed, such as habitat cover. For example, forest cover is a measure of the extent of a particular ecosystem type, without factoring in the condition of the ecosystem (e.g., provides the area without describing the species diversity within the forest).</del></p> <p><del>(b) with regard to ecosystems condition:</del></p> <p><del>i. metrics that measure the quality of ecosystems relative to a pre-determined reference state;</del></p> <p><del>ii. metrics that measure multiple species within an ecosystem rather than the number of individuals within a single species within an ecosystem (for example: scientifically established species richness and abundance indicators that measure the development of (native) species composition within an ecosystem against the reference state at the beginning of the first reporting period as well as the targeted state outlined in the Kunming-Montreal Global Biodiversity Framework, or an aggregation of species' conservation status if relevant); or</del></p> <p><del>iii. metrics that reflect structural components of condition such as habitat connectivity (i.e., how linked habitats are to each other).</del></p>
<p><b>Disclosure Requirement E4-6 – Anticipated financial effects from material biodiversity and ecosystem-related risks and opportunities</b></p>	<p><del><b>Disclosure Requirement E2-6 – Anticipated financial effects from material pollution-related risks and opportunities</b></del></p> <p><del><b>Anticipated financial effects from material environmental-related matters other than climate (E6)</b></del></p>
<p>42. The undertaking shall disclose its anticipated financial effects of material biodiversity- and ecosystem-related risks and opportunities.</p>	<p>(Merged and simplified with rest of Anticipated financial effect other than climate in new DR E6)</p>
<p>43. The information required by paragraph 42 is in addition to the information on current financial effects on the entity's financial position, financial performance and cash flows for the reporting period required under ESRS 2 SBM-3 para 48 (d).</p>	
<p>44. The objective of this Disclosure Requirement is to provide an understanding of:</p> <p>(a) anticipated financial effects due to material risks arising from biodiversity- and ecosystem-related impacts and dependencies and how these risks have (or could reasonably be expected to have) a material influence on the undertaking's financial position, financial performance and cash flows over the short-, medium- and long-term; and</p> <p>(b) anticipated financial effects due to material opportunities related to biodiversity- and ecosystem.</p>	
<p>45. The disclosure shall include:</p>	



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<p>(a) a quantification of the anticipated financial effects in monetary terms before considering biodiversity and ecosystems-related actions or where not possible without undue cost or effort, qualitative information. For financial effects arising from material opportunities, a quantification is not required if it would result in disclosure that does not meet the qualitative characteristics of information (see ESRS 1 Appendix B Qualitative characteristics of information). The quantification of the anticipated financial effects in monetary terms may be a single amount or a range;</p> <p>(b) a description of the effects considered, the impacts and dependencies to which they relate and the time horizons in which they are likely to materialise; and</p> <p>(c) the critical assumptions used to quantify the anticipated financial effects as well as the sources and the level of uncertainty of those assumptions.</p>	
<p><b>ESRS E5 - RESOURCE USE AND CIRCULAR ECONOMY</b></p>	
<p><b>Objective</b></p>	<p><b>Objective</b></p> <p>(Merged and simplified with rest of Environmental Objectives)</p>
<p><b>Interactions with other ESRS</b></p>	<p><b>Interactions with other ESRS</b></p>
<p><b>ESRS 2 General disclosures</b></p>	<p><b>ESRS 2 General disclosures</b></p>
<p><b>Disclosure Requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities</b></p> <p>11. The undertaking shall describe the process to identify material impacts, risks and opportunities related to resource use and circular economy, in particular regarding resource inflows, resource outflows and waste, and shall provide information on:</p> <p>(a) whether the undertaking has screened its assets and activities in order to identify its actual and potential impacts, risks and opportunities in its own operations and its upstream and downstream value chain, and if so, the methodologies, assumptions and tools used in the screening;</p> <p>(b) whether and how the undertaking has conducted consultations, in particular, with affected communities.</p>	<p><del>Disclosure Requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities</del></p> <p><b>Disclosure Requirement 9 (IR-1) – Description of the processes to identify and assess material impacts and risks</b></p> <p>(Centralised Section 2 AR)</p>
<p><b>Disclosure Requirement E5-1 – Policies related to resource use and circular economy</b></p> <p>12..The undertaking shall describe its policies adopted to manage its material impacts, risks and opportunities related to resource use and circular economy.</p> <p>13. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of its material impacts, risks and opportunities related to resource use and circular economy.</p> <p>14. The disclosure required by paragraph 12 shall contain the information on the policies the undertaking has in place to manage its material impacts, risks and opportunities related to resource use and circular economy in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters.</p>	<p><del>Disclosure Requirement E5-2 – Actions and resources related to resource use and circular economy</del></p> <p><b>Disclosure Requirement 11 (IR-3) – Policies and actions in relation to sustainability matters</b></p> <p>(Centralised Section 3 AR)</p>

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<p>15. In the summary, the undertaking shall indicate whether and how its policies address the following matters where material:                      (a) transitioning away from use of virgin resources, including relative increases in use of secondary (recycled) resources;                      (b) sustainable sourcing and use of renewable resources.</p>	
<p>16. Policies shall address material impacts, risks and opportunities in its own operations and along its upstream and downstream value chain.</p>	
<p><b>Disclosure Requirement E5-2 – Actions and resources related to resource use and circular economy</b></p> <p>17. The undertaking shall disclose its resource use and circular economy actions and the resources allocated to their implementation.</p>	<p><del><b>Disclosure Requirement E5-2 – Actions and resources related to resource use and circular economy</b></del>  <b>Disclosure Requirement 11 (IR-3) – Policies and actions in relation to sustainability matters</b></p>
<p>18. The objective of this Disclosure Requirement is to enable an understanding of the key actions taken and planned to achieve the resource use and circular economy-related policy objectives and targets.</p>	<p>(Centralised Section 3 AR)</p>
<p>19. The description of the resource use and circular economy-related actions and resources allocated shall follow the principles defined in ESRS 2 MDR-A Actions and resources in relation to material sustainability matters.</p>	
<p>20. In addition to ESRS 2 MDR-A, the undertaking may specify whether and how an action and resources cover:                      (a) higher levels of resource efficiency in use of technical and biological materials and water, particularly in relation to critical raw materials and rare earths as listed in the Raw Materials Information System;                      (b) higher rates of use of secondary raw materials (recyclates);                      (c) application of circular design, leading to increased product durability and optimisation of use, and higher rates of: Reuse, Repair, Refurbishing, Remanufacture, Repurposing and Recycling.                      (d) application of circular business practices such as (i) value retention actions (maintenance, repair, refurbishing, remanufacturing, component harvesting, upgrading and reverse logistics, closed loop systems, second-hand retailing), (ii) value maximisation actions (product-service systems, collaborative and sharing economy business models), (iii) end-of-life actions (recycling, upcycling, extended producer responsibility), and (iv) systems efficiency actions (industrial symbiosis);                      (e) actions taken to prevent waste generation in the undertaking's upstream and downstream value chain; and                      (f) optimisation of waste management in line with the waste hierarchy.</p>	
<p><b>Metrics and targets</b></p> <p><b>Disclosure Requirement E5-3 – Targets related to resource use and circular economy</b></p>	<p><del><b>Disclosure Requirement E5-3 – Targets related to resource use and circular economy</b></del>  <b>Disclosure Requirement 12 (IR-4) – Targets in relation to sustainability matters</b></p> <p>(Centralised Section 3 AR)</p>

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21. The undertaking shall disclose the resource use and circular economy-related targets it has set.	
22. The objective of this Disclosure Requirement is to enable an understanding of the targets the undertaking has adopted to support its resource use and circular economy policy and to address its material impacts, risks and opportunities.	
23. The description of the targets shall contain the information requirements defined in ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets.	
24. The disclosure required by paragraph 21 shall indicate whether and how the undertaking's targets relate to resource inflows and resource outflows, including waste and products and materials, and, more specifically to: (a) the increase of circular product design (including for instance design for durability, dismantling, reparability, recyclability etc); (b) the increase of circular material use rate; (c) the minimisation of primary raw material; (d) sustainable sourcing and use (in line with the cascading principle) of renewable resources; (e) the waste management, including preparation for proper treatment; and (f) other matters related to resource use or circular economy.	
25. The undertaking shall specify to which layer of the waste hierarchy the target relates.	
26. In addition to ESRS 2 MDR-T, the undertaking may specify whether ecological thresholds and entity-specific allocations were taken into consideration when setting targets. If so, the undertaking may specify: (a) the ecological thresholds identified, and the methodology used to identify such thresholds; (b) whether or not the thresholds are entity-specific and if so, how they were determined; and (c) how responsibility for respecting identified ecological thresholds is allocated in the undertaking.	
27. The undertaking shall specify as part of the contextual information, whether the targets it has set and presented are mandatory (required by legislation) or voluntary.	
<b>Disclosure Requirement E5-4 – Resource inflows</b>	<b>Disclosure Requirement E5-1 – Resource inflows</b>
28. The undertaking shall disclose information on its resource inflows related to its material impacts, risks and opportunities.	55. The undertaking shall disclose information on its resource inflows related to its material impacts <del>and risks and opportunities</del> <i>in the undertaking's own operations and along the value chain.</i>
29. The objective of this Disclosure Requirement is to enable an understanding of the resource use in the undertaking's own operations and its upstream value chain.	56. The objective of this Disclosure Requirement is to enable an understanding of <i>the impacts and risks originating from</i> the resource use in the undertaking's own operations <del>and its upstream value chain.</del>
30. The disclosure required by paragraph 28 shall include a description of its resource inflows where material: products (including packaging) and materials (specifying critical raw materials and rare earths), water and property, plant and equipment used in the undertaking's own operations and along its upstream value chain.	<del>30. The disclosure required by paragraph 28 shall include a description of its resource inflows where material: products (including packaging) and materials (specifying critical raw materials and rare earths), water and property, plant and equipment used in the undertaking's own operations and along its upstream value chain.</del>

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	57. When an undertaking assesses that resource inflows is a material sustainability matter, it shall disclose a description of its impacts and risks originating from resource inflows used in the undertaking's own operations and along its upstream value chain.
<p>31. When an undertaking assesses that resource inflows is a material sustainability matter, it shall disclose the following information about the materials used to manufacture the undertaking's products and services during the reporting period, in tonnes or kilogrammes:</p> <p>(a) the overall total weight of products and technical and biological materials used during the reporting period;</p> <p>(b) the percentage of biological materials (and biofuels used for non-energy purposes) used to manufacture the undertaking's products and services (including packaging) that is sustainably sourced, with the information on the certification scheme used and on the application of the cascading principle; and</p> <p>(c) the weight in both absolute value and percentage, of secondary reused or recycled components, secondary intermediary products and secondary materials used to manufacture the undertaking's products and services (including packaging).</p>	<p>58. When an undertaking assesses that resource inflows is a material sustainability matter, it shall disclose the following information about the materials used for its own operations to manufacture the undertaking's products and services during the reporting period, in tonnes or kilogrammes::</p> <p><del>(a) the overall total weight of products and technical and biological materials used during the reporting period;</del> (a) the percentage of its expenditure on resource inflows to own operations that are considered material;</p> <p>(b) the percentage of biological materials (and biofuels used for non-energy purposes) used to manufacture the undertaking's products and services (including packaging) that are sustainability sourced certified, with the as well as information on the certification scheme, used and on the application of the cascading principle and;</p> <p>(c) the weight in both absolute value and the percentage of secondary materials (recycled or reused) used as inflow., secondary intermediary products and secondary materials used to manufacture the undertaking's products and services (including packaging).</p>
32. The undertaking shall provide information on the methodologies used to calculate the data. It shall specify whether the data is sourced from direct measurement or estimations, and disclose the key assumptions used.	59. The undertaking shall provide information on the methodologies used to calculate the data. It shall specify whether the data is sourced from direct measurement or estimations, and disclose the key assumptions used.
<p><b>Disclosure Requirement E5-5 – Resource outflows</b></p> <p>33. The undertaking shall disclose information on its resource outflows, including waste, related to its material impacts, risks and opportunities.</p>	<p><b>Disclosure Requirement E5-2 – Resource outflows</b></p> <p>60. The undertaking shall disclose information on its material resource outflows, including waste, related to its material impacts and risks and opportunities .</p>
<p>34. The objective of this Disclosure Requirement is to provide an understanding of:</p> <p>(a) how the undertaking contributes to the circular economy by i) designing products and materials in line with circular economy principles and ii) increasing or maximising the extent to which products, materials and waste processing are recirculated in practice after first use; and</p> <p>(b) the undertaking's waste reduction and waste management strategy, the extent to which the undertaking knows how its pre-consumer waste is managed in its own activities.</p>	<p>61. The objective of this Disclosure Requirements is to understand of how the undertaking contributes to circular economy by i) designing through its product and material design in line with circular economy principles, and ii) increasing or maximising the extent to which products, materials and waste processing are recirculated in practice after first use; and as well as the undertaking's waste reduction and waste management strategy.</p>
<p><b>Products and materials</b></p> <p>35. The undertaking shall provide a description of the key products and materials that come out of the undertaking's production process and that are designed along circular principles, including durability, reusability, repairability, disassembly, remanufacturing, refurbishment, recycling, recirculation by the biological cycle, or optimisation of the use of the product or material through other circular business models.</p>	<p><b>Products and materials</b></p> <p>62. The undertaking shall provide a description of the key products and materials that come out of the undertaking's production process that are designed along circular economy principles. including durability, reusability, repairability, disassembly, remanufacturing, refurbishment, recycling, recirculation by the biological cycle, or optimisation of the use of the product or material through other circular business models.</p>
<p>36. Undertakings for which outflows are material shall disclose:</p> <p>(a) The expected durability of the products placed on the market by the undertaking, in relation to the industry average for each product group;</p> <p>(b) The reparability products, using an established rating system, where possible;</p> <p>(c) The rates of recyclable content in products and their packaging.</p>	<p>63. Undertakings for which outflows are material shall disclose:</p> <p>The undertaking shall disclose the percentage of its products and services that are designed to be:</p> <p><del>(a) The expected durability of the products placed on the market by the undertaking, in relation to the industry average for each product group</del></p>

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	<p>(a) <del>The reparability products, using an established rating system, where possible; repairable and reused;</del>                      (b) <del>The rates of recyclable content in products and their packaging; recycled.</del></p>
<p><b>Waste</b></p> <p>37. The undertaking shall disclose the following information on its total amount of waste from its own operations, in tonnes or kilogrammes:</p> <p>(a) the total amount of waste generated ;                      (b) the total amount by weight diverted from disposal, with a breakdown between hazardous waste and non-hazardous waste and a breakdown by the following recovery operation types:                      i. preparation for reuse;                      ii. recycling; and                      iii. other recovery operations                      (c) the amount by weight directed to disposal by waste treatment type and the total amount summing all three types, with a breakdown between hazardous waste and non-hazardous waste. The waste treatment types to be disclosed are:</p> <p>i. incineration;                      ii. landfill; and                      iii. other disposal operations;                      (d) the total amount and percentage of non-recycled waste[50].</p>	<p><b>Waste</b></p> <p>64. The undertaking shall disclose <del>disclose the following information on its</del> the total amount of waste generated in its own operations, as well as <del>the total amount and</del> the percentage of non-recycled waste (by weight and on a wet basis).</p> <p><del>(b) — the total amount by weight diverted from disposal, with a breakdown between hazardous waste and non-hazardous waste and a breakdown by the following recovery operation types:                      i. preparation for reuse;                      ii. recycling; and                      iii. other recovery operations</del></p> <p>65. <del>the amount by weight directed to disposal by waste treatment type and the total amount summing all three types, with a breakdown between hazardous waste and non-hazardous waste. The waste treatment types to be disclosed are: The undertaking shall disclose the total amount of hazardous waste by:</del>                      (a) <del>type of hazardous, waste; and</del>                      (b) <del>waste treatment type, in particular:</del>                      i. <del>incineration;</del>                      ii. <del>landfilling; and</del>                      iii. <del>other disposal operations.</del></p>
<p>38. When disclosing the composition of the waste, the undertaking shall specify:                      (a) the waste streams relevant to its sector or activities (e.g. tailings for the undertaking in the mining sector, electronic waste for the undertaking in the consumer electronics sector, or food waste for the undertaking in the agriculture or in the hospitality sector); and;                      (b) the materials that are present in the waste (e.g. biomass, metals, non-metallic minerals, plastics, textiles, critical raw materials and rare earths).</p>	<p><del>38. — When disclosing the composition of the waste, the undertaking shall specify:                      (a) — the waste streams relevant to its sector or activities (e.g. tailings for the undertaking in the mining sector, electronic waste for the undertaking in the consumer electronics sector, or food waste for the undertaking in the agriculture or in the hospitality sector); and;                      (b) — the materials that are present in the waste (e.g. biomass, metals, non-metallic minerals, plastics, textiles, critical raw materials and rare earths).</del></p>
<p>39. The undertaking shall also disclose the total amount of hazardous waste and radioactive waste generated by the undertaking, where radioactive waste is defined in Article 3(7) of Council Directive 2011/70/Euratom[51].</p>	<p>66. The undertaking shall also disclose the total amount of radioactive waste generated by the undertaking, where radioactive waste is defined in Article 3(7) of Council Directive 2011/70/Euratom.</p>
<p>40. The undertaking shall provide contextual information on the methodologies used to calculate the data and in particular the criteria and assumptions used to determine and classify products designed along circular principles under paragraph 35. It shall specify whether the data is sourced from direct measurement or estimations; and disclose the key assumptions used.</p>	<p>67. The undertaking shall provide contextual information, including information on the methodologies used to calculate the data and in particular the criteria and assumptions used to determine and classify products designed along circular principles. <del>principles under paragraph 35. It shall specify whether the data is sourced from direct measurement or estimations; and disclose the key assumptions used.</del></p>
<p><b>Disclosure Requirement E5-6 – Anticipated financial effects from material resource use and circular economy-related risks and opportunities</b></p>	<p><b>Disclosure Requirement E2-6 – Anticipated financial effects from material pollution-related risks and opportunities</b></p>

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<p>41. The undertaking shall disclose the anticipated financial effects of material risks and opportunities arising from resource use and circular economy-related impacts.</p> <p>42. The information required by paragraph 41 is in addition the information on current financial effects on the entity's financial position, financial performance and cash flows for the reporting period required under ESRS 2 SBM-3 para 48 (d). The objective of this Disclosure Requirement is to provide an understanding of:</p> <p>(a) anticipated financial effects due to material risks arising from material resource use and circular economy-related impacts and dependencies and how these risks have or could reasonably be expected to have) a material influence on the undertaking's financial position, financial performance performance, and cash flows over the short-, medium- and long-term; and</p> <p>(b) anticipated financial effects due to material opportunities related to resource use and circular economy.</p> <p>43. The disclosure shall include:</p> <p>(a) a quantification of the anticipated financial effects in monetary terms before considering resource use and circular economy-related actions, or where not possible without undue cost or effort, qualitative information. For financial effects arising from material opportunities, a quantification is not required if it would result in disclosure that does not meet the qualitative characteristics of information (see ESRS 1 Appendix B Qualitative characteristics of information);</p> <p>(b) a description of the effects considered, the impacts and dependencies to which they relate and the time horizons in which they are likely to materialise;</p> <p>(c) the critical assumptions used to quantify the anticipated financial effects, as well as the sources and level of uncertainty of those assumptions.</p>	<p><b>Anticipated financial effects from material environmental-related matters other than climate (E6)</b></p> <p>(Merged and simplified with rest of Anticipated financial effect other than climate)</p>
	<p><b>Disclosure Requirement E6 – Anticipated financial effects from material environmental-related matters other than climate (centralised from E2-E5)</b></p> <p>68. The undertaking shall disclose its anticipated financial effects of material impacts and risks related to pollution, water and marine resources, biodiversity and ecosystems and circular economy, when the respective matter is material.</p> <p>69. The information required by paragraph 68 is in addition to the information on current financial effects on the entity's financial position, financial performance and cash flows for the reporting period required under ESRS 2 Section 2 SBM-3 paragraph 37 (d).</p> <p>70. The objective of this Disclosure Requirement is to provide an understanding of:</p> <p>(a) anticipated financial effects due to material risks arising from impacts and dependencies related to pollution, water and marine resources, biodiversity and ecosystems and circular economy, and how these risks have (or could reasonably be expected to have) a material influence on the undertaking's financial position, financial performance and cash flows over the short-, medium- and long-term; and</p> <p>(b) on a voluntary basis, anticipated financial effects due to material opportunities related to pollution, water and marine resources, biodiversity and ecosystems and circular economy.</p>

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	<p>71. The disclosure required by paragraph 68 shall include:                      (a) a quantification of the anticipated financial effects in monetary terms, or where not possible without undue cost or effort, qualitative information. The quantification of the anticipated financial effects in monetary terms may be a single amount or a range;                      (b) a description of the effects considered, the related impacts and dependencies to which they relate and the time horizons in which they are likely to materialise; and                      (c) the critical assumptions used to quantify the anticipated financial effects, as well as the sources and level of uncertainty attached to those assumptions.</p> <p>72. For anticipated financial effects arising from material physical and transition risks, the undertaking shall refer to Disclosure Requirement E1-4 of this Section.</p> <p>73. For anticipated financial effects arising from material climate-related opportunities, the undertaking shall refer to Disclosure Requirement E1-4 of this Section.</p>
<b>APPLICATION REQUIREMENTS</b>	
<b>ESRS E1 - CLIMATE CHANGE</b>	
<b>Strategy</b> Disclosure Requirement E1-1 – Transition plan for climate change mitigation	<b>Strategy</b> <del>Disclosure Requirement E1-1 – Transition plan for climate change mitigation</del>  Centralized in Section 2 and 3
Disclosure Requirement related to ESRS 2 SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model	<del>Disclosure Requirement related to ESRS 2 SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model</del>  Centralized in Section 2 and 3
<b>Impact, risk and opportunity management</b>  Disclosure Requirement related to ESRS 2 IRO-1 Description of the processes to identify and assess material climate-related impacts, risks and opportunities	<del>Impact, risk and opportunity management</del>  <del>Disclosure Requirement related to ESRS 2 IRO-1 Description of the processes to identify and assess material climate-related impacts, risks and opportunities</del>  Centralized in Section 2 and 3
Disclosure Requirement E1-2 – Policies related to climate change mitigation and adaptation	<del>Disclosure Requirement E1-2 – Policies related to climate change mitigation and adaptation</del>  Centralized in Section 2 and 3
Disclosure Requirements E1-3 – Actions and resources in relation to climate change policies	<del>Disclosure Requirements E1-3 – Actions and resources in relation to climate change policies</del>  Centralized in Section 2 and 3

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<p><b>Metrics and targets</b></p> <p><b>Disclosure Requirement E1-4 – Targets related to climate change mitigation and adaptation</b></p>	<p><b>Metrics and targets</b></p> <p><del><b>Disclosure Requirement E1-4 – Targets related to climate change mitigation and adaptation</b></del></p> <p>Centralized in Section 2 and 3</p>
<p><b>Disclosure Requirement E1-5 – Energy consumption and mix</b></p> <p>Calculation guidance AR 32. When preparing the information on energy consumption required under paragraph 35, the undertaking shall:</p> <p>(a) only report energy consumed from processes owned or controlled by the undertaking applying the same perimeter applied for reporting GHG Scopes 1 and 2 emissions;</p> <p>(b) exclude feedstocks and fuels that are not combusted for energy purposes. The undertaking that consumes fuel as feedstocks can disclose information on this consumption separately from the required disclosures;</p> <p>(c) ensure all quantitative energy-related information is reported in either Mega-Watt-hours (MWh) in Lower Heating Value or net calorific value. If raw data of energy- related information is only available in energy units other than MWh (such as GigaJoules (GJ) or British Thermal Units (Btu)), in volume units (such as cubic feet or gallons) or in mass units (such as kilograms or pounds), they shall be converted to MWh using suitable conversion factors (see for example Annex II of the Fifth Assessment IPCC report). Conversion factors for fuels shall be made transparent and applied in a consistent manner;</p> <p>(d) ensure all quantitative energy-related information is reported as final energy consumption, referring to the amount of energy the undertaking actually consumes using for example the table in Annex IV of Directive 2012/27 of the European Parliament and of the Council on energy efficiency;</p> <p>(e) avoid double counting fuel consumption when disclosing self-generated energy consumption. If the undertaking generates electricity from either a non-renewable or renewable fuel source and then consumes the generated electricity, the energy consumption shall be counted only once under fuel consumption;</p> <p>(f) not offset energy consumption even if onsite generated energy is sold to and used by a third party;</p> <p>(g) not count energy that is sourced from within the organisational boundary under “purchased or acquired” energy;</p> <p>(h) account for steam, heat or cooling received as “waste energy” from a third party’s industrial processes under “purchased or acquired” energy;</p> <p>(i) account for renewable hydrogen<sup>56</sup> as a renewable fuel. Hydrogen that is not completely derived from renewable sources shall be included under “fuel consumption from other non-renewable sources”; and</p> <p>(j) adopt a conservative approach when splitting the electricity, steam, heat or cooling between renewable and non-renewable sources based on the approach applied to calculate</p>	<p><b>Disclosure Requirement E1-1 – Energy consumption and mix</b></p> <p>Calculation guidance AR 1. When preparing the information on energy consumption required under paragraph 6, the undertaking shall:</p> <p>(a) only report energy consumed from processes owned or controlled by the undertaking applying the same perimeter applied for reporting GHG Scopes 1 and 2 emissions;</p> <p>(b) exclude feedstocks and fuels that are not combusted for energy purposes. The undertaking that consumes fuel as feedstocks can disclose information on this consumption separately from the required disclosures;</p> <p>(c) ensure all quantitative energy-related information is reported in either Mega-Watt-hours (MWh) in Lower Heating Value or net calorific value. If raw data of energy- related information is only available in energy units other than MWh (such as GigaJoules (GJ) or British Thermal Units (Btu)), in volume units (such as cubic feet or gallons) or in mass units (such as kilograms or pounds), they shall be converted to MWh using suitable conversion factors (see for example Annex II of the Fifth Assessment IPCC report). Conversion factors for fuels shall be made transparent and applied in a consistent manner;</p> <p>(d) ensure all quantitative energy-related information is reported as final energy consumption, referring to the amount of energy the undertaking actually consumes using for example the table in Annex IV of Directive 2012/27 of the European Parliament and of the Council on energy efficiency;</p> <p>(e) avoid double counting fuel consumption when disclosing self-generated energy consumption. If the undertaking generates electricity from either a non-renewable or renewable fuel source and then consumes the generated electricity, the energy consumption shall be counted only once under fuel consumption;</p> <p>(f) not offset energy consumption even if onsite generated energy is sold to and used by a third party;</p> <p>(g) not count energy that is sourced from within the organisational boundary under “purchased or acquired” energy;</p> <p>(h) account for steam, heat or cooling received as “waste energy” from a third party’s industrial processes under “purchased or acquired” energy;</p> <p>(i) account for renewable hydrogen as a renewable fuel. Hydrogen that is not completely derived from renewable sources shall be included under “fuel consumption from other non-renewable sources”; and</p> <p>(j) adopt a conservative approach when splitting the electricity, steam, heat or cooling between renewable and non-renewable sources based on the approach applied to calculate</p>



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<p>market-based Scope 2 GHG emissions. The undertaking shall only consider these energy consumptions as deriving from renewable sources if the origin of the purchased energy is clearly defined in the contractual arrangements with its suppliers (renewable power purchasing agreement, standardised green electricity tariff, market instruments like Guarantee of Origin from renewable sources in Europe or similar instruments like Renewable Energy Certificates in the US and Canada, etc.).</p>	<p>market-based Scope 2 GHG emissions. The undertaking shall only consider these energy consumptions as deriving from renewable sources if the origin of the purchased energy is clearly defined in the contractual arrangements with its suppliers (renewable power purchasing agreement, standardised green electricity tariff, market instruments like Guarantee of Origin from renewable sources in Europe or similar instruments like Renewable Energy Certificates in the US and Canada, etc.).</p>																																																															
<p>AR 33. The information required under paragraph 37 (a) is applicable if the undertaking is operating in at least one <b>high climate impact sector</b>. The information required under paragraph 38 (a) to (e), shall also include energy from fossil sources consumed in operations that are not in high climate impact sectors.</p>	<p><del>AR 33. The information required under paragraph 37 (a) is applicable if the undertaking is operating in at least one <b>high climate impact sector</b>. The information required under paragraph 38 (a) to (e), shall also include energy from fossil sources consumed in operations that are not in high climate impact sectors.</del></p>																																																															
<p>AR 34. The information on Energy consumption and mix may be presented using the following tabular format for <b>high climate impact sectors</b> and for all other sector by omitting rows (1) to ((5))</p> <table border="1" data-bbox="89 518 571 1069"> <thead> <tr> <th>Energy consumption and mix</th> <th>Comparative</th> <th>Year N</th> </tr> </thead> <tbody> <tr><td>(1) Fuel consumption from coal and coal products (MWh)</td><td></td><td></td></tr> <tr><td>(2) Fuel consumption from crude oil and petroleum products (MWh)</td><td></td><td></td></tr> <tr><td>(3) Fuel consumption from natural gas (MWh)</td><td></td><td></td></tr> <tr><td>(4) Fuel consumption from other fossil sources (MWh)</td><td></td><td></td></tr> <tr><td>(5) Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources (MWh)</td><td></td><td></td></tr> <tr><td>(6) Total fossil energy consumption (MWh) (calculated as the sum of lines 1 to 5)</td><td></td><td></td></tr> <tr><td>Share of fossil sources in total energy consumption (%)</td><td></td><td></td></tr> <tr><td>(7) Consumption from nuclear sources (MWh)</td><td></td><td></td></tr> <tr><td>Share of consumption from nuclear sources in total energy consumption (%)</td><td></td><td></td></tr> <tr><td>(8) Fuel consumption for renewable sources, including biomass (also comprising industrial and municipal waste of biologic origin, biogas, renewable hydrogen, etc.) (MWh)</td><td></td><td></td></tr> <tr><td>(9) Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources (MWh)</td><td></td><td></td></tr> <tr><td>(10) The consumption of self-generated non-fuel renewable energy (MWh)</td><td></td><td></td></tr> <tr><td>(11) Total renewable energy consumption (MWh) (calculated as the sum of lines 8 to 10)</td><td></td><td></td></tr> <tr><td>Share of renewable sources in total energy consumption (%)</td><td></td><td></td></tr> <tr><td>Total energy consumption (MWh) (calculated as the sum of lines 6, and 11)</td><td></td><td></td></tr> </tbody> </table>	Energy consumption and mix	Comparative	Year N	(1) Fuel consumption from coal and coal products (MWh)			(2) Fuel consumption from crude oil and petroleum products (MWh)			(3) Fuel consumption from natural gas (MWh)			(4) Fuel consumption from other fossil sources (MWh)			(5) Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources (MWh)			(6) Total fossil energy consumption (MWh) (calculated as the sum of lines 1 to 5)			Share of fossil sources in total energy consumption (%)			(7) Consumption from nuclear sources (MWh)			Share of consumption from nuclear sources in total energy consumption (%)			(8) Fuel consumption for renewable sources, including biomass (also comprising industrial and municipal waste of biologic origin, biogas, renewable hydrogen, etc.) (MWh)			(9) Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources (MWh)			(10) The consumption of self-generated non-fuel renewable energy (MWh)			(11) Total renewable energy consumption (MWh) (calculated as the sum of lines 8 to 10)			Share of renewable sources in total energy consumption (%)			Total energy consumption (MWh) (calculated as the sum of lines 6, and 11)			<p>AR 2. The information on Energy consumption and mix may be presented using the following tabular format. <del>for <b>high climate impact sectors</b> and for all other sector by omitting rows (1) to ((5))</del></p> <table border="1" data-bbox="1131 550 1758 790"> <thead> <tr> <th>Energy consumption and mix</th> <th>Comparative</th> <th>Year N</th> </tr> </thead> <tbody> <tr><td>(1) Fossil energy consumption (MWh)</td><td></td><td></td></tr> <tr><td>(2) Consumption from nuclear sources (MWh)</td><td></td><td></td></tr> <tr><td>(3) Consumption from renewable sources (MWh)</td><td></td><td></td></tr> <tr><td>Total energy consumption (MWh) (calculated as the sum of lines 1, 2 and 3)</td><td></td><td></td></tr> </tbody> </table>	Energy consumption and mix	Comparative	Year N	(1) Fossil energy consumption (MWh)			(2) Consumption from nuclear sources (MWh)			(3) Consumption from renewable sources (MWh)			Total energy consumption (MWh) (calculated as the sum of lines 1, 2 and 3)		
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<p><b>Energy intensity based on net revenue</b> Calculation guidance AR 36. When preparing the information on energy intensity required under paragraph 40, the undertaking shall: (a) calculate the energy intensity ratio using the following formula <i>Total energy consumption from activities in high climate impact sectors (MWh) / Net revenue from activities in high climate impact sectors (Monetary unit);</i></p>	<p><b>Energy intensity based on net revenue</b> Calculation guidance AR 3. When preparing the information on energy intensity required under paragraph 12, the undertaking shall: (a) calculate the energy intensity ratio using the following formula: <i>Total energy consumption from activities in high climate impact sectors (MWh) / Net revenue from activities in high climate impact sectors (Monetary unit);</i></p>																																																															

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<p>(b) express the total energy consumption in MWh and the net revenue in monetary units (e.g., Euros);</p> <p>(c) the numerator and denominator shall only consist of the proportion of the total final energy consumption (in the numerator) and net revenue (in the denominator) that are attributable to activities in high climate impact sectors. In effect, there should be consistency in the scope of both the numerator and denominator;</p> <p>(d) calculate the total energy consumption in line with the requirement in paragraph 10;</p> <p>(e) calculate the net revenue in line with the accounting standards requirements applicable for the financial statements, i.e., IFRS 15 Revenue from Contracts with Customers or local GAAP requirements.</p>	<p>(b) express the total energy consumption in MWh and the net revenue in monetary units (e.g., Euros);</p> <p>(c) the numerator and denominator shall only consist of the proportion of the total final energy consumption (in the numerator) and net revenue (in the denominator) that are attributable to activities in high climate impact sectors. In effect, there should be consistency in the scope of both the numerator and denominator;</p> <p>(d) calculate the total energy consumption in line with the requirement in paragraph 10;</p> <p>(e) calculate the net revenue in line with the accounting standards requirements applicable for the financial statements, i.e., IFRS 15 Revenue from Contracts with Customers or local GAAP requirements.</p>																
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<p><i>Connectivity of energy intensity based on net revenue with financial reporting information</i></p> <p>AR 38. The reconciliation of net revenue from activities in high climate impact sectors to the relevant financial statements line item or disclosure (as required by paragraph 40) may be presented either:</p> <p>(a) by a cross-reference to the related line item or disclosure in the financial statements;</p> <p>or</p> <p>(b) If the net revenue cannot be directly cross-referenced to a line item or disclosure in the financial statements, by a quantitative reconciliation using the below tabular format</p> <table border="1" data-bbox="91 807 734 887"> <tbody> <tr> <td>Net revenue from activities in high climate impact sectors used to calculate energy intensity</td> <td></td> </tr> <tr> <td>Net revenue (other)</td> <td></td> </tr> <tr> <td>Total net revenue (Financial statements)</td> <td></td> </tr> </tbody> </table>	Net revenue from activities in high climate impact sectors used to calculate energy intensity		Net revenue (other)		Total net revenue (Financial statements)		<p><i>Connectivity of energy intensity based on net revenue with financial reporting information</i></p> <p>AR 5. The reconciliation of net revenue from activities in high climate impact sectors to the relevant financial statements line item or disclosure (as required by paragraph 11) may be presented either:</p> <p>(a) by a cross-reference to the related line item or disclosure in the financial statements;</p> <p>or</p> <p>(b) If the net revenue cannot be directly cross-referenced to a line item or disclosure in the financial statements, by a quantitative reconciliation using the below tabular format</p> <table border="1" data-bbox="1140 807 1783 887"> <tbody> <tr> <td>Net revenue from activities in high climate impact sectors used to calculate energy intensity</td> <td></td> </tr> <tr> <td>Net revenue (other)</td> <td></td> </tr> <tr> <td>Total net revenue (Financial statements)</td> <td></td> </tr> </tbody> </table>	Net revenue from activities in high climate impact sectors used to calculate energy intensity		Net revenue (other)		Total net revenue (Financial statements)					
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<p><b>Disclosure Requirements E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions</b></p> <p>Calculation guidance</p> <p>AR 39. When preparing the information for reporting GHG emissions as required by paragraph 41, the undertaking shall:</p> <p>(a) consider the principles, requirements and guidance provided by the GHG Protocol Corporate Standard (version 2004). The undertaking may consider Commission Recommendation (EU) 2021/227924 or the requirements stipulated by ISO 14064- 1:2018. If the undertaking already applies the GHG accounting methodology of ISO1:2018, it shall nevertheless comply with the requirements of this standard (e.g., regarding reporting boundaries and the disclosure of market-based Scope 2 GHG emissions);</p> <p>(b) disclose the methodologies, significant assumptions and emissions factors used to calculate or measure GHG emissions accompanied by the reasons why they were chosen, and provide a reference or link to any calculation tools used;</p> <p>(c) include emissions of CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, and NF<sub>3</sub>. Additional GHG may be considered when significant; and</p>	<p><b>Disclosure Requirements E1-2 – Gross Scopes 1, 2, 3 and Total GHG emissions</b></p> <p>Calculation guidance</p> <p>AR 6. When preparing the information for reporting GHG emissions as required by paragraph 12, the undertaking shall:</p> <p>(a) consider the principles, requirements and guidance provided by the GHG Protocol Corporate Standard (version 2004). The undertaking may consider Commission Recommendation (EU) 2021/227924 or the requirements stipulated by ISO 14064- 1:2018. If the undertaking already applies the GHG accounting methodology of ISO1:2018, it shall nevertheless comply with the requirements of this standard (e.g., regarding reporting boundaries and the disclosure of market-based Scope 2 GHG emissions);</p> <p>(b) disclose the methodologies, significant assumptions and emissions factors used to calculate or measure GHG emissions accompanied by the reasons why they were chosen, and provide a reference or link to any calculation tools used;</p> <p>(c) include emissions of CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, and NF<sub>3</sub>. Additional GHG may be considered when significant; and</p>																

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(d) use the most recent Global Warming Potential (GWP) values published by the IPCC based on a 100-year time horizon to calculate CO <sub>2</sub> eq emissions of non-CO <sub>2</sub> gases.	(d) use the most recent Global Warming Potential (GWP) values published by the IPCC based on a 100-year time horizon to calculate CO <sub>2</sub> eq emissions of non-CO <sub>2</sub> gases.
AR 40. When preparing the information for reporting GHG emissions from its associates, joint ventures, unconsolidated subsidiaries (investment entities) and contractual arrangements as required by paragraph 50, the undertaking shall consolidate 100% of the GHG emissions of the entities it operationally controls. In practice, this happens when the undertakings holds the license - or permit - to operate the assets from these associates, joint ventures, unconsolidated subsidiaries (investment entities) and contractual arrangements. When the undertaking has a contractually defined part-time operational control, it shall consolidate 100% the GHG emitted during the time of its operational control.	<del>AR 40. When preparing the information for reporting GHG emissions from its associates, joint ventures, unconsolidated subsidiaries (investment entities) and contractual arrangements as required by paragraph 50, the undertaking shall consolidate 100% of the GHG emissions of the entities it operationally controls. In practice, this happens when the undertakings holds the license - or permit - to operate the assets from these associates, joint ventures, unconsolidated subsidiaries (investment entities) and contractual arrangements. When the undertaking has a contractually defined part-time operational control, it shall consolidate 100% the GHG emitted during the time of its operational control.</del>
AR 41. In line with ESRS 1 chapter 3.7, the undertaking shall disaggregate information on its GHG emissions as appropriate. For example, the undertaking may disaggregate its Scope 1, 2, 3, or total GHG emissions by country, operating segments, economic activity, subsidiary, GHG category (CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, HFCs, PFCs, SF <sub>6</sub> , NF <sub>3</sub> , and other GHG considered by the undertaking) or source type (stationary combustion, mobile combustion, process emissions and fugitive emissions).	AR 7. In line with <i>Section 1</i> chapter 3.7, the undertaking shall disaggregate information on its GHG emissions as appropriate. For example, the undertaking may disaggregate its Scope 1, 2, 3, or total GHG emissions by country, operating segments, economic activity, subsidiary, GHG category (CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, HFCs, PFCs, SF <sub>6</sub> , NF <sub>3</sub> , and other GHG considered by the undertaking) or source type (stationary combustion, mobile combustion, process emissions and fugitive emissions).
AR 42. An undertaking might have a different reporting period from some or all of the entities in its value chain. In such circumstances, the undertaking is permitted to measure its GHG emissions in accordance with paragraph 44 using information for reporting periods that are different from its own reporting period if that information is obtained from entities in its value chain with reporting periods that are different from the undertaking's reporting period, on the condition that: (a) the undertaking uses the most recent data available from those entities in its value chain to measure and disclose its greenhouse gas emissions; (b) the length of the reporting periods is the same; and (c) the undertaking discloses the effects of significant events and changes in circumstances (relevant to its GHG emissions) that occur between the reporting dates of the entities in its value chain and the date of the undertaking's general purpose financial statements.	AR 8. An undertaking might have a different reporting period from some or all of the entities in its value chain. In such circumstances, the undertaking is permitted to measure its GHG emissions in accordance with paragraph 12 using information for reporting periods that are different from its own reporting period if that information is obtained from entities in its value chain with reporting periods that are different from the undertaking's reporting period, on the condition that: (a) the undertaking uses the most recent data available from those entities in its value chain to measure and disclose its greenhouse gas emissions; (b) the length of the reporting periods is the same; and (c) the undertaking discloses the effects of significant events and changes in circumstances (relevant to its GHG emissions) that occur between the reporting dates of the entities in its value chain and the date of the undertaking's general purpose financial statements.
AR 43. When preparing the information on gross Scope 1 GHG emissions required under paragraph 48 (a), the undertaking shall: (a) calculate or measure GHG emissions from stationary combustion, mobile combustion, process emissions and fugitive emissions; and use suitable activity data that include the non-renewable fuel consumption; (b) use suitable and consistent emission factors; (c) disclose biogenic emissions of CO <sub>2</sub> from the combustion or bio-degradation of biomass separately from the Scope 1 GHG emissions, but include emissions of other types of GHG (in particular CH <sub>4</sub> and N <sub>2</sub> O); (d) not include any removals, or any purchased, sold or transferred carbon credits or GHG allowances in the calculation of Scope 1 GHG emissions; and (e) for activities reporting under the EU ETS, report on Scope 1 emissions following the EU ETS methodology. The EU ETS methodology may also be applied to activities in geographies and sectors that are not covered by the EU ETS.	AR 9. When preparing the information on gross Scope 1 GHG emissions required under paragraph 12 (a), the undertaking shall: (a) calculate or measure GHG emissions from stationary combustion, mobile combustion, process emissions and fugitive emissions; and use suitable activity data that include the non-renewable fuel consumption; (b) use suitable and consistent emission factors; (c) disclose biogenic emissions of CO <sub>2</sub> from the combustion or bio-degradation of biomass separately from the Scope 1 GHG emissions, but include emissions of other types of GHG (in particular CH <sub>4</sub> and N <sub>2</sub> O); (d) not include any removals, or any purchased, sold or transferred carbon credits or GHG allowances in the calculation of Scope 1 GHG emissions; and (e) for activities reporting under the EU ETS, report on Scope 1 emissions following the EU ETS methodology. The EU ETS methodology may also be applied to activities in geographies and sectors that are not covered by the EU ETS.

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<p>AR 44. When preparing the information on the percentage of Scope 1 GHG emissions from regulated emission trading schemes required under paragraph 48 (b), the undertaking shall:</p> <p>(a) consider GHG emissions from the installations it operates that are subject to regulated Emission Trading Schemes (ETS), including the EU-ETS, national ETS and non-EU ETS, if applicable;</p> <p>(b) only include emissions of CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, and NF<sub>3</sub>;</p> <p>(c) ensure the same accounting period for gross Scope 1 GHG emissions and GHG emissions regulated under the ETS; and</p> <p>(d) calculate the share by using the following formula:</p> $\frac{\text{GHG Emissions in (t CO}_2\text{eq) from EU ETS installations + national ETS installations + nonEU ETS installations}}{\text{Scope 1 GHG emissions (t CO}_2\text{eq)}}$	<p>AR 10. When preparing the information on the percentage of Scope 1 GHG emissions from regulated emission trading schemes required under paragraph 13(a), the undertaking shall:</p> <p>(a) consider GHG emissions from the installations it operates that are subject to regulated Emission Trading Schemes (ETS), including the EU-ETS, national ETS and non-EU ETS, if applicable;</p> <p>(b) only include emissions of CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, and NF<sub>3</sub>;</p> <p>(c) ensure the same accounting period for gross Scope 1 GHG emissions and GHG emissions regulated under the ETS; and</p> <p>(d) calculate the share by using the following formula:</p> $\frac{\text{GHG Emissions in (t CO}_2\text{eq) from EU ETS installations + national ETS installations + nonEU ETS installations}}{\text{Scope 1 GHG emissions (t CO}_2\text{eq)}}$
<p>AR 45. When preparing the information on gross Scope 2 GHG emissions required under paragraph 49, the undertaking shall:</p> <p>(a) consider the principles and requirements of the GHG Protocol Scope 2 Guidance (version 2015, in particular the Scope 2 quality criteria in chapter 7.1 relating to contractual instruments); it may also consider Commission Recommendation (EU) 2021/2279 or the relevant requirements for the quantification of indirect GHG emissions from imported energy in EN ISO 14064-1:2018;</p> <p>(b) include purchased or acquired electricity, steam, heat, and cooling consumed by the undertaking;</p> <p>(c) avoid double counting of GHG emissions reported under Scope 1 or 3;</p> <p>(d) apply the location-based and market-based methods to calculate Scope 2 GHG emissions and provide information on the share and types of contractual instruments. Location-based method quantifies Scope 2 GHG emissions based on average energy generation emission factors for defined locations, including local, subnational, or national boundaries (GHG Protocol, "Scope 2 Guidance", Glossary, 2015). Market-based method quantifies Scope 2 GHG emissions based on GHG emissions emitted by the generators from which the reporting entity contractually purchases electricity bundled with instruments, or unbundled instruments on their own (GHG Protocol, "Scope 2 Guidance", Glossary, 2015); in this case, the undertaking may disclose the share of market-based scope 2 GHG emissions linked to purchased electricity bundled with instruments such as Guarantee of Origins or Renewable Energy Certificates. The undertaking shall provide information about the share and types of contractual instruments used for the sale and purchase of energy bundled with attributes about the energy generation or for unbundled energy attribute claims.</p> <p>(e) disclose biogenic emissions of CO<sub>2</sub> carbon from the combustion or biodegradation of biomass separately from the Scope 2 GHG emissions but include emissions of other types of GHG (in particular CH<sub>4</sub> and N<sub>2</sub>O). In case the emission factors applied do not separate the percentage of biomass or biogenic CO<sub>2</sub>, the undertaking shall disclose this. In case GHG emissions other than CO<sub>2</sub> (particularly CH<sub>4</sub> and N<sub>2</sub>O) are not available for, or excluded from, location-based grid average emissions factors or with the market-based method information, the undertaking shall disclose this.</p> <p>(f) not include any removals, or any purchased, sold or transferred carbon credits or GHG allowances in the calculation of Scope 2 GHG emissions.</p>	<p>AR 11. When preparing the information on gross Scope 2 GHG emissions required under paragraph 18, the undertaking shall:</p> <p>(a) consider the principles and requirements of the GHG Protocol Scope 2 Guidance (version 2015, in particular the Scope 2 quality criteria in chapter 7.1 relating to contractual instruments); it may also consider Commission Recommendation (EU) 2021/2279 or the relevant requirements for the quantification of indirect GHG emissions from imported energy in EN ISO 14064-1:2018;</p> <p>(b) include purchased or acquired electricity, steam, heat, and cooling consumed by the undertaking;</p> <p>(c) avoid double counting of GHG emissions reported under Scope 1 or 3;</p> <p>(d) apply the location-based and market-based, <i>where applicable</i>, methods to calculate Scope 2 GHG emissions and provide information on the share and types of contractual instruments. Location-based method quantifies Scope 2 GHG emissions based on average energy generation emission factors for defined locations, including local, subnational, or national boundaries (GHG Protocol, "Scope 2 Guidance", Glossary, 2015). Market-based method quantifies Scope 2 GHG emissions based on GHG emissions emitted by the generators from which the reporting entity contractually purchases electricity bundled with instruments, or unbundled instruments on their own (GHG Protocol, "Scope 2 Guidance", Glossary, 2015); in this case, the undertaking may disclose the share of market-based scope 2 GHG emissions linked to purchased electricity bundled with instruments such as Guarantee of Origins or Renewable Energy Certificates. The undertaking shall provide information about the share and types of contractual instruments used for the sale and purchase of energy bundled with attributes about the energy generation or for unbundled energy attribute claims.</p> <p>(e) disclose biogenic emissions of CO<sub>2</sub> carbon from the combustion or biodegradation of biomass separately from the Scope 2 GHG emissions but include emissions of other types of GHG (in particular CH<sub>4</sub> and N<sub>2</sub>O). In case the emission factors applied do not separate the percentage of biomass or biogenic CO<sub>2</sub>, the undertaking shall disclose this. In case GHG emissions other than CO<sub>2</sub> (particularly CH<sub>4</sub> and N<sub>2</sub>O) are not available for, or excluded from, location-based grid average emissions factors or with the market-based method information, the undertaking shall disclose this.</p> <p>(f) not include any removals, or any purchased, sold or transferred carbon credits or GHG allowances in the calculation of Scope 2 GHG emissions.</p>

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<p>AR 46. When preparing the information on gross Scope 3 GHG emissions required under paragraph 51, the undertaking shall:</p> <p>(a) consider the principles and provisions of the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011); and it may consider Commission Recommendation (EU) 2021/2279 or the relevant requirements for the quantification of indirect GHG emissions from EN ISO 14064-1:2018;</p> <p>(b) if it is a financial institution, consider the GHG Accounting and Reporting Standard for the Financial Industry from the Partnership for Carbon Accounting Financial (PCAF), specifically part A “Financed Emissions” (version December 2022);</p> <p>(c) screen its total Scope 3 GHG emissions based on the 15 Scope 3 categories identified by the GHG Protocol Corporate Standard and GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011) using appropriate estimates. Alternatively, it may screen its indirect GHG emissions based on the categories provided by EN ISO 14064-1:2018 clause 5.2.4 (excluding indirect GHG emissions from imported energy);</p> <p>(d) identify and disclose its significant Scope 3 categories based on the magnitude of their estimated GHG emissions and other criteria provided by GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011, p. 61 and 65-68) or EN ISO 14064-1:2018 Annex H.3.2, such as financial spend, influence, related transition risks and opportunities or stakeholder views;</p> <p>(e) calculate or estimate GHG emissions in significant Scope 3 categories using suitable emissions factors;</p> <p>(f) update Scope 3 GHG emissions in each significant category every year on the basis of current activity data; update the full Scope 3 GHG inventory at least every 3 years or on the occurrence of a significant event or a significant change in circumstances (a significant event or significant change in circumstances can, for example, relate to changes in the undertaking’s activities or structure, changes in the activities or structure of its upstream and downstream value chain(s), a change in calculation methodology or in the discovery of errors);”);</p> <p>(g) disclose the extent to which the undertaking’s Scope 3 GHG emissions are measured using inputs from specific activities within the entity’s upstream and downstream value chain, and disclose the percentage of emissions calculated using primary data obtained from suppliers or other value chain partners.</p> <p>(h) for each significant Scope 3 GHG category, disclose the reporting boundaries considered, the calculation methods for estimating the GHG emissions as well as if and which calculation tools were applied. The Scope 3 categories should be consistent with the GHGP and include:</p> <ol style="list-style-type: none"> <li>i. indirect Scope 3 GHG emissions from the consolidated accounting group (the parent and its subsidiaries),</li> <li>ii. indirect Scope 3 GHG emissions from associates, joint ventures, and unconsolidated subsidiaries for which the undertaking has the ability to control the operational activities and relationships (i.e., operational control),</li> <li>iii. Scope 1, 2 and 3 GHG emissions from associates, joint ventures, unconsolidated subsidiaries (investment entities) and joint arrangements for which the undertaking does not</li> </ol>	<p>AR 12. When preparing the information on gross Scope 3 GHG emissions required under paragraph 19, the undertaking shall:</p> <p>(a) consider the principles and provisions of the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011); and it may consider Commission Recommendation (EU) 2021/2279 or the relevant requirements for the quantification of indirect GHG emissions from EN ISO 14064-1:2018;</p> <p>(b) if it is a financial institution, consider the GHG Accounting and Reporting Standard for the Financial Industry from the Partnership for Carbon Accounting Financial (PCAF), specifically part A “Financed Emissions” (version December 2022);</p> <p>(c) screen its total Scope 3 GHG emissions based on the Scope 3 categories identified by the GHG Protocol Corporate Standard and GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011) using appropriate estimates. Alternatively, it may screen its indirect GHG emissions based on the categories provided by EN ISO 14064-1:2018 clause 5.2.4 (excluding indirect GHG emissions from imported energy);</p> <p>(d) identify and disclose its significant Scope 3 categories based on the magnitude of their estimated GHG emissions and other criteria provided by GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011, p. 61 and 65-68) or EN ISO 14064-1:2018 Annex H.3.2, such as financial spend, influence, related transition risks and opportunities or stakeholder views;</p> <p>(e) calculate or estimate GHG emissions in significant Scope 3 categories using suitable emissions factors;</p> <p>(f) update Scope 3 GHG emissions in each significant category every year on the basis of current activity data; update the full Scope 3 GHG inventory at least every 3 years or on the occurrence of a significant event or a significant change in circumstances (a significant event or significant change in circumstances can, for example, relate to changes in the undertaking’s activities or structure, changes in the activities or structure of its upstream and downstream value chain(s), a change in calculation methodology or in the discovery of errors);”);</p> <p>(g) disclose the extent to which the undertaking’s Scope 3 GHG emissions are measured using inputs from specific activities within the entity’s upstream and downstream value chain, and disclose the percentage of emissions calculated using primary data obtained from suppliers or other value chain partners.</p> <p>(h) for each significant Scope 3 GHG category, disclose the reporting boundaries considered, the calculation methods for estimating the GHG emissions as well as if and which calculation tools were applied. The Scope 3 categories should be consistent with the GHGP and include:</p> <ol style="list-style-type: none"> <li>i. indirect Scope 3 GHG emissions from the consolidated accounting group (the parent and its subsidiaries),</li> <li>ii. indirect Scope 3 GHG emissions from associates, joint ventures, and unconsolidated subsidiaries for which the undertaking has the ability to control the operational activities and relationships (i.e., operational control),</li> <li>iii. Scope 1, 2 and 3 GHG emissions from associates, joint ventures, unconsolidated subsidiaries (investment entities) and joint arrangements for which the undertaking does not</li> </ol>

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<p>have operational control and when these entities are part of the undertaking's upstream and downstream value chain.</p> <p>(i) disclose a list of Scope 3 GHG emissions categories included in and excluded from the inventory with a justification for excluded Scope 3 categories;</p> <p>(j) disclose biogenic emissions of CO2 from the combustion or biodegradation of biomass that occur in its upstream and downstream value chain separately from the gross Scope 3 GHG emissions, and include emissions of other types of GHG (such as CH4 and N2O), and emissions of CO2 that occur in the life cycle of biomass other than from combustion or biodegradation (such as GHG emissions from processing or transporting biomass) in the calculation of Scope 3 GHG emissions;</p> <p>(k) not include any removals, or any purchased, sold or transferred carbon credits or GHG allowances in the calculation of Scope 3 GHG emissions;</p>	<p>have operational control and when these entities are part of the undertaking's upstream and downstream value chain.</p> <p>(i) disclose a list of Scope 3 GHG emissions categories included in and excluded from the inventory with a justification for excluded Scope 3 categories;</p> <p>(j) disclose biogenic emissions of CO2 from the combustion or biodegradation of biomass that occur in its upstream and downstream value chain separately from the gross Scope 3 GHG emissions, and include emissions of other types of GHG (such as CH4 and N2O), and emissions of CO2 that occur in the life cycle of biomass other than from combustion or biodegradation (such as GHG emissions from processing or transporting biomass) in the calculation of Scope 3 GHG emissions;</p> <p>(k) not include any removals, or any purchased, sold or transferred carbon credits or GHG allowances in the calculation of Scope 3 GHG emissions;</p>
<p>AR 47. When preparing the information on the total GHG emissions required under paragraph 52, the undertaking shall:</p> <p>(a) apply the following formulas to calculate the total GHG emissions:</p> $\begin{aligned} & \text{Total GHG emissions}_{\text{location-based}} \text{ (t CO}_2\text{eq)} \\ & = \text{Gross Scope 1} + \text{Gross Scope 2}_{\text{location-based}} + \text{Gross Scope 3 Total} \end{aligned}$ $\begin{aligned} & \text{GHG emissions}_{\text{market-based}} \text{ (t CO}_2\text{eq)} \\ & = \text{Gross Scope 1} + \text{Gross Scope 2}_{\text{market-based}} + \text{Gross Scope 3} \end{aligned}$ <p>(b) disclose total GHG emissions with a distinction between emissions derived from the location-based and market-based methods applied while measuring the underlying Scope 2 GHG emissions.</p>	<p>AR 13. When preparing the information on the total GHG emissions required under paragraph 20, the undertaking shall:</p> <p>(a) apply the following formulas to calculate the total GHG emissions:</p> $\begin{aligned} & \text{Total GHG emissions}_{\text{location-based}} \text{ (t CO}_2\text{eq)} \\ & = \text{Gross Scope 1} + \text{Gross Scope 2}_{\text{location-based}} + \text{Gross Scope 3 Total} \end{aligned}$ $\begin{aligned} & \text{GHG emissions}_{\text{market-based}} \text{ (t CO}_2\text{eq)} \\ & = \text{Gross Scope 1} + \text{Gross Scope 2}_{\text{market-based}} + \text{Gross Scope 3} \end{aligned}$ <p>(b) disclose total GHG emissions with a distinction between emissions derived from the location-based and market-based methods applied while measuring the underlying Scope 2 GHG emissions.</p>
<p>AR 48. The undertaking shall disclose its total GHG emissions disaggregated by Scopes 1 and 2 and significant Scope 3 in accordance with the table below.</p>	<p>AR 14. The undertaking shall disclose its total GHG emissions disaggregated by Scopes 1 and 2 and significant Scope 3 in accordance with the table below.</p>

Part 1 'two columns comparison ESRS LSME ED -Set 1'

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<p>AR 49. To highlight potential <b>transition risks</b>, the undertaking may disclose its total GHG <b>emissions</b> disaggregated by major countries and, if applicable, by operating segments (applying the same segments for the financial statements as required by the accounting standards, i.e., IFRS 8 <i>Operating Segments</i> or local GAAP). Scope 3 GHG emissions may be excluded from these breakdowns by country if the related data is not readily available.</p>	<p>AR 49. To highlight potential <b>transition risks</b>, the undertaking may disclose its total GHG <b>emissions</b> disaggregated by major countries and, if applicable, by operating segments (applying the same segments for the financial statements as required by the accounting standards, i.e., IFRS 8 <i>Operating Segments</i> or local GAAP). Scope 3 GHG emissions may be excluded from these breakdowns by country if the related data is not readily available.</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
<p>AR 50. The Scope 3 GHG <b>emissions</b> may also be presented by according to the indirect emission categories defined in EN ISO 14064-1:2018.</p>	<p>AR 15. The Scope 3 GHG emissions may also be presented by according to the indirect emission categories defined in EN ISO 14064-1:2018.</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
<p>AR 51. If it is material for the undertaking's Scope 3 emissions, it shall disclose the GHG <b>emissions</b> from purchased cloud computing and data centre services as a subset of the overarching <b>Scope 3 category</b> "upstream purchased goods and services".</p>	<p>AR 16. If it is material for the undertaking's Scope 3 emissions, it shall disclose the GHG emissions from purchased cloud computing and data centre services as a subset of the overarching Scope 3 category "upstream purchased goods and services".</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								

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<p>AR 52. The total GHG <b>emissions</b> disaggregated by Scope 1, 2 and 3 GHG emissions may be graphically presented in the <b>sustainability statement</b> (e.g., as a bar or pie chart) showing the split of GHG emissions across the <b>value chain</b> (Upstream, Own operations, Transport, Downstream).</p>	<p><del>AR 52. The total GHG <b>emissions</b> disaggregated by Scope 1, 2 and 3 GHG emissions may be graphically presented in the <b>sustainability statement</b> (e.g., as a bar or pie chart) showing the split of GHG emissions across the <b>value chain</b> (Upstream, Own operations, Transport, Downstream).</del></p>												
<p>GHG intensity based on net revenue</p> <p>Calculation guidance</p> <p>AR 53. When disclosing the information on GHG intensity based on net revenue required under paragraph 53, the undertaking shall:</p> <p>(a) calculate the GHG intensity ratio by the following formula:</p> $\frac{\text{Total GHG emissions (t CO2eq)}}{\text{Net revenue (Monetary unit)}}$ <p>(b) express the total GHG emissions in metric tonnes of CO2eq and the net revenue in monetary units (e.g., Euros) and present the results for the market-based and location-based method;</p> <p>(c) include the total GHG emissions in the numerator and overall net revenue in the denominator;</p> <p>(d) calculate the total GHG emissions as required by paragraphs 44 (d) and 52; and</p> <p>(e) calculate the net revenue in line with the requirements in accounting standards applied for financial statements, i.e., IFRS 15 or local GAAP.</p>	<p>GHG intensity based on net revenue</p> <p>Calculation guidance</p> <p>AR 17. When disclosing the information on GHG intensity based on net revenue required under paragraph 21, the undertaking shall:</p> <p>(a) calculate the GHG intensity ratio by the following formula:</p> $\frac{\text{Total GHG emissions (t CO2eq)}}{\text{Net revenue (Monetary unit)}}$ <p>(b) express the total GHG emissions in metric tonnes of CO2eq and the net revenue in monetary units (e.g., Euros) and present the results for the market-based and location-based method;</p> <p>(c) include the total GHG emissions in the numerator and overall net revenue in the denominator;</p> <p>(d) calculate the total GHG emissions as required by paragraphs 22 (d) and 31; and</p> <p>(e) calculate the net revenue in line with the requirements in accounting standards applied for financial statements, i.e., IFRS 15 or local GAAP.</p>												
<p>AR 54. The quantitative information may be presented in the following tabular format.</p> <table border="1" data-bbox="94 769 734 906"> <thead> <tr> <th>GHG intensity per net revenue</th> <th>Comparative</th> <th>N</th> <th>% N / N-1</th> </tr> </thead> <tbody> <tr> <td>Total GHG emissions (location-based) per net revenue (tCO<sub>2</sub>eq/Monetary unit)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Total GHG emissions (market-based) per net revenue (tCO<sub>2</sub>eq/Monetary unit)</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	GHG intensity per net revenue	Comparative	N	% N / N-1	Total GHG emissions (location-based) per net revenue (tCO <sub>2</sub> eq/Monetary unit)				Total GHG emissions (market-based) per net revenue (tCO <sub>2</sub> eq/Monetary unit)				<p><del>AR 54. The quantitative information may be presented in the following tabular format.</del></p>
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<p><i>Connectivity of GHG intensity based on revenue with financial reporting information</i></p> <p>AR 55. The reconciliation of the net revenue used to calculate GHG intensity to the relevant line item or notes in the financial statements (as required by paragraph 55) may be done by either:</p> <p>(a) a cross-reference to the related line item or disclosure in the financial statements; or</p> <p>(b) if the net revenue cannot be directly cross-referenced to a line item or disclosure in the financial statements, by a quantitative reconciliation using the below tabular format</p> <table border="1" data-bbox="94 1088 734 1193"> <tbody> <tr> <td>Net revenue used to calculate GHG intensity</td> <td></td> </tr> <tr> <td>Net revenue (other)</td> <td></td> </tr> <tr> <td>Total net revenue (in financial statements)</td> <td></td> </tr> </tbody> </table>	Net revenue used to calculate GHG intensity		Net revenue (other)		Total net revenue (in financial statements)		<p><i>Connectivity of GHG intensity based on revenue with financial reporting information</i></p> <p>AR 18. The reconciliation of the net revenue used to calculate GHG intensity to the relevant line item or notes in the financial statements (as required by paragraph 22) may be done by either:</p> <p>(a) a cross-reference to the related line item or disclosure in the financial statements; or</p> <p>(b) if the net revenue cannot be directly cross-referenced to a line item or disclosure in the financial statements, by a quantitative reconciliation using the below tabular format</p> <table border="1" data-bbox="1142 1088 1783 1193"> <tbody> <tr> <td>Net revenue used to calculate GHG intensity</td> <td></td> </tr> <tr> <td>Net revenue (other)</td> <td></td> </tr> <tr> <td>Total net revenue (in financial statements)</td> <td></td> </tr> </tbody> </table>	Net revenue used to calculate GHG intensity		Net revenue (other)		Total net revenue (in financial statements)	
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<p><b>Disclosure Requirement E1-7 – GHG removals and GHG mitigation projects financed through carbon credits</b></p> <p><b>GHG removals and storage in own operations and the upstream and downstream value chain</b></p>	<p><b>Disclosure Requirement E1-3 – GHG removals and GHG mitigation projects financed through carbon credits</b></p> <p><b>GHG removals and storage in own operations and the upstream and downstream value chain</b></p>												



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<p>AR 56. In addition to their GHG emission inventories, undertakings shall provide transparency on how and to what extent they either enhance natural sinks or apply technical solutions to remove GHGs from the atmosphere in their own operations and upstream and downstream value chain. While there are no generally accepted concepts and methodologies for accounting for GHG removals, this Standard aims to increase transparency on the undertaking's efforts to remove GHGs from the atmosphere (paragraphs 56 (a) and 58). The GHG removals outside the value chain that the undertaking supports through the purchase of carbon credits are to be disclosed separately as required by paragraphs 56 (b) and 59. .</p>	<p>AR 19. In addition to their GHG emission inventories, undertakings shall provide transparency on how and to what extent they either enhance natural sinks or apply technical solutions to remove GHGs from the atmosphere in their own operations and upstream and downstream value chain. While there are no generally accepted concepts and methodologies for accounting for GHG removals, this [draft] Standard aims to increase transparency on the undertaking's efforts to remove GHGs from the atmosphere (paragraphs 24(a) and 26). The GHG removals outside the value chain that the undertaking supports through the purchase of carbon credits are to be disclosed separately as required by paragraphs 24 and 26.</p>
<p>AR 57. When disclosing the information on GHG removals and storage from the undertaking's own operations and its upstream and downstream value chain required under paragraphs 56 (a) and 58, for each removal and storage activity, the undertaking shall describe:</p> <ul style="list-style-type: none"> <li>(a) the GHGs concerned;</li> <li>(b) whether removal and storage are biogenic or from land-use change (e.g., afforestation, reforestation, forest restoration, urban tree planting, agroforestry, building soil carbon, etc.), technological (e.g., direct air capture), or hybrid (e.g., bioenergy with CO2 capture and storage), and technological details about the removal, the type of storage and, if applicable, the transport of removed GHGs;</li> <li>(c) if applicable, a brief explanation of whether the activity qualifies as a nature-based solution; and</li> <li>(d) how the risk of non-permanence is managed, including determining and monitoring leakage and reversal events, as appropriate.</li> </ul>	<p>AR 20. When disclosing the information on GHG removals and storage from the undertaking's own operations and its upstream and downstream value chain required under paragraphs 24(a) and 26, for each removal and storage activity, the undertaking <i>may</i> describe:</p> <ul style="list-style-type: none"> <li>(a) the GHGs concerned;</li> <li>(b) whether removal and storage are biogenic or from land-use change (e.g., afforestation, reforestation, forest restoration, urban tree planting, agroforestry, building soil carbon, etc.), technological (e.g., direct air capture), or hybrid (e.g., bioenergy with CO2 capture and storage) and technological details about the removal, the type of storage and, if applicable, the transport of removed GHGs;</li> <li>(c) if applicable, a brief explanation of whether the activity qualifies as a nature-based solution; and</li> <li>(d) how the risk of non-permanence is managed, including determining and monitoring leakage and reversal events, as appropriate</li> </ul>
<p>Calculation guidance</p> <p>AR 58. When preparing the information on GHG removals and storage from the undertaking's own operations and its upstream and downstream value chain required under paragraphs 56 (a) and 58, the undertaking may:</p> <ul style="list-style-type: none"> <li>(a) consider, as far as applicable, the GHG Protocol Corporate Standard (version 2004), Product Standard (version 2011), Agriculture Guidance (version 2014), Land use, land-use change, and forestry Guidance for GHG project accounting (version 2006);</li> <li>(b) apply consensus methods on accounting for GHG removals as soon as they are available, notably the EU regulatory framework for the certification of CO2 removals;</li> <li>(c) if applicable, explain the role of removals for its climate change mitigation policy;</li> <li>(d) include removals from operations that it owns or controls, or contributes to and that have not been sold to another party through carbon credits;</li> <li>(e) if applicable, mark those GHG removal activities in own operations or the value chain that have been converted into carbon credits and sold to other parties on the voluntary market;</li> <li>(f) account for the GHG emissions associated with a removal activity, including transport and storage, under Disclosure Requirement E1-3 (Scopes 1, 2 or 3). To increase transparency on the efficiency of a removal activity, including transport and storage, the undertaking may disclose the GHG emissions associated with this activity (e.g., GHG emissions from electricity consumption of direct air capture technologies) alongside, but separately from, the amount of removed GHG emissions;</li> <li>(g) in case of a reversal, account for the respective GHG emissions as an offset for the removals in the reporting period;</li> </ul>	<p>Calculation guidance</p> <p>AR 21. When preparing the information on GHG removals and storage from the undertaking's own operations and its upstream and downstream value chain required under paragraphs 24(a) and 26, the undertaking may:</p> <ul style="list-style-type: none"> <li>(a) consider, as far as applicable, the GHG Protocol Corporate Standard (version 2004), Product Standard (version 2011), Agriculture Guidance (version 2014), Land use, land-use change, and forestry Guidance for GHG project accounting (version 2006);</li> <li>(b) apply consensus methods on accounting for GHG removals as soon as they are available, notably the EU regulatory framework for the certification of CO2 removals;</li> <li>(c) if applicable, explain the role of removals for its climate change mitigation policy;</li> <li>(d) include removals from operations that it owns or controls, or contributes to and that have not been sold to another party through carbon credits;</li> <li>(e) if applicable, mark those GHG removal activities in own operations or the value chain that have been converted into carbon credits and sold to other parties on the voluntary market;</li> <li>(f) account for the GHG emissions associated with a removal activity, including transport and storage, under Disclosure Requirement E1-3 (Scopes 1, 2 or 3). To increase transparency on the efficiency of a removal activity, including transport and storage, the undertaking may disclose the GHG emissions associated with this activity (e.g., GHG emissions from electricity consumption of direct air capture technologies) alongside, but separately from, the amount of removed GHG emissions;</li> <li>(g) in case of a reversal, account for the respective GHG emissions as an offset for the removals in the reporting period;</li> </ul>

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<p>(h) use the most recent GWP values published by the IPCC based on a 100-year time horizon to calculate CO<sub>2</sub>eq emissions of non-CO<sub>2</sub> gases and describe the assumptions made, methodologies and frameworks applied for calculation of the amount of GHG removals; and</p> <p>(i) consider nature-based solutions.</p>	<p>(h) use the most recent GWP values published by the IPCC based on a 100-year time horizon to calculate CO<sub>2</sub>eq emissions of non-CO<sub>2</sub> gases and describe the assumptions made, methodologies and frameworks applied for calculation of the amount of GHG removals; and</p> <p>(i) consider nature-based solutions.</p>																																																																																
<p>AR 59. The undertaking shall disaggregate and separately disclose the GHG removals that occur in its own operations and those that occur in its upstream and downstream value chain. GHG removal activities in the upstream and downstream value chain shall include those that the undertaking is actively supporting, for example, through a cooperation project with a supplier. The undertaking is not expected to include any GHG removals that may occur in its upstream and downstream value chain that it is not aware of.</p>	<p>AR 22. The undertaking shall disaggregate and separately disclose the GHG removals that occur in its own operations and those that occur in its upstream and downstream value chain. GHG removal activities in the upstream and downstream value chain shall include those that the undertaking is actively supporting, for example, through a cooperation project with a supplier. The undertaking is not expected to include any GHG removals that may occur in its upstream and downstream value chain that it is not aware of.</p>																																																																																
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Carbon credits planned to be cancelled in the future	Amount until [period]	Carbon credits planned to be cancelled in the future	Amount until [period]
Total (tCO <sub>2</sub> eq)		Total (tCO <sub>2</sub> eq)	
<p><b>Disclosure Requirement E1-8 – Internal carbon pricing</b></p> <p>AR 65. When disclosing the information required under paragraphs 62 and 63, if applicable, the undertaking shall briefly explain whether and how the carbon prices used in internal carbon pricing schemes are consistent with those used in financial statements. This shall be done in respect of the internal carbon prices used for,</p> <p>(a) the assessment of the useful life and residual value of its assets (intangibles, property, plant and equipment);</p> <p>(b) the impairment of assets; and</p> <p>(c) the fair value measurement of assets acquired through business acquisitions.</p> <p>AR 66. The information may be presented by using the following table:</p>		<p><b>Disclosure Requirement E1-8 – Internal carbon pricing</b></p> <p><del>AR 65. When disclosing the information required under paragraphs 62 and 63, if applicable, the undertaking shall briefly explain whether and how the carbon prices used in internal carbon pricing schemes are consistent with those used in financial statements. This shall be done in respect of the internal carbon prices used for,</del></p> <p><del>(a) the assessment of the useful life and residual value of its assets (intangibles, property, plant and equipment);</del></p> <p><del>(b) the impairment of assets; and</del></p> <p><del>(c) the fair value measurement of assets acquired through business acquisitions.</del></p> <p><del>AR 66. The information may be presented by using the following table:</del></p>	
<p><b>Disclosure Requirement E1-9 – Anticipated financial effects from material physical and transition risks and potential climate-related opportunities Anticipated financial effects from material physical and transition risks</b></p> <p>AR 67. Material climate-related physical risks and transition risks may affect the undertaking's financial position (e.g., owned assets, financially-controlled leased assets, and liabilities), performance (e.g., potential future increase/decrease in net revenue and costs due to business interruptions, increased supply prices resulting in potential margin erosions), and cash flows. The low probability, high severity and long-term time horizons of some climate-related physical risk exposures and the uncertainty arising from the transition to a sustainable economy mean that there will be associated material anticipated financial effects that are outside the scope of the requirements of applicable accounting standards.</p>		<p><b>Disclosure Requirement E1-4 – Anticipated financial effects from material physical and transition risks and potential climate-related opportunities Anticipated financial effects from material physical and transition risks</b></p> <p>AR 28. Material climate-related physical risks and transition risks may affect the undertaking's financial position (e.g., owned assets, financially-controlled leased assets, and liabilities), performance (e.g., potential future increase/decrease in net revenue and costs due to business interruptions, increased supply prices resulting in potential margin erosions), and cash flows. The low probability, high severity and long-term time horizons of some climate-related physical risk exposures and the uncertainty arising from the transition to a sustainable economy mean that there will be associated material anticipated financial effects that are outside the scope of the requirements of applicable accounting standards.</p>	
<p>AR 68. Currently, there is no commonly accepted methodology to assess or measure how material physical risks and transition risks may affect the undertaking's future financial position, financial, performance and cash flows. Therefore, the disclosure of the financial effects (as required by paragraphs 64, 66 and 67) will depend on the undertaking's internal methodology and the exercise of significant judgement in determining the inputs, and assumptions needed to quantify their anticipated financial effects.</p>		<p>AR 29. Currently, there is no commonly accepted methodology to assess or measure how material physical risks and transition risks may affect the undertaking's future financial position, financial, performance and cash flows. Therefore, the disclosure of the financial effects (as required by paragraphs 29, 31 and 32) will depend on the undertaking's internal methodology and the exercise of significant judgement in determining the inputs, and assumptions needed to quantify their anticipated financial effects.</p>	
<p>Calculation guidance - Anticipated financial effects from material physical risks</p> <p>AR 69. When disclosing the information required under paragraphs 64 (a) and 66, the undertaking shall explain whether and how:</p> <p>(a) it assessed the anticipated financial effects for assets and business activities at material physical risk, including the scope of application, time horizons, calculation methodology, critical assumptions and parameters and limitations of the assessment; and</p> <p>(b) the assessment of assets and business activities considered to be at material physical risk relies on or is part of the process to determine material physical risk as required under paragraphs 20 (b) and AR 11 and to determine climate scenarios as required under paragraphs</p>		<p>Calculation guidance - Anticipated financial effects from material physical risks</p> <p>AR 30. When disclosing the information required under paragraphs 29(a) and 31, the undertaking shall explain whether and how:</p> <p>(a) it assessed the anticipated financial effects for assets and business activities at material physical risk, including the scope of application, time horizons, calculation methodology, critical assumptions and parameters and limitations of the assessment; and</p> <p>(b) the assessment of assets and business activities considered to be at material physical risk relies on or is part of the process to determine material physical risk as required under paragraphs 18 (b) and AR 12 and to determine climate scenarios as required under paragraphs</p>	

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<p>19 and AR 13 to AR 14. In particular, it shall explain how it has defined medium- and long-term time horizons and how these definitions are linked to the expected lifetime of the undertaking's assets, strategic planning horizons and capital allocation plans.</p>	<p>19 and AR 13 to AR 14. In particular, it shall explain how it has defined medium- and long-term time horizons and how these definitions are linked to the expected lifetime of the undertaking's assets, strategic planning horizons and capital allocation plans.</p>
<p>AR 70. When preparing the information on assets at material physical risk that is required to be disclosed under paragraph 66 (a), the undertaking shall:</p> <p>(a) Calculate the assets at material physical risk in terms of monetary amount and as a proportion (percentage) of total assets at the reporting date (i.e., the proportion is an estimate of the carrying value of assets at material physical risk divided by total carrying value as stated in the statement of financial position or balance sheet). The estimate of assets at material physical risk shall be derived starting from the assets recognised in the financial statements. The estimate of monetary amounts and proportion of assets at physical risk may be presented as either a single amount or range.</p> <p>(b) All types of assets including finance-lease / right-of-use assets shall be considered when determining the assets at material physical risk.</p> <p>(c) To contextualise this information, the undertaking shall:</p> <p>i. disclose the location of its significant assets at material physical risk. Significant assets located in the EU territory shall be aggregated by NUTS codes 3 level digits (Nomenclature of Territorial Units for Statistics). For significant assets located outside EU territory, the breakdown by NUTS code will only be provided where applicable.</p> <p>ii. disaggregate the monetary amounts of assets at risk by acute and chronic physical risk .</p> <p>(d) calculate the share of assets at material physical risk resulting from paragraph 66 (a) that is addressed by the climate change adaptation actions based on the information disclosed under Disclosure Requirement E1-3. This aims at approximating net risks.</p>	<p>AR 31. When preparing the information on assets at material physical risk that is required to be disclosed under paragraph 31 (a), the undertaking shall:</p> <p>(a) Calculate the assets at material physical risk in terms of monetary amount and as a proportion (percentage) of total assets at the reporting date (i.e., the proportion is an estimate of the carrying value of assets at material physical risk divided by total carrying value as stated in the statement of financial position or balance sheet). The estimate of assets at material physical risk shall be derived starting from the assets recognised in the financial statements. The estimate of monetary amounts and proportion of assets at physical risk may be presented as either a single amount or range.</p> <p>(b) All types of assets including finance-lease / right-of-use assets shall be considered when determining the assets at material physical risk.</p> <p>(c) To contextualise this information, the undertaking shall:</p> <p>i. disclose the location of its significant assets at material physical risk. Significant assets located in the EU territory shall be aggregated by NUTS codes 3 level digits (Nomenclature of Territorial Units for Statistics). For significant assets located outside EU territory, the breakdown by NUTS code will only be provided where applicable.</p> <p>ii. disaggregate the monetary amounts of assets at risk by acute and chronic physical risk .</p> <p>(d) calculate the share of assets at material physical risk resulting from paragraph AR 31 (a) that is addressed by the climate change adaptation actions based on the information disclosed under Disclosure Requirement 11 (IR-3)-3 – <i>Policies and actions in relation to sustainability matters (Section 3)</i>. <del>This aims at approximating net risks.</del></p>
<p>AR 71. When preparing the information required under paragraph 64 (a) and 66 (d), the undertaking may assess and disclose the share of net revenue from business activities at physical risk. This disclosure</p> <p>(a) shall be based on the net revenue in line with the requirements in accounting standards applied for financial statements, i.e., IFRS 15 or local GAAP.</p> <p>(b) may include a breakdown of the undertaking's business activities with the corresponding details of the associated percentage of total net revenue, the risk factors (hazards, exposure and sensitivity) and, if possible, the magnitude of the anticipated financial effects in terms of margin erosion over the short-, medium- and long-term time horizons. The nature of business activities may also be disaggregated by operating segments if the undertaking has disclosed the contribution of margins by operational segments in its segment reporting in the financial statements.</p>	<p>AR 32. When preparing the information required under paragraph 31(a), the undertaking may assess and disclose the share of net revenue from business activities at physical risk. This disclosure:</p> <p>(a) shall be based on the net revenue in line with the requirements in accounting standards applied for financial statements, i.e., IFRS 15 or local GAAP.</p> <p>(b) may include a breakdown of the undertaking's business activities with the corresponding details of the associated percentage of total net revenue, the risk factors (hazards, exposure and sensitivity) and, if possible, the magnitude of the anticipated financial effects in terms of margin erosion over the short-, medium and long-term time horizons. The nature of business activities may also be disaggregated by operating segments if the undertaking has disclosed the contribution of margins by operational segments in its segment reporting in the financial statements.</p>
<p>Calculation guidance - Anticipated financial effects from transition risk</p> <p>AR 72. When disclosing the information required under paragraphs 64 (b) and 67 (a), the undertaking shall explain whether and how:</p> <p>(a) it has assessed the potential effects on future financial performance and position for assets and business activities at material transition risk, including the scope of application,</p>	<p>Calculation guidance - Anticipated financial effects from transition risk</p> <p>AR 33. When disclosing the information required under paragraphs 29(b) and 32(a), the undertaking shall explain whether and how:</p> <p>(a) it has assessed the potential effects on future financial performance and position for assets and business activities at material transition risk, including the scope of application, calculation methodology, critical assumptions and parameters, and</p>

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<p>calculation methodology, critical assumptions and parameters, and limitations of the assessment; and</p> <p>(b) the assessment of assets and business activities considered to be at material transition risk relies on or is part of the process to determine material transition risks as described under paragraphs 20 (c) and AR 11 and to determine scenarios as required under paragraphs AR 12 to AR 13. In particular, it shall explain how it has defined medium- and long-term time horizons and how these definitions are linked to the expected lifetime of the undertaking's assets, strategic planning horizons and capital allocation plans.</p>	<p>limitations of the assessment; and</p> <p>(b) the assessment of assets and business activities considered to be at material transition risk relies on or is part of the process to determine material transition risks as described under AR 35(b), AR 37, AR 39, and AR 40 of [draft] Section 2 (Disclosure Requirement 9 (IR-1) Description of the processes to identify and assess material impacts and risks) and to determine scenarios as required under paragraphs AR 39 to AR 40. In particular, it shall explain how it has defined medium- and long-term time horizons and how these definitions are linked to the expected lifetime of the undertaking's assets, strategic planning horizons and capital allocation plans.</p>
<p>AR 73. When disclosing the information on assets at material transition risk as required under paragraphs 67 (a) and (b):</p> <p>(a) the undertaking shall at the very least include an estimate of the amount of potentially stranded assets (in monetary amounts and as a proportion/percentage) from the reporting year until 2030 and from 2030 to 2050. Stranded assets are understood as the active or firmly planned key assets of the undertaking with significant locked-in GHG emissions over their operating lifetime. Firmly planned key assets are those that the undertaking will most likely deploy within the next 5 years. The amount may be expressed as a range of asset values based on different climate and policy scenarios, including a scenario aligned with limiting climate change to 1.5°C.</p> <p>(b) the undertaking shall disclose a breakdown of the carrying value of its real estate assets, including rights-of-use assets, by energy efficiency classes. The energy efficiency shall be represented in terms of either the ranges of energy consumption in kWh/m<sup>2</sup> or the EPC (Energy Performance Certificate) label class. If the undertaking cannot obtain this information on a best-effort basis, it shall disclose the total carrying amount of the real estate assets for which the energy consumption is based on internal estimates.</p> <p>(c) the undertaking shall calculate the proportion (percentage) of total assets (including finance lease/right-of-use assets) at material transition risk addressed by the climate change mitigation actions based on the information disclosed under Disclosure Requirement E1-3. The total assets amount is the carrying amount on the balance sheet at the reporting date.</p>	<p>AR 34. When disclosing the information on assets at material transition risk as required under paragraphs 32(a) and (b):</p> <p>(a) the undertaking shall at the very least include an estimate of the amount of potentially stranded assets (in monetary amounts and as a proportion/percentage) from the reporting year until 2030 and from 2030 to 2050. Stranded assets are understood as the active or firmly planned key assets of the undertaking with significant locked-in GHG emissions over their operating lifetime. Firmly planned key assets are those that the undertaking will most likely deploy within the next five years. The amount may be expressed as a range of asset values based on different climate and policy scenarios, including a scenario aligned with limiting climate change to 1.5°C.</p> <p>(b) the undertaking may disclose a breakdown of the carrying value of its real estate assets, including rights-of-use assets, by energy efficiency classes. The energy efficiency shall be represented in terms of either the ranges of energy consumption in kWh/m<sup>2</sup> or the EPC (Energy Performance Certificate) label class. If the undertaking cannot obtain this information on a best-effort basis, it shall disclose the total carrying amount of the real estate assets for which the energy consumption is based on internal estimates.</p> <p>(c) the undertaking shall calculate the proportion (percentage) of total assets (including finance lease/right-of-use assets) at material transition risk addressed by the climate change mitigation actions based on the information disclosed under Disclosure Requirement E1-3. The total assets amount is the carrying amount on the balance sheet as of the reporting date.</p>
<p>AR 74. When disclosing the information on potential liabilities from material transition risks required under paragraph 67(d):</p> <p>(a) undertakings that operate installations regulated under an emission trading scheme may include a range of potential future liabilities originating from these schemes;</p> <p>(b) undertakings subject to the EU ETS, may disclose the potential future liabilities that relate to their allocation plans for the period before and until 2030. The potential liability may be estimated on the basis of:</p> <ol style="list-style-type: none"> <li>i. the number of allowances held by the undertaking at the beginning of the reporting period;</li> <li>ii. the number of allowances to be purchased in the market yearly, i.e., before and until 2030;</li> <li>iii. the gap between estimated future emissions under various transition scenarios and free allocations of allowances that are known for the period until 2030, and</li> <li>iv. the estimated yearly cost per tonne of CO<sub>2</sub> for which an allowance needs to be purchased;</li> </ol>	<p>AR 35. When disclosing the information on potential liabilities from material transition risks required under paragraph 32(d):</p> <p>(a) undertakings that operate installations regulated under an emission trading scheme may include a range of potential future liabilities originating from these schemes;</p> <p>(b) undertakings subject to the EU ETS, may disclose the potential future liabilities that relate to their allocation plans for the period before and until 2030. The potential liability may be estimated on the basis of:</p> <ol style="list-style-type: none"> <li>i. the number of allowances held by the undertaking at the beginning of the reporting period;</li> <li>ii. the number of allowances to be purchased in the market yearly, i.e., before and until 2030;</li> <li>iii. the gap between estimated future emissions under various transition scenarios and free allocations of allowances that are known for the period until 2030; and</li> <li>iv. the estimated yearly cost per tonne of CO<sub>2</sub> for which an allowance needs to be purchased;</li> </ol>

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<p>(c) In assessing its potential future liabilities, the undertaking may consider and disclose the number of Scope 1 GHG emission allowances within regulated emission trading schemes and the cumulative number of emission allowances stored (from previous allowances) at the beginning of the reporting period;</p> <p>(d) undertakings disclosing volumes of carbon credits planned to be cancelled in the near future (Disclosure Requirement E1-7) may disclose the potential future liabilities associated with those based on existing contractual agreements;</p> <p>(e) the undertaking may also include its monetised gross Scope 1, 2 and total GHG emissions (in monetary units) calculated as follows:</p> <p>i. monetised Scope 1 and 2 GHG emissions in the reporting year by the following formula:</p> $\frac{\text{gross Scope 1 GHG emissions (t CO}_2\text{eq)} + \text{gross Scope 2 GHG emission (t CO}_2\text{eq)}}{\text{t CO}_2\text{eq}} \times \text{GHG emission cost rate (}\frac{\text{€}}{\text{t CO}_2\text{eq}}\text{)}$ <p>ii. monetised total GHG emissions in the reporting year by the following formula:</p> $\text{Total GHG emissions (t CO}_2\text{eq)} \times \text{GHG emission cost rate (}\frac{\text{€}}{\text{t CO}_2\text{eq}}\text{)}$ <p>iii. by use of a lower, middle and upper cost rate<sup>29</sup> for GHG emissions (e.g., market carbon price and different estimates for the societal costs of carbon) and reasons for selecting them.</p>	<p>(c) In assessing its potential future liabilities, the undertaking may consider and disclose the number of Scope 1 GHG emission allowances within regulated emission trading schemes and the cumulative number of emission allowances stored (from previous allowances) at the beginning of the reporting period;</p> <p>(d) undertakings disclosing volumes of carbon credits planned to be cancelled in the near future (Disclosure Requirement E1-7) may disclose the potential future liabilities associated with those based on existing contractual agreements;</p> <p>(e) the undertaking may also include its monetised gross Scope 1, 2 and total GHG emissions (in monetary units) calculated as follows:</p> <p>v. monetised Scope 1 and 2 GHG emissions in the reporting year by the following formula:</p> $\frac{\text{gross Scope 1 GHG emissions (t CO}_2\text{eq)} + \text{gross Scope 2 GHG emission (t CO}_2\text{eq)}}{\text{t CO}_2\text{eq}} \times \text{GHG emission cost rate (}\frac{\text{€}}{\text{t CO}_2\text{eq}}\text{)}$ <p>vi. monetised total GHG emissions in the reporting year by the following formula:</p> $\text{Total GHG emissions (t CO}_2\text{eq)} \times \text{GHG emission cost rate (}\frac{\text{€}}{\text{t CO}_2\text{eq}}\text{)}$ <p>vii. by use of a lower, middle and upper cost rate for GHG emissions (e.g., market carbon price and different estimates for the societal costs of carbon) and reasons for selecting them.</p>
<p>AR 75. Other approaches and methodologies may be applied to assess how transition risks may affect the future financial position of the undertaking. In any case, the disclosure of anticipated financial effects shall include a description of the methodologies and definitions used by the undertaking</p>	<p>AR 36. Other approaches and methodologies may be applied to assess how transition risks may affect the future financial position of the undertaking. In any case, the disclosure of anticipated financial effects shall include a description of the methodologies and definitions used by the undertaking</p>
<p>AR 76. When preparing the information required under paragraph 67 (e), the undertaking may assess and disclose the share of net revenue from business activities at transition risks. This disclosure:</p> <p>(a) shall be based on the net revenue in line with the requirements in accounting standards applied for financial statements, i.e., IFRS 15 or local GAAP.</p> <p>(b) may include a breakdown of the undertaking's business activities with the corresponding details of the associated percentage of current net revenue, risk factors (events and exposure), and when possible, the anticipated financial effects related to margin erosion over the short-, medium- and long-term. The nature of business activities may also be disaggregated by operating segments if the undertaking has disclosed the contribution of margins by operational segments in its segment reporting in the financial statements.</p>	<p>AR 37. When preparing the information required under paragraph 32 (e), the undertaking may assess and disclose the share of net revenue from business activities at transition risks. This disclosure:</p> <p>(a) shall be based on the net revenue in line with the requirements in accounting standards applied for financial statements, i.e., IFRS 15 or local GAAP.</p> <p>(b) may include a breakdown of the undertaking's business activities with the corresponding details of the associated percentage of current net revenue, risk factors (events and exposure), and when possible, the anticipated financial effects related to margin erosion over the short-, medium- and long-term. The nature of business activities may also be disaggregated by operating segments if the undertaking has disclosed the contribution of margins by operational segments in its segment reporting in the financial statements.</p>
<p>Connectivity with financial reporting information</p> <p>AR 77. The reconciliation of the significant amount of assets, liabilities, and net revenue (vulnerable to either material physical risks or transition risks) to the relevant line item or</p>	<p>Connectivity with financial reporting information</p> <p>AR 38. The reconciliation of the significant amount of assets, liabilities, and net revenue (vulnerable to either material physical risks or transition risks) to the relevant line item or</p>

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<p>disclosure (e.g., in segment reporting) in the financial statements (as required by paragraph 68) may be presented by the undertaking as follows:</p> <p>(a) as a cross-reference to the related line item or disclosure in the financial statements if these amounts are identifiable in the financial statements; or</p> <p>(b) If these cannot be directly cross-referenced, as a quantitative reconciliation of each to the relevant line item or disclosure in the financial statement using the below tabular format:</p> <table border="1" data-bbox="91 352 736 488"> <tr> <td>Carrying amount of assets or liabilities or net revenue vulnerable to either material physical or transition risks</td> <td></td> </tr> <tr> <td>Adjusting items</td> <td></td> </tr> <tr> <td>Assets or liabilities or net revenue in the financial statements</td> <td></td> </tr> </table>	Carrying amount of assets or liabilities or net revenue vulnerable to either material physical or transition risks		Adjusting items		Assets or liabilities or net revenue in the financial statements		<p>disclosure (e.g., in segment reporting) in the financial statements (as required by paragraph 33) may be presented by the undertaking as follows:</p> <p>(a) as a cross-reference to the related line item or disclosure in the financial statements if these amounts are identifiable in the financial statements; or</p> <p>(b) If these cannot be directly cross-referenced, as a quantitative reconciliation of each to the relevant line item or disclosure in the financial statement using the below tabular format:</p> <table border="1" data-bbox="1140 352 1785 488"> <tr> <td>Carrying amount of assets or liabilities or net revenue vulnerable to either material physical or transition risks</td> <td></td> </tr> <tr> <td>Adjusting items</td> <td></td> </tr> <tr> <td>Assets or liabilities or net revenue in the financial statements</td> <td></td> </tr> </table>	Carrying amount of assets or liabilities or net revenue vulnerable to either material physical or transition risks		Adjusting items		Assets or liabilities or net revenue in the financial statements	
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Assets or liabilities or net revenue in the financial statements													
<p>AR 78. The undertaking shall ensure the consistency of data and assumptions to assess and report the anticipated financial effects from material physical risks and transition risks in the sustainability statement with the corresponding data and assumptions used for the financial statements (e.g., carbon prices used for assessing impairment of assets, the useful life of assets, estimates and provisions). The undertaking shall explain the reasons for any inconsistencies (e.g., if the full financial implications of climate-related risks are still under assessment or are not deemed material in the financial statements).</p>	<p>AR 39. The undertaking shall ensure the consistency of data and assumptions to assess and report the anticipated financial effects from material physical risks and transition risks in the sustainability statement with the corresponding data and assumptions used for the financial statements (e.g., carbon prices used for assessing impairment of assets, the useful life of assets, estimates and provisions). The undertaking shall explain the reasons for any inconsistencies (e.g., if the full financial implications of climate-related risks are still under assessment or are not deemed material in the financial statements).</p>												
<p>AR 79. For potential future effects on liabilities (as required by paragraph 67 (d)), if applicable, the undertaking shall cross-reference the description of the emission trading schemes in the financial statements.</p>	<p>AR 40. For potential future effects on liabilities (as required by paragraph 32(d)), if applicable, the undertaking shall cross-reference the description of the emission trading schemes in the financial statements.</p>												
<p><b>Climate-related opportunities</b></p> <p>AR 80. When disclosing the information under paragraph 69 (a), the undertaking shall explain the nature of the cost savings (e.g., from reduced energy consumption), the time horizons and the methodology used, including the scope of the assessment, critical assumptions, and limitations, and whether and how scenario analysis was applied.</p>	<p><b>Climate-related opportunities</b></p> <p>AR 41. When disclosing the information under paragraph 35(a), the undertaking may explain the nature of the cost savings (e.g., from reduced energy consumption), the time horizons and the methodology used, including the scope of the assessment, critical assumptions, and limitations, and whether and how scenario analysis was applied.</p>												
<p>AR 81. When disclosing the information required under paragraph 69 (b), the undertaking shall explain how it has assessed the market size or any expected changes to net revenue from low-carbon products and services or adaptation solutions including the scope of the assessment, the time horizon, critical assumptions, and limitations and to what extent this market is accessible to the undertaking. The information on the market size may be put in perspective to the current taxonomy-aligned revenue disclosed under the provisions of Regulation (EU) 2020/852. The entity may also explain how it will pursue its climate-related opportunities and, where possible, this should be linked to the disclosures on policies, targets and actions under Disclosure Requirements E1-2, E1-3 and E1-4.</p>	<p>AR 42. When disclosing the information required under paragraph 35(b), the undertaking may explain how it has assessed the market size or any expected changes to net revenue from low-carbon products and services or adaptation solutions including the scope of the assessment, the time horizon, critical assumptions, and limitations and to what extent this market is accessible to the undertaking. The information on the market size may be put in perspective to the current taxonomy-aligned revenue disclosed under the provisions of Regulation (EU) 2020/852. The entity may also explain how it will pursue its climate-related opportunities and, where possible, this should be linked to the disclosures on policies, targets and actions under Disclosure Requirements E1-2, E1-3 and E1-4.</p>												
<p><b>ESRS E2 - POLLUTION</b></p>													
<p><b>ESRS 2 General disclosures</b></p> <p><b>Impact, risk and opportunity management</b></p>	<p><b>ESRS 2 General disclosures</b></p> <p><b>Impact, risk and opportunity management</b></p>												



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<p><b>Disclosure Requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material pollution-related impacts, risks and opportunities</b></p>	<p><del>Disclosure Requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material pollution-related impacts, risks and opportunities</del></p> <p>Centralized in Section 2 and 3</p>
<p><b>Disclosure Requirement E2-1 – Policies related to pollution</b></p>	<p><del>Disclosure Requirement E2-1 – Policies related to pollution</del></p> <p>Centralized in Section 2 and 3</p>
<p><b>Disclosure Requirement E2-2 – Actions and resources related to pollution</b></p>	<p><del>Disclosure Requirement E2-2 – Actions and resources related to pollution</del></p> <p>Centralized in Section 2 and 3</p>
<p><b>Metrics and targets</b></p> <p><b>Disclosure Requirement E2-3 – Targets related to pollution</b></p>	<p><del>Metrics and targets</del></p> <p><del>Disclosure Requirement E2-3 – Targets related to pollution</del></p> <p>Centralized in Section 2 and 3</p>
<p><b>Disclosure Requirement E2-4 – Pollution of air, water and soil</b></p>	<p><b>Disclosure Requirement E2-1 – Pollution of air, water and soil</b></p> <p>Centralized in Section 2 and 3</p>
<p>AR 20. The information to be provided on microplastics under paragraph 28(b) shall include microplastics that have been generated or used during production processes or that are procured, and that leave the undertaking's facilities as emissions, as products, or as part of products or services. Microplastics may be unintentionally produced when larger pieces of plastics like car tires or synthetic textiles wear and tear or may be deliberately manufactured and added to products for specific purposes (e.g., exfoliating beads in facial or body scrubs).</p>	<p>AR 43. The information to be provided on microplastics under paragraph 38(b) shall include microplastics that have been generated or used during production processes or that are procured, and that leave the undertaking's facilities as emissions, as products, or as part of products or services. Microplastics may be unintentionally produced when larger pieces of plastics like car tires or synthetic textiles wear and tear or may be deliberately manufactured and added to products for specific purposes (e.g., exfoliating beads in facial or body scrubs).</p>
<p>AR 21. The volume of pollutants shall be presented in appropriate mass units, for example tonnes or kilogrammes.</p>	<p><i>AR 44. The volume of pollutants shall be calculated and presented for the aggregated amount of each pollutant individually, but the mass of different pollutants shall not be added together. For example, an undertaking with two factories that emit mercury and lead, shall add the lead emission from the two factories, but not add lead and mercury emissions. The units of reporting shall be appropriate mass units, for example in tonnes or kilogrammes, depending on type and quantities of the pollutant.</i></p>
	<p><i>AR 45. The metrics to be disclosed under paragraph 38(a) refer to information that the undertaking is already mandated to provide by law. This requirement was conceived to avoid any additional reporting burden on undertakings. In general, this requirement is expected to apply to undertakings that are operators of one industrial installation covered by the Industrial Emissions Directive (IED). The IED applies to some 52,000 installations in Europe covering activities such as burning fuel in boilers with rated power of more than 50 MW, metal foundries, processing of non-ferrous metals, production of lime, manufacture of ceramic products by firing, production of plant protection products or biocides, tanning of hides, or slaughterhouses. In these cases, the installation already has to report to the competent authority the pollutants released to air, water and soil, and the data is publicly available at the European Pollutant Release and Transfer Register (E-PRTR). Companies that operate more than one facility, do not have to report on their consolidated company-wide emissions under the EPRTR, as they</i></p>

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	<i>report only at facility level. This disclosure requirement requires to report the total amount of all the facilities. Similarly, companies owning but not operating a facility, do not have to report to the EPRTR but are expected to reflect their facility-owned emissions in their sustainability report.</i>
AR 22. The information required under this Disclosure Requirement shall be provided at the level of the reporting undertaking. However, the undertaking may disclose additional breakdown including information at site level or a breakdown of its emissions by type of source, by sector or by geographical area.	AR 46. The information required under this Disclosure Requirement shall be provided at the level of the reporting undertaking. However, the undertaking may disclose additional breakdown including information at site level or a breakdown of its emissions by type of source, by sector or by geographical area.
AR 23. When providing contextual information on the emissions, the undertaking may consider: (a) the local air quality indices (AQI) for the area where the undertaking's air pollution occurs; (b) the degree of urbanisation (DEGURBA) for the area where air pollution occurs; and (c) the undertaking's percentage of the total emissions of pollutants to water and soil occurring in areas at water risk, including areas of high-water stress.	<i>Contextual information</i> <del>AR 23. When providing contextual information on the emissions, the undertaking may consider: (a) the local air quality indices (AQI) for the area where the undertaking's air pollution occurs; (b) the degree of urbanisation (DEGURBA) for the area where air pollution occurs; and (c) the undertaking's percentage of the total emissions of pollutants to water and soil occurring in areas at water risk, including areas of high-water stress.;</del>
AR 24. The information provided under this Disclosure Requirement may refer to information the undertaking is already required to report under other existing legislation (i.e., IED, E- PRTR, etc.).	AR 47. The information provided under this Disclosure Requirement may refer to information the undertaking is already required to report under other existing legislation (i.e., IED, E-PRTR, etc.).
AR 25. Where the undertaking's activities are subject to Directive 2010/75/EU of the European Parliament and of the Council on industrial emissions (IED) and relevant Best Available Techniques Reference Documents (BREFs), irrespective of whether the activity takes place within the European Union or not, the undertaking may disclose the following additional information: (a) a list of installations operated by the undertaking that fall under the IED and EU- BAT Conclusions; (b) a list of any non-compliance incidents or enforcement actions necessary to ensure compliance in case of breaches of permit conditions; (c) the actual performance, as specified in the EU-BAT conclusions for industrial installations, and comparison of the undertaking's environmental performance against "emission levels associated with the best available techniques" the (BATAEL) as described in EU-BAT conclusions; (d) the actual performance of the undertaking against "environmental performance levels associated with the best available techniques" (BAT-AEPLs) provided that they are applicable to the sector and installation; and (e) a list of any compliance schedules or derogations granted by competent authorities according to Art. 15(4) Directive 2010/75/EU that are associated with the implementation of BAT-AELs.	AR 48. Where the undertaking's activities are subject to Directive 2010/75/EU of the European Parliament and of the Council on industrial emissions (IED) and relevant Best Available Techniques Reference Documents (BREFs), irrespective of whether the activity takes place within the European Union or not, the undertaking may disclose the following additional information: (a) a list of installations operated by the undertaking that fall under the IED and EU BAT Conclusions; (b) a list of any non-compliance incidents or enforcement actions necessary to ensure compliance in case of breaches of permit conditions; (c) the actual performance, as specified in the EU-BAT conclusions for industrial installations, and comparison of the undertaking's environmental performance against "emission levels associated with the best available techniques" the (BAT-AEL) as described in EU-BAT conclusions; (d) the actual performance of the undertaking against "environmental performance levels associated with the best available techniques (BAT-AEPLs) provided that they are applicable to the sector and installation; and (e) a list of any compliance schedules or derogations granted by competent authorities according to Art. 15(4) Directive 2010/75/EU that are associated with the implementation of BAT-AELs.
Methodologies AR 26. When providing information on pollutants, the undertaking shall consider approaches for quantification in the following order of priority: (a) direct measurement of emissions, effluents or other pollution through the use of recognised continuous monitoring systems (e.g., AMS Automated Measuring Systems); (b) periodic measurements; (c) calculation based on site-specific data;	Methodologies AR 49. When providing information on pollutants, the undertaking shall consider approaches for quantification in the following order of priority: (a) direct measurement of emissions, effluents or other pollution through the use of recognised continuous monitoring systems (e.g., AMS Automated Measuring Systems); (b) periodic measurements; (c) calculation based on site-specific data;

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(d) calculation based on published pollution factors; and (e) estimation.	(d) calculation based on published pollution factors; and (e) estimation.
AR 27. Regarding the disclosure of methodologies required by paragraph 30, the undertaking shall consider: (a) whether its monitoring is carried out in accordance with EU BREF Standards or another relevant reference benchmark; and (b) whether and how the calibration tests of the AMS were undertaken and the verification of periodic measurement by independent labs were ensured.	AR 50. Regarding the disclosure of methodologies required by paragraph 39, the undertaking shall consider: (a) whether its monitoring is carried out in accordance with EU BREF Standards or another relevant reference benchmark; and (b) whether and how the calibration tests of the AMS were undertaken and the verification of periodic measurement by independent labs were ensured.
	AR 51. <i>The amounts referred in paragraph 38 shall include the emissions from those facilities over which the undertaking has financial control and those over which it has operational control. It shall include only the emissions from facilities for which the applicable threshold value specified in Annex II of Regulation (EC) No 166/2006 is exceeded.</i>
	AR 52. <i>When disclosing the information required under paragraph 39, when an inferior methodology is compared to direct measurement of emissions is chosen to quantify emissions, the reasons for choosing this inferior methodology shall be outlined by the undertaking. If the undertaking uses estimates, it shall disclose the standard, sectoral study or sources which form the basis of its estimates, as well as the possible degree of uncertainty and the range of estimates reflecting the measurement uncertainty.</i>
<p><b>Disclosure Requirement E2-5 – Substances of concern and substances of very high concern</b></p> <p><b>List of substances to be considered</b> AR 28. In order for the information to be complete, substances in the undertaking's own operations and those procured shall be included (e.g., embedded in ingredients, semi-finished products, or the final product).</p>	<p><b>Disclosure Requirement E2-2 – Substances of concern and substances of very high concern</b></p> <p><b>List of substances to be considered</b> AR 53. In order for the information to be complete, substances in the undertaking's own operations and those procured shall be included (e.g., embedded in ingredients, semi-finished products, or the final product).</p>
AR 29. The volume of pollutants shall be presented in mass units, for example tonnes or kilogrammes or other mass units appropriate for the volumes and type of pollutants being released.	AR 54. The volume of pollutants shall be presented in mass units, for example tonnes or kilogrammes or other mass units appropriate for the volumes and type of pollutants being released.
Contextual information AR 30. The information provided under this Disclosure Requirement may refer to information the undertaking is already required to report under other existing legislation (i.e., Directive 2010/75/EU, Regulation (EC) No 166/2006 "E-PRTR", etc.).	Contextual information AR 55. The information provided under this Disclosure Requirement may refer to information the undertaking is already required to report under other existing legislation (i.e., Directive 2010/75/EU, Regulation (EC) No 166/2006 "E-PRTR", etc.).
<p><b>Disclosure Requirement E2-6 – Anticipated financial effects from material pollution-related risks and opportunities</b></p> <p>AR 33. The undertaking may include an assessment of its related products and services at risk over the short-, medium- and long-term, explaining how these are defined, how financial amounts are estimated, and which critical assumptions are made.</p>	<p><b><del>Disclosure Requirement E2-6 – Anticipated financial effects from material pollution-related risks and opportunities</del></b> <b><i>Anticipated financial effects from material environmental-related matters other than climate</i></b></p>

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AR 34. The quantification of the anticipated financial effects in monetary terms under paragraph 38(a) may be a single amount or a range.	
AR 31. The operating and capital expenditures related to incidents and deposits may include for instance: (a) cost for eliminating and remediating the respective pollution of air, water and soil including environmental protection; (b) damage compensation costs including payment of fines and penalties imposed by regulators or government authorities.	
AR 32. Incidents may include for instance interruptions of production, whether arising from the supply chain and/or from own operations, which resulted in pollution.	
<b>ESRS E3 – WATER</b>	
<p><b>ESRS 2 General disclosures</b></p> <p><b>Impact, risk and opportunity management</b></p> <p><b>Disclosure Requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities</b></p>	<p><del><b>ESRS 2 General disclosures</b></del></p> <p><del><b>Impact, risk and opportunity management</b></del></p> <p><del><b>Disclosure Requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities</b></del></p> <p>Centralized in Section 2 and 3</p>
<p><b>Disclosure Requirement E3-1 – Policies related to water and marine resources</b></p>	<p><del><b>Disclosure Requirement E3-1 – Policies related to water and marine resources</b></del></p> <p>Centralized in Section 2 and 3</p>
<p><b>Disclosure Requirement E3-2 – Actions and resources related to water and marine resources policies</b></p>	<p><del><b>Disclosure Requirement E3-2 – Actions and resources related to water and marine resources policies</b></del></p> <p>Centralized in Section 2 and 3</p>
<p><b>Metrics and targets</b></p> <p><b>Disclosure Requirement E3-3 – Targets related to water and marine resources</b></p>	<p><del><b>Metrics and targets</b></del></p> <p><del><b>Disclosure Requirement E3-3 – Targets related to water and marine resources</b></del></p> <p>Centralized in Section 2 and 3</p>
<p><b>Disclosure Requirement E3-4 – Water consumption</b></p> <p>AR 28. The undertaking may operate in various areas at water risk. When disclosing information under paragraph 28 (b), the undertaking shall include such information only for those areas that have been identified as material in accordance with ESRS2 IRO-1 and ESRS2 SBM-3.</p>	<p><del><b>Disclosure Requirement E3-1 – Water consumption</b></del></p> <p><del>AR 28. The undertaking may operate in various areas at water risk. When disclosing information under paragraph 28 (b), the undertaking shall include such information only for those areas that have been identified as material in accordance with ESRS2 IRO-1 and ESRS2 SBM-3.</del></p>

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AR 29. When disclosing contextual information on water consumption performance required by paragraph 26, the undertaking shall explain the calculation methodologies and more specifically the share of the measure obtained from direct measurement, from sampling and extrapolation, or from best estimates.	AR 56. When disclosing contextual information on water management performance required by paragraph 44, the undertaking shall explain the calculation methodologies and more specifically the share of the measure obtained from direct measurement, from sampling and extrapolation, or from best estimates.
AR 30. The undertaking may provide information on other breakdowns (i.e., per sector or segments).	<del>AR 30. The undertaking may provide information on other breakdowns (i.e., per sector or segments).</del>
AR 31. When disclosing information required by paragraph 29 the undertaking may provide additional intensity ratios based on other denominators.	<del>AR 31. When disclosing information required by paragraph 29 the undertaking may provide additional intensity ratios based on other denominators.</del>
AR 32. The undertaking may also provide information on its water withdrawals and water discharges	<del>AR 32. The undertaking may also provide information on its water withdrawals and water discharges</del>
<p><b>Disclosure Requirement E3-5 – Anticipated financial effects from material water and marine resources-related risks and opportunities</b></p>	<p><del><b>Disclosure Requirement E3-5 – Anticipated financial effects from material water and marine resources-related risks and opportunities</b></del>  <b>Anticipated financial effects from material environmental-related matters other than climate</b></p> <p>(merged and centralized with the other Anticipated financial effects)</p>
<p><b>ESRS E4 – ECOSYSTEM AND BIODIVERSITY</b></p>	
<p><b>ESRS 2 General disclosures</b></p> <p><b>Strategy</b></p> <p><b>Disclosure Requirement E4-1 – Transition plan and consideration of biodiversity and ecosystems in strategy and business model</b></p>	<p><del><b>ESRS 2 General disclosures</b></del></p> <p><del><b>Strategy</b></del></p> <p><del><b>Disclosure Requirement E4-1 – Transition plan and consideration of biodiversity and ecosystems in strategy and business model</b></del></p> <p>Centralized in Section 2 and 3</p>
<p><b>Impact, risk and opportunity management</b></p> <p><b>Disclosure requirements related to ESRS 2 IRO-1 – Description of the processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities</b></p>	<p><del><b>Impact, risk and opportunity management</b></del></p> <p><del><b>Disclosure requirements related to ESRS 2 IRO-1 – Description of the processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities</b></del></p> <p>Centralized in Section 2 and 3</p>
<p><b>Disclosure Requirement E4-2 – Policies related to biodiversity and ecosystems</b></p>	<p><del><b>Disclosure Requirement E4-2 – Policies related to biodiversity and ecosystems</b></del></p> <p>Centralized in Section 2 and 3</p>
<p><b>Disclosure Requirement E4-3 – Actions and resources related to biodiversity and ecosystems</b></p>	<p><del><b>Disclosure Requirement E4-3 – Actions and resources related to biodiversity and ecosystems</b></del></p> <p>Centralized in Section 2 and 3</p>
<p><b>Metrics and targets</b></p> <p><b>Disclosure Requirement E4-4 – Targets related to biodiversity and ecosystems</b></p>	<p><del><b>Metrics and targets</b></del></p> <p><del><b>Disclosure Requirement E4-4 – Targets related to biodiversity and ecosystems</b></del></p>

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<p><b>Disclosure Requirement E4-5 – Impact metrics related to biodiversity and ecosystems change</b></p> <p>AR 27. When preparing the information required under this Disclosure Requirement, the undertaking shall consider and may describe:</p> <p>(a) the methodologies and metrics used and an explanation for why these methodologies and metrics are selected, as well as their assumptions, limitations and uncertainties, and any changes in methodologies made over time and why they occurred;</p>	<p>Centralized in Section 2 and 3</p> <p><b>Disclosure Requirement E4-1 – Impact metrics related to biodiversity and ecosystems change</b></p> <p><i>AR 57. Managed sites are specific locations of one or more physical installations, which the undertaking manages. In certain cases, there may be more than one physical installation from the same or different owners or operators and certain infrastructure and facilities may be shared. In these cases, the entire area where the physical installation is located may constitute a site</i></p> <p>AR 58. When preparing the information required under this Disclosure Requirement, the undertaking shall <del>consider and may</del> <i>briefly describe the metrics and methodologies used including:</i></p> <p>(a) <del>the methodologies and metrics used and an explanation for why these methodologies and metrics are selected, as well as their assumptions, limitations and uncertainties, and any changes in methodologies made over time and why they occurred</del> <i>why these were selected;</i></p>
<p>(b) the scope of the metrics and methodologies, for example:</p> <p>i. undertaking, site, brand, commodity, corporate business unit, activity;</p> <p>ii. aspects (as set out in paragraph AR 4) covered.</p> <p>(c) the biodiversity components of the metrics: species specific, ecosystem specific;</p> <p>(d) the geographies covered by the methodology and an explanation of why any relevant geographies were omitted;</p>	<p><del>(b) the scope of the metrics and methodologies, for example:</del></p> <p><del>i. undertaking, site, brand, commodity, corporate business unit, activity;</del></p> <p><del>ii. aspects (as set out in paragraph AR 4) covered.</del></p> <p><del>(c) the biodiversity components of the metrics: species specific, ecosystem specific;</del></p> <p><del>(d) the geographies covered by the methodology and an explanation of why any relevant geographies were omitted;</del></p>

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	<p>(b) their organizational scope (undertaking, site, brand, commodity, corporate business unit, activity), operational scope (entire value chain, upstream or downstream value chain, or own operations and leased assets) and geographical scope (geographies covered by the metrics;</p> <p>(c) if metrics are species specific or ecosystem specific;</p>
<p>(h) an indication of which action is measured and monitored via the metrics and how they relate to the achievement of targets;</p>	<p>(d) an indication of which actions are measured and monitored via the metrics and how they relate to the achievement of targets.</p>
<p>(e) how the metrics integrate ecological thresholds (e.g., the biosphere integrity and land-system change, planetary boundaries) and allocations;</p> <p>(f) the frequency of monitoring, key metrics being monitored, and the baseline condition/value and baseline year/period, as well as the reference period;</p> <p>(g) whether these metrics rely on primary data, secondary data, modelled data or on expert judgement, or a mixture of these;</p> <p>(i) whether metrics are mandatory (required by legislation) or voluntary. If they are mandatory, the undertaking may indicate the relevant legislation; if voluntary, the undertaking may refer to any voluntary standard or procedure used; and</p> <p>(j) whether the metrics are informed by or correspond to expectations or recommendations of relevant and authoritative national, EU-level or intergovernmental guidelines, policies, legislation or agreements, such as the Convention for Biological Diversity (CBD) or IPBES.</p>	<p>AR 59. The undertaking may also disclose:</p> <p>(a) how the metrics integrate ecological thresholds (e.g., the biosphere integrity and land-system change planetary boundaries) and allocations;</p> <p>(b) the frequency of monitoring, key indicators being monitored, and the baseline condition/value and baseline year/period, as well as the reference period;</p> <p>(c) other methodological aspects such as if the parametrisation of these metrics rely on primary data, secondary data, modelled data or on expert judgement, or a mixture of these;</p> <p>(d) whether metrics are mandatory (based on legislation) or voluntary. If they are mandatory, the undertaking may consider listing the relevant legislation; if voluntary, refer to the voluntary standard/procedure used; and</p> <p>(e) whether the metrics are informed by or correspond to expectations or recommendations of relevant and authoritative national, EU-level or intergovernmental guidelines, policies, legislation or agreements, such as the Convention for Biological Diversity (CBD) and IPBES.</p>
<p>AR 28. The undertaking shall disclose metrics that are verifiable and that are technically and scientifically robust considering the appropriate time scales geographies, and may disclose how its selected metrics correspond to those criteria. To ensure that the metric is relevant there should be a clear relationship between the indicator and the purpose of the measurement. Uncertainties should be reduced as far as possible. Data or mechanisms used should be supported by well-established organisations and updated over time. Robust modelled data and expert judgment can be used where data gaps exist. The methodology shall be sufficiently detailed to allow for meaningful comparison of impacts and mitigation activities over time. Information gathering processes and definitions must be systematically applied. This enables a meaningful review of the undertaking's performance over time and helps internal and peer comparison.</p>	<p><del>AR 28. The undertaking shall disclose metrics that are verifiable and that are technically and scientifically robust considering the appropriate time scales geographies, and may disclose how its selected metrics correspond to those criteria. To ensure that the metric is relevant there should be a clear relationship between the indicator and the purpose of the measurement. Uncertainties should be reduced as far as possible. Data or mechanisms used should be supported by well-established organisations and updated over time. Robust modelled data and expert judgment can be used where data gaps exist. The methodology shall be sufficiently detailed to allow for meaningful comparison of impacts and mitigation activities over time. Information gathering processes and definitions must be systematically applied. This enables a meaningful review of the undertaking's performance over time and helps internal and peer comparison.</del></p>
<p>AR 29. If a metric corresponds to a target, the baseline for both shall be aligned. The biodiversity baseline is an essential component of the larger biodiversity and ecosystems management process. The baseline is necessary to inform impact assessment and management planning, as well as monitoring and adaptive management.</p>	<p><del>AR 29. If a metric corresponds to a target, the baseline for both shall be aligned. The biodiversity baseline is an essential component of the larger biodiversity and ecosystems management process. The baseline is necessary to inform impact assessment and management planning, as well as monitoring and adaptive management.</del></p>
<p>AR 30. Methodologies available to collect data and measure the undertakings' impacts on biodiversity and ecosystems may be separated into three categories as follows:</p> <p>(a) primary data: collected in-situ using on the ground surveys;</p> <p>(b) secondary data: including geospatial data layers that are overlaid with geographic location data of business activities.</p>	<p>AR 60. Methodologies available to collect data and measure the undertakings' impacts on biodiversity and ecosystems may be separated into three categories as follows:</p> <p>(a) primary data: collected in-situ using on the ground surveys;</p> <p>(b) secondary data: including geospatial data layers that are overlaid with geographic location data of business activities:</p>

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<p>i. At the species level, data layers on the ranges of different species can be used to predict the species that may be present at different locations. This includes operation sites and sourcing locations. Different range layers will have different levels of accuracy depending on certain factors (e.g., whether species ranges have been refined based on availability of habitat). Information on the threat status of the species, and the activities that threaten them, can provide an indication of the likely contribution that business activities may be having on driving population trends and threat status.</p> <p>ii. At the ecosystem level, data layers reflecting change in the extent and condition of ecosystems can be applied, including levels of habitat fragmentation and connectivity.</p> <p>(c) modelled biodiversity state data: Model-based approaches are commonly used for measuring ecosystem level indicators (e.g., extent, condition, or function). Models quantify how the magnitude of different pressures affects the state of biodiversity. These are referred to as pressure-state relationships and are based on globally collected data. Modelling results are applied locally to estimate how undertaking level pressures will cause changes in ecosystem condition. An impact driver generally has three main characteristics: magnitude (e.g., amount of contaminant, noise intensity), spatial extent (e.g., area of land contaminated) and temporal extent (duration of persistence of contaminant).</p>	<p>i. at the species level, data layers on the ranges of different species can be used to predict the species that may be present at different locations. This includes operation sites and sourcing locations. Different range layers will have differing levels of accuracy depending on certain factors (e.g., whether species ranges have been refined based on availability of habitat). Information on the threat status of the species, and the activities that threaten them, can provide an indication of the likely contribution that business activities may be having on driving population trends and threat status;</p> <p>ii. at the ecosystem level, data layers reflecting change in the extent and condition of ecosystems can be applied, including levels of habitat fragmentation and connectivity;</p> <p>(c) modelled biodiversity state data: Model-based approaches are commonly used for measuring ecosystem level indicators (e.g., extent, condition, or function). Models quantify how the magnitude of different pressures affects the state of biodiversity. These are referred to as pressure-state relationships and are based on globally collected data. Modelling results are applied locally to estimate how undertaking-level pressures will cause changes in ecosystem condition. An impact driver generally has three main characteristics: magnitude (e.g., amount of contaminant, noise intensity), spatial extent (e.g., area of land contaminated) and temporal extent (duration of persistence of contaminant).</p>
<p>AR 31. With regard to life cycle assessment for land-use, the undertaking may refer to the "Landuse related environmental indicators for Life Cycle Assessment" by the Joint Research Center.</p>	<p>AR 61. With regard to life cycle assessment for land-use, the undertaking may refer to the "Land-use related environmental indicators for Life Cycle Assessment" by the Joint Research Center.</p>
<p>AR 32. With regard to the introduction of invasive alien species, the undertaking may disclose the pathways and number of invasive alien species and the extent of surface covered by invasive alien species.</p>	<p>AR 62. With regard to the introduction of invasive alien species, the undertaking may disclose the pathways and number of invasive alien species and the extent of surface covered by invasive alien species.</p>
<p>AR 33. With regard to metrics on the extent and condition of ecosystems, useful guidance can be found in the work of the United Nations System of Environmental Economic Accounting Ecosystem Accounting (UN SEEA EA).</p>	<p>AR 63. With regard to metrics on the extent and condition of ecosystems, useful guidance can be found in the work of the United Nations System of Environmental Economic Accounting Ecosystem Accounting (UN SEEA EA).</p>
<p>AR 34. The undertaking may disclose in units of area (e.g., m2 or ha) on land-use using guidance provided by the Eco-Management and Audit Scheme (EMAS) :</p> <p>(a) total use of land;</p> <p>(b) total sealed area;</p> <p>(c) total nature-oriented area on site; and (d) total nature-oriented area off site.</p>	<p>AR 64. The undertaking may disclose in units of area (e.g., m2 or ha) on land-use using guidance provided by the Eco-Management and Audit Scheme (EMAS) :</p> <p>(a) total use of land;</p> <p>(b) total sealed area;</p> <p>(c) total nature-oriented area on site; and (d) total nature-oriented area off site.</p>
<p>AR 35. The undertaking may disclose, for example, land cover change, which is the physical representation of the drivers "habitat modification" and "industrial and domestic activities", i.e., the man-made or natural change of the physical properties of the earth's surface at a specific location.</p>	<p>AR 65. The undertaking may disclose, for example, land cover change, which is the physical representation of the drivers "habitat modification" and "industrial and domestic activities", i.e., the man-made or natural change of the physical properties of Earth's surface at a specific location.</p>
<p>AR 36. Land cover is a typical variable that can be assessed with earth observation data.</p>	<p>AR 66. Land cover is a typical variable that can be assessed with earth observation data.</p>
<p>AR 37. When reporting on material impacts related to the ecosystems, the undertaking may, in addition to the extent and condition of ecosystems, also consider the functioning of ecosystems by using:</p> <p>(a) a metric that measures a process or function that the ecosystem completes, or that reflects the ability of the ecosystem to undertake that specific process or function:</p>	<p>AR 67. When reporting on material impacts related to the ecosystems, the undertaking may, in addition to the extent and condition of ecosystems, also consider the functioning of ecosystems by using:</p> <p>(a) a metric that measures a process or function that the ecosystem completes, or that reflects the ability of the ecosystem to undertake that specific process or function:</p>



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<p>e.g. net primary productivity, which is a measure of plant productivity based on the rate at which energy is stored by plants and made available to other species in the ecosystem. It is a core process that occurs for ecosystems to function. It is related to many factors, such as species diversity, but does not measure these factors directly; or</p> <p>(b) A metric that measures changes to the population of scientifically identified species under threat.</p>	<p>e.g. net primary productivity, which is a measure of plant productivity based on the rate at which energy is stored by plants and made available to other species in the ecosystem. It is a core process that occurs for ecosystems to function. It is related to many factors, such as species diversity, but does not measure these factors directly; or</p> <p>(b) A metric that measures changes to the population of scientifically identified species under threat.</p>
<p>AR 38. At the ecosystem level, data layers reflecting change in the extent and condition of ecosystems may be applied, including levels of habitat fragmentation and connectivity.</p>	<p>AR 68. At the ecosystem level, data layers reflecting change in the extent and condition of ecosystems may be applied, including levels of habitat fragmentation and connectivity.</p>
<p><b>Disclosure Requirement E4-6 – Anticipated financial effects from material biodiversity and ecosystem-related risks and opportunities</b></p>	<p><del><b>Disclosure Requirement E3-5 – Anticipated financial effects from material water and marine resources-related risks and opportunities</b></del>  <b>Anticipated financial effects from material environmental-related matters other than climate</b></p> <p>(merged and centralized with the other Anticipated financial effects other than Climate)</p>
<p><b>ESRS E5 – CIRCULAR ECONOMY</b></p>	
<p><b>ESRS 2 General disclosures</b></p> <p><b>Impact, risk and opportunity management</b></p> <p><b>Disclosure requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities</b></p>	<p><del><b>ESRS 2 General disclosures</b></del></p> <p><del><b>Impact, risk and opportunity management</b></del></p> <p><del><b>Disclosure requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities</b></del></p> <p>Centralized in Section 2 and 3</p>
<p><b>Disclosure Requirement E5-1 – Policies related to resource use and circular economy</b></p>	<p><del><b>Disclosure Requirement E5-1 – Policies related to resource use and circular economy</b></del></p> <p>Centralized in Section 2 and 3</p>
<p><b>Disclosure Requirement E5-2 – Actions and resources in relation to resource use and circular economy</b></p>	<p><del><b>Disclosure Requirement E5-2 – Actions and resources in relation to resource use and circular economy</b></del></p> <p>Centralized in Section 2 and 3</p>
<p><b>Metrics and targets</b></p> <p><b>Disclosure Requirement E5-3 - Targets related to resource use and circular economy</b></p>	<p><del><b>Metrics and targets</b></del></p> <p><del><b>Disclosure Requirement E5-3 - Targets related to resource use and circular economy</b></del></p> <p>Centralized in Section 2 and 3</p>
<p><b>Disclosure Requirement E5-4 - Resource inflows</b></p> <p>AR 21. Resource inflows may cover the following categories: IT equipment, textiles, furniture, buildings, heavy machinery, mid-weight machinery, light machinery, heavy transport, midweight transport, light transport and warehousing equipment. With regard to materials, resource inflow</p>	<p><b>Disclosure Requirement E5-1 - Resource inflows</b></p> <p>AR 69. The disclosure required by paragraph 57, a description of resource inflows used in the undertaking's own operations and along its upstream value chain, may distinguish between: a) materials, including: i) raw materials, distinguishing between critical raw materials and rare earths; ii) associated process materials; iii) semi-manufactured goods or parts; b) products,</p>

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indicators include raw materials, associated process materials, and semimanufactured goods or parts.	<i>including several categories such as packaging, IT equipment, textiles, furniture, buildings, heavy machinery, mid-weight machinery, light machinery, heavy transport, mid-weight transport, light transport and warehousing equipment; c) water; c) property, plant and equipment. When describing the relevant resource inflows that generate IROs, the undertaking shall explain what type it is referring to. Examples include raw materials (e.g. wood, ores), products (e.g. machinery), goods, semi-manufactured goods, or parts used as input into its products and services (e.g. electronic components).</i>
AR 22. When the undertaking is subject to paragraph 31, it may also provide transparency on the materials that are sourced from by-products/waste stream (e.g., offcuts of a material that has not previously been in a product).	<i>AR 70. The resource inflows to be considered for calculation of metrics mentioned in paragraphs 58 (a) to (c) are the ones considered to expose the undertaking to material impacts or and not all resource inflows the undertaking is sourcing.</i>
AR 23. The denominator of the percentage indicator required under paragraphs 31(b) and 31(c) is the overall total weight of materials used during the reporting period.	AR 71. The denominator of the percentage indicator required under paragraphs 58(b) and (c) is the overall total weight of materials (as referred in previous AR) used during the reporting period.
	<i>AR 72. When the undertaking is subject to paragraph 58, it may also provide transparency on the materials that are sourced from byproducts/waste stream (e.g., offcuts of a material that has not previously been in a product).</i>
AR 24. The reported usage data are to reflect the material in its original state, and not to be presented with further data manipulation, such as reporting it as “dry weight”.	AR 73. The reported usage data are to reflect the material in its original state, and not to be presented with further data manipulation, such as reporting it as “dry weight”.
AR 25. In cases where there is an overlap between categories of reused, recycled, the undertaking shall specify how double counting was avoided and the choices that were made.	AR 74. In cases where there is an overlap between categories of reused, recycled, the undertaking shall specify how double counting was avoided and the choices that were made.
<b>Disclosure Requirement E5-5 - Resource outflows</b>	<b>Disclosure Requirement E5-2 - Resource outflows</b>
AR 26. Products and materials information to be provided under paragraph 35 refers to all materials and products that come out of the undertaking's production process and that a company puts on the market (including packaging).	AR 75. Products and materials information to be provided under paragraph 62 refer to all products and materials that come out of the undertaking's production process and that a company puts on the market (including packaging).
AR 27. When compiling the rate, the undertaking shall use as denominator the overall total weight of materials used during the reporting period.	<del>AR 27. When compiling the rate, the undertaking shall use as denominator the overall total weight of materials used during the reporting period.</del>
AR 28. The undertaking may disclose its engagement in product end-of-life waste management, for example through extended producer responsibility schemes or take-back schemes.	AR 76. The undertaking may disclose its engagement in product end-of-life waste management, for example through extended producer responsibility schemes or take-back schemes.
AR 29. Type of waste is to be understood as hazardous waste or non-hazardous waste. Some specific waste, such as radioactive waste, may also be presented as a separate type.	<del>AR 29. Type of waste is to be understood as hazardous waste or non-hazardous waste. Some specific waste, such as radioactive waste, may also be presented as a separate type.</del>
AR 30. When considering the waste streams relevant to its sectors or activities, the undertaking may consider the list of waste descriptions from the European Waste Catalogue.	AR 77. When considering the waste streams relevant to its sectors or activities, the undertaking may consider the list of waste descriptions from the European Waste Catalogue.
AR 31. Examples of other types of recovery operations under paragraph 37(b)iii may be found in Annex II of Directive 2008/98/EC (Waste Framework Directive).	AR 78. Examples of other types of disposal operations under paragraph 63 (iii) can be found in Annex I of Directive 2008/98/EC (Waste Framework Directive).
AR 32. Examples of other types of disposal operations under paragraph 37(c)iii may be found in Annex I of Directive 2008/98/EC (Waste Framework Directive).	<del>AR 32. Examples of other types of disposal operations under paragraph 37(c)iii may be found in Annex I of Directive 2008/98/EC (Waste Framework Directive).</del>
AR 33. When providing contextual information under paragraph 40 the undertaking may: (a) explain the reasons for high weights of waste directed to disposal (e.g., local regulations that prohibit landfill of specific types of waste); (b) describe sector practices, sector standards, or external regulations that mandate a specific disposal operation; and	AR 79. When providing contextual information under paragraph 64 the undertaking may: (a) explain the reasons for high weights of waste directed to disposal (e.g., local regulations that prohibit landfilling of specific types of waste); (b) describe sector practices, sector standards, or external regulations that mandate a specific disposal operation; and

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(c) specify whether the data has been modelled or sourced from direct measurements, such as waste transfer notes from contracted waste collectors.	(c) specify whether the data has been modelled or sourced from direct measurements, such as waste transfer notes from contracted waste collectors.
<b>Disclosure Requirement E5-6 – Anticipated financial effects from material resource use and circular economy-related risks and opportunities</b>	<p><del><b>Disclosure Requirement E5-6 – Anticipated financial effects from material resource use and circular economy-related risks and opportunities</b></del>  <b>Anticipated financial effects from material environmental-related matters other than climate</b></p> <p>(merged and centralized with the other Anticipated financial effect p. 48)</p>
	<p><i>Disclosure Requirement E6 – Anticipated financial effects from material environmental-related matters other than climate</i></p> <p><i>AR 80. The undertaking may include an assessment of its related products and services at risk over the short, medium and long-term, explaining how these are defined, how financial amounts are estimated, and which critical assumptions are made.</i></p> <p><i>AR 81. The undertaking may to consider as part of its anticipated financial effects related to pollution:</i></p> <p><i>a) Operating and capital expenditures related to incidents and deposits, which may include: i) costs of eliminating and remediating the respective pollution of air, water and soil including environmental protection; ii) damage compensation costs including payment of fines and penalties imposed by regulators or government authorities.</i></p> <p><i>b) Costs related to the management of incidents which may include interruptions of production, whether arising from the supply chain and/or from own operations, which resulted in pollution.</i></p>

# ESRS LSME ED Section 5 – Social

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<b>ESRS S1 OWN WORKFORCE</b>	<b>OWN WORKFORCE (S1)</b>
<b>Objective</b>	<b>Objective</b>
<p>1. The objective of this Standard is to specify disclosure requirements which will enable users of the sustainability statement to understand the undertaking's material impacts on its own workforce, as well as related material risks and opportunities, including:</p> <ul style="list-style-type: none"> <li>(a) how the undertaking affects its own workforce, in terms of material positive and negative actual or potential impacts;</li> <li>(b) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential negative impacts, and to address risks and opportunities;</li> <li>(c) the nature, type and extent of the undertaking's material risks and opportunities related to its impacts and dependencies on its own workforce, and how the undertaking manages them; and</li> <li>(d) the financial effects on the undertaking over the short-, medium- and long-term of material risks and opportunities arising from the undertaking's impacts and dependencies on its own workforce.</li> </ul>	<p>1. The objective of this [draft] Section is to specify disclosure requirements which will enable users of the sustainability statement to understand <del>the undertaking's material impacts on its own workforce, as well as related material risks and opportunities, including:</del></p> <ul style="list-style-type: none"> <li>(a) <i>how the undertaking affects its own workforce, workers in its value chain, affected communities and consumers and end-users;</i> in terms of material negative actual or potential impacts;</li> <li>(b) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential negative impacts, and to address risks <i>and opportunities</i>;</li> <li>(c) the nature, type and extent of the undertaking's material risks <del>and opportunities related to its impacts and dependencies on its own workforce</del> <i>on its own workforce, workers in its value chain, affected communities and consumers and end-users;</i> and how the undertaking manages them;</li> <li>(d) the financial effects on the undertaking over the short-, medium- and long-term of material risks <del>and opportunities</del> arising from the undertaking's impacts and dependencies on its own workforce, <i>workers in its value chain, affected communities and consumers and end-users.</i></li> </ul>
<p>2. In order to meet the objective, this Standard also requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on its own workforce in relation to the following social, including human rights, factors or matters:</p> <ul style="list-style-type: none"> <li>(a) working conditions, including: <ul style="list-style-type: none"> <li>i. secure employment;</li> <li>ii. working time;</li> <li>iii. adequate wages;</li> <li>iv. social dialogue;</li> <li>v. freedom of association, the existence of works councils and the information, consultation and participation rights of workers;</li> <li>vi. collective bargaining, including the rate of the undertaking's workforce covered by collective agreements;</li> <li>vii. work-life balance; and</li> <li>viii. health and safety.</li> </ul> </li> <li>(b) equal treatment and opportunities for all, including: <ul style="list-style-type: none"> <li>i. gender equality and equal pay for work of equal value;</li> <li>ii. training and skills development;</li> <li>iii. employment and inclusion of persons with disabilities;</li> <li>iv. measures against violence and harassment in the workplace; and</li> <li>v. diversity.</li> </ul> </li> <li>(c) other work-related rights, including those that relate to:</li> </ul>	<p>2. <del>This Standard also requires an explanation</del> <i>These [draft] Disclosure Requirements</i> also require the provision of an explanation by the undertaking of how such impacts, as well as the undertaking's dependencies on its own workforce, <i>workers in the value chain, affected communities and consumers and end-users</i> can create material risks <del>or opportunities</del> for the undertaking. <del>For example, on the matter of equal opportunities, discrimination in hiring and promotion against women can reduce the undertaking's access to qualified labour and harm its reputation. Conversely, policies to increase the representation of women in the workforce and in upper levels of management can have positive effects, such as increasing the pool of qualified labour and improving the undertaking's reputation.</del></p> <p>No correspondence with par. 2 SET 1</p> <p><del>In order to meet the objective, this Standard also requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on its own workforce in relation to the following social, including human rights, factors or matters:</del></p> <ul style="list-style-type: none"> <li>(a) <del>working conditions, including:</del> <ul style="list-style-type: none"> <li><del>i. secure employment;</del></li> <li><del>ii. working time;</del></li> <li><del>iii. adequate wages;</del></li> <li><del>iv. social dialogue;</del></li> </ul> </li> </ul>

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<p>i. child labour;                      ii. forced labour;                      iii. adequate housing; and                      iv. privacy.</p>	<p>v. freedom of association, the existence of works councils and the information, consultation and participation rights of workers;                      vi. collective bargaining, including the rate of the undertaking's workforce covered by collective agreements;                      vii. work-life balance; and                      viii. health and safety.                      (b) equal treatment and opportunities for all, including:                      i. gender equality and equal pay for work of equal value; ii. training and skills development;                      iii. employment and inclusion of persons with disabilities; iv. measures against violence and harassment in the workplace; and                      v. diversity.                      (c) other work-related rights, including those that relate to:                      i. child labour;                      ii. forced labour;                      iii. adequate housing; and                      iv. privacy.</p>
<p>3. This Standard also requires an explanation of how such impacts, as well as the undertaking's dependencies on its own workforce, can create material risks or opportunities for the undertaking. For example, on the matter of equal opportunities, discrimination in hiring and promotion against women can reduce the undertaking's access to qualified labour and harm its reputation. Conversely, policies to increase the representation of women in the workforce and in upper levels of management can have positive effects, such as increasing the pool of qualified labour and improving the undertaking's reputation.</p>	<p>3. <i>The undertaking shall apply the requirements in this Section, when it concludes that the corresponding topic is material (according to chapter 3.3 Double materiality, 3.4 Impact materiality and 3.5 Financial materiality of Section 1). Following the undertaking's assessment of the materiality of the information according to paragraph 36 of Section 1, the sustainability statement shall include those disclosures prescribed in this Section that are assessed to be material. Individual datapoints may be omitted when the corresponding information is not material and the undertaking concludes that such information is not needed to meet the objective of the Disclosure Requirement.</i></p>
	<p>4. <i>This section sets requirements for metrics that are relevant only to Own Workforce. Disclosure requirements related to workers in the value chain, affected communities and consumers and end-users are located in Section 3 Centralised Disclosures (as policies, actions, targets).</i></p>
<p>4. This Standard covers an undertaking's own workforce, which is understood to include both people who are in an employment relationship with the undertaking ("employees") and nonemployees who are either people with contracts with the undertaking to supply labour ("selfemployed people") or people provided by undertakings primarily engaged in "employment activities" (NACE Code N78). See Application Requirement 3 for examples of who falls under own workforce. The information required to be disclosed with regard to non-employees shall not affect their status pursuant to applicable labour law.</p>	<p>5. <i>For Own Workforce (S1):</i>                      (a) <i>These [draft] Disclosure Requirements relate to the following sustainability matters: (a) working conditions (including secure employment; working time; adequate wages; social dialogue; freedom of association, the existence of works councils and the information, consultation and participation rights of workers; collective bargaining, including the rate of the undertaking's employees covered by collective agreements; work-life balance; and health and safety), (b) equal treatment and opportunities for all (including gender equality and equal pay for work of equal value; training and skills development; employment and inclusion of persons with disabilities; measures against violence and harassment in the workplace; and diversity), (c) other work-related rights (including those that relate to child labour; forced labour; adequate housing; and privacy).</i>                      (b) <del>This Standard</del> <i>These [draft] Disclosure Requirements cover an undertaking's own workforce, which is understood to include both people who are in an employment relationship with the undertaking ("employees") and non-employees who are either people with contracts with the undertaking to supply labour ("self-employed people") or people provided by undertakings primarily engaged in "employment activities" (NACE Code N78). See Application</i></p>

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	<p>Requirement 3 for examples of who falls under own workforce. The information required to be disclosed with regard to non-employees shall not affect in any way the employment status pursuant to applicable labour law.</p> <p>(c) These [draft] Disclosure Requirements require undertakings to describe their own workforce, including key characteristics of the employees and non-employees that are part of it. This description provides users with an understanding of the structure of the undertaking's relationship with present workforce and helps to contextualise information that are relevant and material to other social disclosures included in this Section of LSME ESRS.</p> <p>(d) The objective of these [draft] Disclosure Requirements is also to enable users to understand the extent to which the undertaking aligns or complies with international and European human rights instruments and conventions, including the International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and ILO fundamental conventions, the UN Convention on Persons with Disabilities, the European Convention of Human Rights, the revised European Social Charter, the Charter of Fundamental Rights of the European Union, the EU policy priorities as set out by the European Pillar of Social Rights, and Union legislation.</p>
<p>5. This Standard does not cover workers in the undertaking's upstream or downstream value chain; these categories of workers are covered in ESRS S2 Workers in the value chain.</p>	<p>6. For Workers in the value chain (S2):</p> <p>(a) These [draft] Disclosure Requirements relate to the following sustainability matters: (a) working conditions (for example, secure employment, working time, adequate wage, social dialogue, freedom of association, including the existence of work councils, collective bargaining, work-life balance and health and safety); (b) equal treatment and opportunities for all (for example, gender equality and equal pay for work of equal value, training and skills development, the employment and inclusion of persons with disabilities, measures against violence and harassment in the workplace, and diversity); (c) other work-related rights (for example, child labour, forced labour, adequate housing, water and sanitation and privacy).</p> <p>(b) This Standard does not cover workers in the undertaking's upstream or downstream value chain; these categories of workers are covered in ESRS S2 Workers in the value chain. These [draft] Disclosure Requirements cover all workers in the undertaking's upstream and downstream value chain who are or can be materially impacted by the undertaking, including the impacts that are connected with the undertaking's own operations, products and or services, this also includes the value chain through its business relationships. This includes also all the workers who are not included in the scope of "own workforce" ("own workforce" includes employees, individual contractors, i.e., self-employed workers, and workers provided by third party undertakings primarily engaged in 'employment activities') and are or can be significantly affected by the undertaking. See AR 3 for examples of what is included in the scope of this [draft] Standard.</p>
<p>6. The Standard requires undertakings to describe their own workforce, including key characteristics of the employees and non-employees that are part of it. This description provides users with an understanding of the structure of the undertaking's own workforce and helps to contextualise information provided through other disclosures.</p>	<p>No correspondence with SET 1</p> <p>7. For Affected communities (S3), these [draft] Disclosure Requirements relate to the following sustainability matters: (a) communities' economic, social and cultural rights (for example, adequate housing, adequate food, water and sanitation, land-related and security-related impacts); (b) communities' civil and political rights (for example, freedom of expression, freedom of assembly, impacts on human rights defenders); (c) particular rights of indigenous peoples (for example, free, prior and informed consent, self-determination, cultural rights).</p>

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<p>7. The objective of the Standard is also to enable users to understand the extent to which the undertaking aligns or complies with international and European human rights instruments and conventions, including the International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and ILO fundamental conventions, the UN Convention on Persons with Disabilities, the European Convention of Human Rights, the revised European Social Charter, the Charter of Fundamental Rights of the European Union, the EU policy priorities as set out by the European Pillar of Social Rights, and Union legislation, including the EU labour law acquis.</p>	<p>No correspondence with SET 1            8. For Consumers and end-users (S4), these [draft] Disclosure Requirements relate to the following sustainability matters: (a) information-related impacts on consumers and/or end-users (for example, privacy, freedom of expression and access to (quality) information; (b) personal safety of consumers and/or end-users (for example, health and safety, security of a person and protection of children); (c) social inclusion of consumers and/or end-users (for example, non-discrimination, access to products and services and responsible marketing practices).</p>
<p><b>Interaction with other ESRS</b></p>	<p><b>Interaction with other ESRS</b></p>
<p>8. This Standard shall be read in conjunction with ESRS 1 General principles and ESRS 2 General requirements.</p>	<p><del>8. This Standard shall be read in conjunction with ESRS 1 General principles and ESRS 2 General requirements.</del></p>
<p>9. This Standard shall be read in conjunction with ESRS S2 Workers in the value chain, ESRS S3 Affected communities and ESRS S4 Consumers and end-users.</p>	<p><del>9. This Standard shall be read in conjunction with ESRS S2 Workers in the value chain, ESRS S3 Affected communities and ESRS S4 Consumers and end-users.</del></p>
<p>10. The reporting under this Standard shall be consistent, coherent and where relevant clearly linked with reporting on the undertaking's own workforce under ESRS S2, in order to ensure effective reporting.</p>	<p><del>10. The reporting under this Standard shall be consistent, coherent and where relevant clearly linked with reporting on the undertaking's own workforce under ESRS S2, in order to ensure effective reporting.</del></p>
<p><b>Disclosure requirements</b></p>	<p><b>Disclosure requirements</b></p>
<p><b>ESRS 2 General disclosures</b></p>	<p><b>ESRS 2 General disclosures</b></p>
<p>11. The requirements of this section should be read in conjunction with the disclosures required by ESRS 2 on Strategy (SBM). The resulting disclosures shall be presented alongside the disclosures required by ESRS 2, except for ESRS 2 SBM-3, for which the undertaking has an option to present the disclosures alongside the topical disclosure.</p>	<p><del>11. The requirements of this section should be read in conjunction with the disclosures required by ESRS 2 on Strategy (SBM). The resulting disclosures shall be presented alongside the disclosures required by ESRS 2, except for ESRS 2 SBM-3, for which the undertaking has an option to present the disclosures alongside the topical disclosure.</del></p>
<p>Strategy</p>	<p>Strategy</p>
<p>Disclosure Requirement related to ESRS 2 SBM-2 – Interests and views of stakeholders</p>	<p>Disclosure Requirement related to ESRS 2 SBM-2 – Interests and views of stakeholders</p>
<p>12. When responding to ESRS 2 SBM-2, the undertaking shall disclose how the interests, views, and rights of people in its own workforce, including respect for their human rights, inform its strategy and business model. The undertaking's own workforce is a key group of affected stakeholders.</p>	<p><del>12. When responding to ESRS 2 SBM-2, the undertaking shall disclose how the interests, views, and rights of people in its own workforce, including respect for their human rights, inform its strategy and business model. The undertaking's own workforce is a key group of affected stakeholders.</del></p>
<p><b>Disclosure Requirement related to ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model</b></p>	<p><b>Centralised in AR of Section 2</b></p>
<p>13. When responding to ESRS 2 SBM-3 paragraph 48, the undertaking shall disclose:            (a) whether and how actual and potential impacts on its own workforce as identified in ESRS 2 IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities: (i) originate from or are connected to the undertaking's strategy and business models, and (ii) inform and contribute to adapting the undertaking's strategy and business model; and            (b) the relationship between its material risks and opportunities arising from impacts and dependencies on own workforce and its strategy and business model.</p>	

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<p>14. When fulfilling the requirements of paragraph 48, the undertaking shall disclose whether all people in its own workforce who could be materially impacted by the undertaking are included in the scope of its disclosure under ESRS 2. These material impacts shall include impacts that are connected with the undertaking's own operations and its value chain, including through its products or services, as well as through its business relationships. In addition, the undertaking shall provide the following information:</p> <p>(a) a brief description of the types of employees and non-employees in its own workforce subject to material impacts by its operations, and specify whether they are employees, self-employed people, or people provided by third party undertakings primarily engaged in employment activities;</p> <p>(b) in the case of material negative impacts, whether they are either (i) widespread or systemic in contexts where the undertaking operates (for example, child labour or forced labour or compulsory labour in specific countries or regions outside the EU), or (ii) related to individual incidents (for example, an industrial accident or an oil spill);</p> <p>(c) in the case of material positive impacts, a brief description of the activities that result in the positive impacts, the types of employees and non-employees in its own workforce that are positively affected or could be positively affected; the undertaking may also disclose whether the positive impacts occur in specific countries or regions;</p> <p>(d) any material risks and opportunities for the undertaking arising from impacts and dependencies on its own workforce;</p> <p>(e) any material impacts on its own workforce that may arise from transition plans for reducing negative impacts on the environment and achieving greener and climate- neutral operations, including information on the impacts on own workforce caused by the undertaking's plans and actions to reduce carbon emissions in line with international agreements. Impacts, risks and opportunities include restructuring and employment loss as well as opportunities arising from job creation and reskilling or upskilling;</p> <p>(f) operations at significant risk of incidents of forced labour or compulsory labour either in terms of:</p> <p>i. type of operation (such as manufacturing plant); or ii. countries or geographic areas with operations considered at risk;</p> <p>(g) operations at significant risk of incidents of child labour either in terms of:</p> <p>i. type of operation (such as manufacturing plant); or</p> <p>ii. countries or geographic areas with operations considered at risk.</p>	
<p>15. In describing the main types of people in its own workforce who are or could be negatively affected, based on the materiality assessment set out in ESRS 2 IRO 1, the undertaking shall disclose whether and how it has developed an understanding of how people with particular characteristics, those working in particular contexts, or those undertaking particular activities may be at greater risk of harm.</p>	
<p>16. The undertaking shall disclose which, if any, of its material risks and opportunities arising from impacts and dependencies on people in its own workforce relate to specific groups of people (for example, particular age groups, or people working in a particular factory or country) rather than to all of its own workforce (for example, a general pay cut, or training offered to all people in its own workforce).</p>	



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<b>Impacts, risks and opportunities management</b>	
<b>Disclosure Requirement S1-1 – Policies related to own workforce</b>	<b>Centralised in Section 3 AR</b>
17. The undertaking shall describe its policies adopted to manage its material impacts on its own workforce, as well as associated material risks and opportunities.	
18. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of material impacts on the undertaking's own workforce specifically, as well as policies that cover material impacts, risks and opportunities related to its own workforce.	
19. The disclosure required by paragraph 17 shall contain the information on the undertaking's policies to manage its material impacts, risks and opportunities related to its own workforce in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters. In addition, the undertaking shall specify if such policies cover specific groups within its own workforce or all of its own workforce.	
20. The undertaking shall describe its human rights policy commitments that are relevant to its own workforce, including those processes and mechanisms to monitor compliance with the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises . In its disclosure it shall focus on those matters that are material in relation to, as well as its general approach to: (a) respect for the human rights, including labour rights, of people in its own workforce; (b) engagement with people in its own workforce; and (c) measures to provide and/or enable remedy for human rights impacts.	
21. The undertaking shall disclose whether and how its policies with regard to its own workforce are aligned with relevant internationally recognised instruments, including the UN Guiding Principles on Business and Human Rights .	
22. The undertaking shall state whether its policies in relation to its own workforce explicitly address trafficking in human beings, forced labour or compulsory labour and child labour.	
23. The undertaking shall state whether it has a workplace accident prevention policy or management system	
24. The undertaking shall disclose: (a) whether it has specific policies aimed at the elimination of discrimination, including harassment, promoting equal opportunities and other ways to advance diversity and inclusion; (b) whether the following grounds for discrimination are specifically covered in the policy: racial and ethnic origin, colour, sex, sexual orientation, gender identity, disability, age, religion, political opinion, national extraction or social origin, or other forms of discrimination covered by Union regulation and national law;	

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<p>(c) whether the undertaking has specific policy commitments related to inclusion or positive action for people from groups at particular risk of vulnerability in its own workforce and, if so, what these commitments are; and</p> <p>(d) whether and how these policies are implemented through specific procedures to ensure discrimination is prevented, mitigated and acted upon once detected, as well as to advance diversity and inclusion in general</p>	
<p><b>Disclosure Requirement S1-2 – Processes for engaging with own workforce and workers' representatives about impacts</b></p>	<p><b>Centralised in Section 3 AR</b></p>
<p>25. The undertaking shall disclose its general processes for engaging with people in its own workforce and workers' representatives about actual and potential impacts on its own workforce.</p> <p>26. The objective of this Disclosure Requirement is to enable an understanding of how the undertaking engages, as part of its ongoing due diligence process, with people in its own workforce and workers' representatives about material, actual and potential, positive and/or negative impacts that do or are likely to affect them, and whether and how perspectives of its own workforces are taken into account in the decision-making processes of the undertaking.</p>	
<p>27. The undertaking shall disclose whether and how the perspectives of its own workforce inform its decisions or activities aimed at managing the actual and potential impacts on its own workforce. This shall include, where relevant, an explanation of:</p> <p>(a) whether engagement occurs directly with the undertaking's own workforce or workers' representatives;</p> <p>(b) the stage(s) at which engagement occurs, the type of engagement and frequency of the engagement;</p> <p>(c) the function and the most senior role within the undertaking that has operational responsibility for ensuring that this engagement happens and that the results inform the undertaking's approach;</p> <p>(d) where applicable, a Global Framework Agreement or other agreements that the undertaking has with workers' representatives related to the respect of human rights of its own workforce, including an explanation of how the agreement enables the undertaking to gain insight into the perspectives of its own workforce; and</p> <p>(e) where applicable, how the undertaking assesses the effectiveness of its engagement with its own workforce, including, where relevant, any agreements or outcomes that result.</p>	
<p>28. Where applicable, the undertaking shall disclose the steps it takes to gain insight into the perspectives of people in its own workforce who may be particularly vulnerable to impacts and/or marginalised (for example, women, migrants, people with disabilities).</p>	
<p>29. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with its own workforce, it shall disclose this to be the case. It may disclose a timeframe in which it aims to have such a process in place.</p>	
<p>Disclosure Requirement S1-3 – Processes to remediate negative impacts and channels for own workforce to raise concerns</p>	

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<p>30. The undertaking shall describe the processes it has in place to provide for or cooperate in the remediation of negative impacts on people in its own workforce that the undertaking is connected with, as well as channels available to its own workforce to raise concerns and have them addressed.</p>	
<p>31. The objective of this Disclosure Requirement is to enable an understanding of the formal means by which the undertaking's own workforce can make their concerns and needs known directly to the undertaking and/or through which the undertaking supports the availability of such channels (for example, grievance mechanisms) in the workplace, and how follow up is carried out with the people concerned regarding the issues raised and the effectiveness of these channels</p>	
<p>32. The undertaking shall describe the processes in place to cover the matters defined within paragraph 2 of the Objective section by disclosing the following information:</p> <ul style="list-style-type: none"> <li>(a) its general approach to and processes for providing or contributing to remedy where it has caused or contributed to a material negative impact on people in its own workforce, including whether and how the undertaking assesses that the remedy provided is effective;</li> <li>(b) any specific channels it has in place for its own workforce to raise their concerns or needs directly with the undertaking and have them addressed, including whether these are established by the undertaking itself and/or through participation in third-party mechanisms;</li> <li>(c) whether or not the undertaking has a grievance/complaints handling mechanism related to employee matters ; and</li> <li>(d) the processes through which the undertaking supports the availability of such channels in the workplace of its own workforce; and</li> <li>(e) how it tracks and monitors issues raised and addressed, and, how it ensures the effectiveness of the channels, including through the involvement of stakeholders who are intended users.</li> </ul>	
<p>33. The undertaking shall disclose whether and how it assesses that people in its own workforce are aware of, and trust, these structures or processes as a way to raise their concerns or needs and have them addressed. In addition, the undertaking shall disclose whether it has policies in place regarding the protection of individuals that use them, including workers' representatives, against retaliation. If such information has been disclosed in accordance with ESRS G1-1, the undertaking may refer to that information.</p>	
<p>34. If the undertaking cannot disclose the above required information because it has not adopted a channel for raising concerns and/or does not support the availability of such a channel in the workplace for its own workforce, it shall disclose this to be the case. It may disclose a timeframe in which it aims to have such a channel in place.</p>	
<p><b>Disclosure Requirement S1-4 – Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions</b></p>	<p><b>Centralised in Section 3 AR</b></p>
<p>35. The undertaking shall disclose how it takes action to address material negative and positive impacts, and to manage material risks and pursue material opportunities related to its own workforce, and the effectiveness of those actions.</p>	

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<p>36. The objective of this Disclosure Requirement is twofold. Firstly, it is to enable an understanding of any actions and initiatives through which the undertaking seeks to:</p> <ul style="list-style-type: none"> <li>(a) to prevent, mitigate and remediate negative material impacts on its own workforce; and/or</li> <li>(b) to achieve positive material impacts for its own workforce.</li> </ul> <p>Secondly, it is to enable an understanding of the ways in which the undertaking is addressing the material risks and pursuing the material opportunities related to its own workforce.</p>	
<p>37. The undertaking shall provide a summarised description of the action plans and resources to manage its material impacts, risks, and opportunities related to its own workforce in accordance with ESRS 2 MDR-A Actions and resources in relation to material sustainability matters.</p>	
<p>38. In relation to the material impacts related to its own workforce, the undertaking shall describe:</p> <ul style="list-style-type: none"> <li>(a) actions taken, planned or underway to prevent or mitigate material negative impacts on its own workforce;</li> <li>(b) whether and how it has taken action to provide or enable remedy in relation to an actual material impact;</li> <li>(c) any additional actions or initiatives it has in place with the primary purpose of delivering positive impacts for its own workforce; and</li> <li>(d) how it tracks and assesses the effectiveness of these actions and initiatives in delivering outcomes for its own workforce.</li> </ul>	
<p>39. In relation to paragraph 36, the undertaking shall describe the processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on its own workforce.</p>	
<p>40. In relation to material risks and opportunities, the undertaking shall describe:</p> <ul style="list-style-type: none"> <li>(a) what action is planned or underway to mitigate material risks for the undertaking arising from its impacts and dependencies on its own workforce and how it tracks effectiveness in practice; and</li> <li>(b) what action is planned or underway to pursue material opportunities for the undertaking in relation to its own workforce.</li> </ul>	
<p>41. The undertaking shall disclose whether and how it ensures that its own practices do not cause or contribute to material negative impacts on own workforce, including, where relevant, its practices in relation to procurement, sales and data use. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.</p>	
<p>42. When disclosing the information required under paragraph 40, the undertaking shall consider ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets if it evaluates the effectiveness of an action by setting a target.</p>	

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43. The undertaking shall disclose what resources are allocated to the management of its material impacts, with information that allows users to gain an understanding of how the material impacts are managed.	
<b>Metrics and targets</b>	
<b>Disclosure Requirement S1-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities</b>	<b>Centralised in Section 3 AR</b>
44. The undertaking shall disclose the time-bound and outcome-oriented targets it may have set related to: (a) reducing negative impacts on its own workforce; and/or (b) advancing positive impacts on its own workforce; and/or (c) managing material risks and opportunities related to its own workforce.	
45. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking is using outcome-oriented targets to drive and measure its progress in addressing its material negative impacts and/or advancing positive impacts on its own workforce, and/or in managing material risks and opportunities related to its own workforce.	
46. The summarised description of the targets set to manage its material impacts, risks and opportunities related to the undertaking's own workforce shall contain the information requirements defined in ESRS 2 MDR-T.	
47. The undertaking shall disclose the process for setting the targets, including whether and how the undertaking engaged directly with its own workforce or workers' representatives in: (a) setting any such targets; (b) tracking the undertaking's performance against them; and (c) identifying any lessons or improvements as a result of the undertaking's performance.	
<b>Disclosure Requirement S1-6 – Characteristics of the undertaking's employees</b>	<b>OWN WORKFORCE (S1) Metrics Disclosure Requirement S1-6 S1-1 – Characteristics of the undertaking's employees</b>
48. The undertaking shall describe key characteristics of employees in its own workforce.	9. The undertaking shall describe key characteristics of employees in its own workforce.
49. The objective of this Disclosure Requirement is to provide insight into the undertaking's approach to employment, including the scope and nature of impacts arising from its employment practices, to provide contextual information that aids an understanding of the information reported in other disclosures, and to serve as the basis for calculation for quantitative metrics to be disclosed under other disclosure requirements in this Standard.	10. The objective of this Disclosure Requirement is to provide insight into the undertaking's approach to employment, including the scope and nature of impacts arising from its employment practices, to provide contextual information that aids an understanding of the information reported in other disclosures, and to serve as the basis for calculation for quantitative metrics to be disclosed under other disclosure requirements in this Standard.
50. In addition to the information required by paragraph 40(a)iii of ESRS 2 General Disclosures, the undertaking shall disclose: (a) the total number of employees by head count, and breakdowns by gender and by country for countries in which the undertaking has 50 or more employees representing at least 10% of its total number of employees; (b) the total number by head count or full time equivalent (FTE) of: i. permanent employees, and breakdown by gender; ii. temporary employees, and breakdown by gender; and	11. The disclosure required by paragraph 40(a)iii of ESRS 2 General Disclosures, the undertaking paragraph 9 shall include: (a) the total number of employees by head count, and breakdowns by gender and by country for countries in which the undertaking has 50 or more employees representing at least 10% of its total number of employees. <i>If this threshold is not applicable, the undertaking may report the country breakdown by main countries;</i> (b) the total number by head count or full time equivalent (FTE) of: i. permanent employees, and breakdown by gender;

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<p>iii. non-guaranteed hours employees, and breakdown by gender.</p> <p>(c) the total number of employees who have left the undertaking during the reporting period and the rate of employee turnover in the reporting period.</p> <p>(d) a description of the methodologies and assumptions used to compile the data, including whether the numbers are reported:</p> <p>i. in head count or full-time equivalent (FTE) (including an explanation of how FTE is defined); and</p> <p>ii. at the end of the reporting period, as an average across the reporting period, or using another methodology.</p> <p>(e) where applicable, a provision of contextual information necessary to understand the data (for example, to understand fluctuations in number of employees during the reporting period); and</p> <p>(f) a cross-reference of the information reported under (a) above to the most representative number in the financial statements.</p>	<p>ii. temporary employees, and breakdown by gender; and</p> <p>iii. non-guaranteed hours employees, and breakdown by gender.</p> <p>(c) <del>the total number of employees who have left the undertaking during the reporting period</del> and the rate of employee turnover in the reporting period.</p> <p>(d) a description of the methodologies and assumptions used to compile the data, including whether the numbers are reported:</p> <p>i. in head count or full-time equivalent (FTE) (including an explanation of how FTE is defined); and</p> <p>ii. at the end of the reporting period, as an average across the reporting period, or using another methodology.</p> <p><del>(e) where applicable, a provision of contextual information necessary to understand the data (for example, to understand fluctuations in number of employees during the reporting period); and</del></p> <p>(f) (e) where applicable, a cross-reference of the information reported under (a) above to the most representative number in the financial statements.</p>
<p>51. For the information specified in point (b) of paragraph 50, the undertaking may in addition disclose the breakdown by region.</p>	<p><del>51. For the information specified in point (b) of paragraph 50, the undertaking may in addition disclose the breakdown by region.</del></p>
<p>52. The undertaking may disclose by head count or full time equivalent (FTE) the following information:</p> <p>(a) full-time employees, and breakdowns by gender and by region; and</p> <p>(b) part-time employees, and breakdowns by gender and by region.</p>	<p><del>12. The An undertaking may disclose by head count or full time equivalent (FTE) the following information:</del></p> <p>(a) full-time employees, and breakdown by gender <del>and by region</del>; and</p> <p>(b) part-time employees, and breakdown by gender <del>and by region</del>.</p>
<p><b>Disclosure Requirement S1-7 – Characteristics of non-employees in the undertaking's own workforce</b></p>	<p><del>Disclosure Requirement S1-7</del> S1-2 – Characteristics of non-employees in the undertaking's own workforce</p>
<p>53. The undertaking shall describe key characteristics of non-employees in its own workforce.</p>	<p>13. The undertaking shall describe key characteristics of non-employees in its own workforce.</p>
<p>54. The objective of this Disclosure Requirement is to provide insight into the undertaking's approach to employment, including the scope and nature of impacts arising from its employment practices, to provide contextual information that aids the understanding of the information reported in other disclosures, and to serve as the basis for calculation for quantitative metrics to be disclosed under other disclosure requirements in this Standard. It also allows an understanding of how much the undertaking relies on non-employees as part of its workforce.</p>	<p>14. The objective of this Disclosure Requirement is to provide insight into the undertaking's approach to employment, including the scope and nature of impacts arising from its employment practices, to provide contextual information that aids the understanding of the information reported in other disclosures, and to serve as the basis for calculation for quantitative metrics to be disclosed under other disclosure requirements in this Standard. It also allows an understanding of how much the undertaking relies on non-employees as part of its workforce.</p>
<p>55. The disclosure required by paragraph 53 shall include:</p> <p>(a) a disclosure of the total number of non-employees in the undertaking's own workforce, i.e., either people with contracts with the undertaking to supply labour ("self-employed people") or people provided by undertakings primarily engaged in "employment activities" (NACE Code N78).</p> <p>(b) an explanation of the methodologies and assumptions used to compile the data, including whether the number of non-employees is reported:</p> <p>i. in headcount or full-time equivalent (FTE) (including a definition of how FTE is defined); and</p>	<p>15. The disclosure required by paragraph <del>53</del> 11 shall include:</p> <p>(a) a disclosure of the total number of non-employees in the undertaking's own workforce, i.e., either people with contracts with the undertaking to supply labour ("self-employed people") or people provided by undertakings primarily engaged in "employment activities" (NACE Code N78).</p> <p>(b) an explanation of the methodologies and assumptions used to compile the data, including whether the number of non-employees is reported:</p> <p>i. in headcount or full-time equivalent (FTE) (including a definition of how FTE is defined); and</p>

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<p>ii. at the end of the reporting period, as an average across the reporting period, or using another methodology.</p> <p>(c) where applicable, a provision of contextual information necessary to understand the data (for example, significant fluctuations in the number of non-employees in the undertaking's own workforce during the reporting period and between the current and the previous reporting period).</p>	<p>ii. at the end of the reporting period, as an average across the reporting period, or using another methodology.</p> <p><del>(c) where applicable, a provision of contextual information necessary to understand the data (for example, significant fluctuations in the number of non-employees in the undertaking's own workforce during the reporting period and between the current and the previous reporting period).</del></p>
<p>56. For the information specified in point (a) of paragraph 55, the undertaking may disclose the most common types of non-employees (for example, self-employed people, people provided by undertakings primarily engaged in employment activities, and other types relevant to the undertaking), their relationship with the undertaking, and the type of work that they perform.</p>	<p>16. For the information specified in point (a) of paragraph <del>55</del> 13, the undertaking may disclose the most common types of non-employees (for example, self-employed people, people provided by undertakings primarily engaged in employment activities, and other types relevant to the undertaking), and their relationship with the undertaking <del>and the type of work that they perform.</del></p>
<p>57. Where data is not available, the undertaking shall estimate the number and state that it has done so. When the undertaking performs estimates, it shall describe the basis of preparation of this estimation</p>	<p><del>57. Where data is not available, the undertaking shall estimate the number and state that it has done so. When the undertaking performs estimates, it shall describe the basis of preparation of this estimation</del></p>
<p><b>Disclosure Requirement S1-8 – Collective bargaining coverage and social dialogue</b></p>	<p><b>Disclosure Requirement <del>S1-8</del> S1-3 – Collective bargaining coverage</b></p>
<p>58. The undertaking shall disclose information on the extent to which the working conditions and terms of employment of its employees are determined or influenced by collective bargaining agreements and on the extent to which its employees are represented in social dialogue in the European Economic Area (EEA) at the establishment and European level.</p>	<p>17. The undertaking shall disclose information on the extent to which the working conditions and terms of employment of its employees are determined or influenced by collective bargaining agreements <del>and on the extent to which its employees are represented in social dialogue in the European Economic Area (EEA) at the establishment and European level.</del></p>
<p>59. The objective of this Disclosure Requirement is to enable an understanding of the coverage of collective bargaining agreements and social dialogue for the undertaking's own employees.</p>	<p>18. The objective of this Disclosure Requirement is to enable an understanding of the coverage of collective bargaining agreements <del>and social dialogue</del> for the undertaking's own employees.</p>
<p>60. The undertaking shall disclose:</p> <p>(a) the percentage of its total employees covered by collective bargaining agreements;</p> <p>(b) in the EEA, whether it has one or more collective bargaining agreements and, if so, the overall percentage of its employees covered by such agreement(s) for each country in which it has significant employment, defined as at least 50 employees by head count representing at least 10% of its total number of employees; and</p> <p>(c) outside the EEA, the percentage of its own employees covered by collective bargaining agreements by region.</p>	<p>19. The undertaking shall disclose:</p> <p>(a) the percentage of its total employees covered by collective bargaining agreements;</p> <p><del>(b) in the EEA, whether it has one or more collective bargaining agreements and, if so, the overall percentage of its employees covered by such agreement(s) for each country in which it has significant employment, defined as at least 50 employees by head count representing at least 10% of its total number of employees; and</del></p> <p><del>(c) outside the EEA, the percentage of its own employees covered by collective bargaining agreements by region.</del></p>
<p>61. For employees not covered by collective bargaining agreements, the undertaking may disclose whether it determines their working conditions and terms of employment based on collective bargaining agreements that cover its other employees or based on collective bargaining agreements from other undertakings.</p>	<p>20. For employees not covered by collective bargaining agreements, the undertaking may disclose whether it determines their working conditions and terms of employment based on collective bargaining agreements that cover its other employees or based on collective bargaining agreements from other undertakings.</p>
<p>62. The undertaking may disclose the extent to which the working conditions and terms of employment of non-employees in its own workforce are determined or influenced by collective bargaining agreements, including an estimate of the coverage rate.</p>	<p>21. The undertaking may disclose the extent to which the working conditions and terms of employment of non-employees in its own workforce are determined or influenced by collective bargaining agreements, <del>including an estimate of the coverage rate.</del></p>

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<p>63. The undertaking shall disclose the following information in relation to social dialogue:</p> <p>(a) the global percentage of employees covered by workers' representatives, reported at the country level for each EEA country in which the undertaking has significant employment; and</p> <p>(b) the existence of any agreement with its employees for representation by a European Works Council (EWC), a Societas Europaea (SE) Works Council, or a Societas Cooperativa Europaea (SCE) Works Council.</p>	<p><del>63. The undertaking shall disclose the following information in relation to social dialogue:</del></p> <p><del>(a) the global percentage of employees covered by workers' representatives, reported at the country level for each EEA country in which the undertaking has significant employment; and</del></p> <p><del>(b) the existence of any agreement with its employees for representation by a European Works Council (EWC), a Societas Europaea (SE) Works Council, or a Societas Cooperativa Europaea (SCE) Works Council.</del></p>
<p><b>Disclosure Requirement S1-9 – Diversity metrics</b></p>	<p><b>Disclosure Requirement S1-9 – Diversity metrics</b></p>
<p>64. The undertaking shall disclose the gender distribution at top management and the age distribution amongst its employees.</p>	<p><del>64. The undertaking shall disclose the gender distribution at top management and the age distribution amongst its employees.</del></p>
<p>65. The objective of this Disclosure Requirement is to enable an understanding of gender diversity at top management level and the age distribution of its employees.</p>	<p><del>65. The objective of this Disclosure Requirement is to enable an understanding of gender diversity at top management level and the age distribution of its employees.</del></p>
<p>66. The undertaking shall disclose:</p> <p>(a) the gender distribution in number and percentage at top management level; and</p> <p>(b) the distribution of employees by age group: under 30 years old; 30-50 years old; over 50 years old.</p>	<p><del>66. The undertaking shall disclose:</del></p> <p><del>(a) the gender distribution in number and percentage at top management level; and</del></p> <p><del>(b) the distribution of employees by age group: under 30 years old; 30-50 years old; over 50 years old.</del></p>
<p><b>Disclosure Requirement S1-10 – Adequate wages</b></p>	<p><b>Disclosure Requirement S1-40 S1-4 – Adequate wages</b></p>
<p>67. The undertaking shall disclose whether or not its employees are paid an adequate wage, and if they are not all paid an adequate wage, the countries and percentage of employees concerned.</p>	<p>22. The undertaking shall disclose whether or not its employees are paid an adequate wage, and if they are not all paid an adequate wage, the countries and percentage of employees concerned.</p>
<p>68. The objective of this Disclosure Requirement is to enable an understanding of whether or not all the undertaking's employees are paid an adequate wage, in line with applicable benchmarks.</p>	<p>23. The objective of this Disclosure Requirement is to enable an understanding of whether or not all the undertaking's employees are paid an adequate wage, in line with applicable benchmarks.</p>
<p>69. The undertaking shall disclose whether all its employees are paid an adequate wage, in line with applicable benchmarks. If so, stating this will be sufficient to fulfil this disclosure requirement and no further information is needed.</p>	<p>24. The undertaking shall disclose whether all its employees are paid an adequate wage, in line with applicable benchmarks. If so, stating this will be sufficient to fulfil this disclosure requirement and no further information is needed.</p>
<p>70. If not all its employees are paid an adequate wage in line with applicable benchmarks, the undertaking shall disclose the countries where employees earn below the applicable adequate wage benchmark and the percentage of employees that earn below the applicable adequate wage benchmark for each of these countries.</p>	<p>25. If <del>there are not all its employees</del> <i>not are</i> paid an adequate wage in line with applicable benchmarks, the undertaking shall disclose the countries where employees earn below the applicable adequate wage benchmark <i>for countries that represent at least 10% of its total number of employees. If this threshold is not applicable, the undertaking may report by main countries.</i> <del>The undertaking shall also disclose;</del> and the percentage of employees that earn below the applicable adequate wage benchmark for each of these countries.</p>
<p>71. The undertaking may also disclose the information specified in this disclosure requirement with regard to non-employees in its workforce</p>	<p>26. The undertaking may disclose the information specified in this disclosure requirement with regard to non-employees in this workforce.</p>
<p><b>Disclosure Requirement S1-11 – Social protection</b></p>	<p><b>Disclosure Requirement S1-44 S1-5 – Social protection</b></p>
<p>72. The undertaking shall disclose whether its employees are covered by social protection against loss of income due to major life events, and, if not, the countries where this is not the case.</p>	<p>27. The undertaking shall disclose whether its employees are covered by social protection against loss of income due to major life events, <del>and, if not, the countries where this is not the case.</del></p>



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73. The objective of this Disclosure Requirement is to enable an understanding of whether the undertaking's employees are covered by social protection against loss of income due to major life events, and, if not, the countries where this is not the case.	28. The objective of this Disclosure Requirement is to enable an understanding of whether the undertaking's employees are covered by social protection against loss of income due to major life events, and, if not, the countries where this is not the case.
74. The undertaking shall disclose whether all its employees are covered by social protection, through public programs or through benefits offered by the undertaking, against loss of income due to any of the following major life events: (a) sickness; (b) unemployment starting from when the own worker is working for the undertaking; (c) employment injury and acquired disability; (d) parental leave; and (e) retirement. If so, stating this is sufficient to fulfil this disclosure requirement and no further information is needed.	29. The undertaking shall disclose whether <del>all</del> its employees are covered by social protection, through public programs or through benefits offered by the undertaking, against loss of income due to any of the following major life events: (a) sickness; (b) unemployment starting from when the own worker is working for the undertaking; (c) employment injury and acquired disability; (d) parental leave; and (e) retirement. If so, stating this is sufficient to fulfil this disclosure requirement and no further information is needed.
75. If not all of its employees are covered by social protection in accordance with paragraph 72, the undertaking shall in addition disclose the countries where employees do not have social protection with regard to one or more of the types of events listed in paragraph 72 and for each of those countries the types of employees who do not have social protection with regard to each applicable major life event.	30. If <del>not all of</del> its employees are <i>not</i> covered by social protection in accordance with paragraph <del>72</del> 27, the undertaking <del>shall</del> may in addition disclose: (a) the <i>main</i> countries where employees do not have social protection with regard to one or more of the types of events listed in paragraph <del>72</del> 29; and, (b) for each of those countries, the types of employees who do not have social protection with regard to each applicable major life event.
76. The undertaking may also disclose the information specified in this disclosure requirement with regard to non-employees in its workforce.	31. The undertaking may also disclose the information specified in this disclosure requirement with regard to non-employees in its workforce.
<b>Disclosure Requirement S1-12– Persons with disabilities</b>	<b>Disclosure Requirement <del>S1-12</del> S1-10 – Diversity metrics</b>
77. The undertaking shall disclose the percentage of its own employees with disabilities.	48. The undertaking shall disclose <i>the gender distribution at top management</i> and the percentage of its employees with disabilities.
78. The objective of this Disclosure Requirement is to enable an understanding of the extent to which persons with disabilities are included among the undertaking's employees.	49. The objective of this Disclosure Requirement is to enable an understanding of the gender diversity at top management level and the extent to which persons with disabilities are included among the undertaking's employees.
79. The undertaking shall disclose the percentage of persons with disabilities amongst its employees subject to legal restrictions on the collection of data.	50. The undertaking shall disclose: (a) <i>the gender distribution in number and percentage at top management level; and,</i> (b) the percentage of persons with disabilities amongst its employees subject to legal restrictions on the collection of data.
80. The undertaking may disclose the percentage of employees with disabilities with a breakdown by gender.	<del>80. The undertaking may disclose the percentage of employees with disabilities with a breakdown by gender.</del>
<b>Disclosure Requirement S1-13 – Training and skills development metrics</b>	<b>Disclosure Requirement <del>S1-13</del> – Training and skills development metrics S1-6 – Training metrics</b>
81. The undertaking shall disclose the extent to which training and skills development is provided to its employees.	32. The undertaking shall disclose the extent to which training is provided to its employees.

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<p>82. The objective of this Disclosure Requirement is to enable an understanding of the training and skills development -related activities that have been offered to employees, within the context of continuous professional growth, to upgrade employees' skills and facilitate continued employability.</p>	<p>33. The objective of this Disclosure Requirement is to enable an understanding of the training and skills development - related activities that have been offered to employees, within the context of continuous professional growth, to upgrade employees' skills and facilitate continued employability.</p>
<p>83. The disclosure required by paragraph 81 shall include: (a) the percentage of employees that participated in regular performance and career development reviews; such information shall be broken down by gender; (b) the average number of training hours per employee and by gender.</p>	<p>34. The disclosure required by paragraph 84 32 shall include (a) the percentage of employees that participated in regular performance and career development reviews; such information shall be broken down by gender; (b) the average number of training hours per employee and by gender.</p>
<p>84. The undertaking may disclose breakdowns by employee category for the percentage of employees that participated in regular performance and career development and for the average number of training hours per employee.</p>	<p>84. The undertaking may disclose breakdowns by employee category for the percentage of employees that participated in regular performance and career development and for the average number of training hours per employee.</p>
<p>85. The undertaking may also disclose the information specified in this disclosure requirement with regard to non-employees in its workforce</p>	<p>85. The undertaking may also disclose the information specified in this disclosure requirement with regard to non-employees in its workforce</p>
<p><b>Disclosure Requirement S1-14 – Health and safety metrics</b></p>	<p><b>Disclosure Requirement S1-7 – Health and safety metrics</b></p>
<p>86. The undertaking shall disclose information on the extent to which its own workforce is covered by its health and safety management system and the number of incidents associated with work-related injuries, ill health and fatalities of its own workforce. In addition, it shall disclose the number of fatalities as a result of work-related injuries and work-related ill health of other workers working on the undertaking's sites.</p>	<p>35. The undertaking shall disclose information on the extent to which its own workforce is covered by its health and safety management system and the number of <i>work-related</i> incidents associated with work-related injuries, ill health and fatalities <i>and the corresponding information on days lost</i> of its own workforce. In addition, it shall disclose the number of fatalities as a result of work-related injuries and work-related ill health of other workers working on the undertaking's sites.</p>
<p>87. The objective of this Disclosure Requirement is to allow an understanding of the coverage, quality and performance of the health and safety management system established to prevent work-related injuries.</p>	<p>36. The objective of this Disclosure Requirement is to allow an understanding of the coverage, quality and performance of the health and safety management system established to prevent work-related injuries.</p>
<p>88. The disclosure required by paragraph 86 shall include the following information, where applicable broken down between employees and non-employees in the undertaking's own workforce: (a) the percentage of people in its own workforce who are covered by the undertaking's health and safety management system based on legal requirements and/or recognised standards or guidelines; (b) the number of fatalities as a result of work-related injuries and work-related ill health; (c) the number and rate of recordable work-related accidents; (d) with regard to the undertaking's employees, the number of cases of recordable workrelated ill health, subject to legal restrictions on the collection of data; and (e) with regard to the undertaking's employees, the number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health. The information for (b) shall also be reported for other workers working on the undertaking's sites, such as value chain workers if they are working on the undertaking's sites.</p>	<p>37. The disclosure required by paragraph 86 33 shall include the following information, where applicable broken down between employees and non-employees in the undertaking's own workforce: <del>(a) the percentage of people in its own workforce who are covered by the undertaking's health and safety management system based on legal requirements and/or recognised standards or guidelines;</del> (a) the number of fatalities as a result of work-related injuries and work-related ill health; (b) the number and rate of recordable work-related accidents; <del>(d) with regard to the undertaking's employees, the number of cases of recordable workrelated ill health, subject to legal restrictions on the collection of data; and</del> (c) with regard to the undertaking's employees, the number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health. <del>The information for (b) shall also be reported for other workers working on the undertaking's sites, such as value chain workers if they are working on the undertaking's sites.</del></p>

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89. The undertaking may also disclose the information specified in points (d) and (e) of paragraph 88 with regard to non-employees.	38. The undertaking may also disclose the information specified in point <del>in points (d) and (e) of paragraph 88</del> (c) of paragraph 36 with regard to non-employees.
90. In addition, the undertaking may include the following additional information on the health and safety coverage: the percentage of its own workers covered by a health and safety management system which is based on legal requirements and/or recognised standards or guidelines and which has been internally audited and/or audited or certified by an external party.	<del>90. In addition, the undertaking may include the following additional information on the health and safety coverage: the percentage of its own workers covered by a health and safety management system which is based on legal requirements and/or recognised standards or guidelines and which has been internally audited and/or audited or certified by an external party.</del>
<b>Disclosure Requirement S1-15 – Work-life balance metrics</b>	<b>Disclosure Requirement Voluntary Disclosure <del>S1-15</del> S1-11 – Work-life balance metrics</b>
91. The undertaking shall disclose the extent to which employees are entitled to and make use of family-related leave.	51. The undertaking may disclose the extent to which employees are entitled to and make use of family-related leave.
92. The objective of this Disclosure Requirement is to provide an understanding of the entitlement and actual practices amongst the employees to take family-related leave in a gender equitable manner, as it is one of the dimensions of work-life balance.	52. The objective of this Disclosure Requirement is to provide an understanding of the entitlement and actual practices amongst the employees to take family-related leave in a gender equitable manner, as it is one of the dimensions of work-life balance.
93. The disclosure required by paragraph 91 shall include: (a) the percentage of employees entitled to take family-related leave; and (b) the percentage of entitled employees that took family-related leave, and a breakdown by gender.	<del>53. The disclosure required by paragraph 91 shall include:</del> <i>The undertaking may disclose:</i> (a) the percentage of employees entitled to take family-related leave; and (b) the percentage of entitled employees that took family-related leave, and a breakdown by gender.
94. If all of the undertaking's employees are entitled to family-related leave through social policy and/or collective bargaining agreements, it is sufficient to disclose this in order to meet the requirement of paragraph 93a.	54. If all of the undertaking's employees are entitled to family-related leave through social policy and/or collective bargaining agreements, it is sufficient to disclose this in order to meet the requirement of paragraph 53a.
<b>Disclosure Requirement S1-16 – Remuneration metrics (pay gap and total remuneration)</b>	<b>Disclosure Requirement <del>S1-16</del> S1-8 – Remuneration metrics (pay gap and total remuneration)</b>
95. The undertaking shall disclose the percentage gap in pay between its female and male employees and the ratio between the remuneration of its highest paid individual and the median remuneration for its employees.	39. The undertaking shall disclose the percentage gap in pay between its female and male employees and the ratio between the remuneration of its highest paid individual and the median remuneration for its employees.
96. The objective of this Disclosure Requirement is twofold: to allow an understanding of the extent of any gap in the pay between women and men amongst the undertaking's employees; and to provide insight into the level of remuneration inequality inside the undertaking and whether wide pay disparities exist.	40. The objective of this Disclosure Requirement is twofold: to allow an understanding of the extent of any gap in the pay between women and men amongst the undertaking's employees; and to provide insight into the level of remuneration inequality inside the undertaking and whether wide pay disparities exist.
97. The disclosure required by paragraph 95 shall include: (a) the gender pay gap, defined as the difference of average pay levels between female and male employees, expressed as percentage of the average pay level of male employees ; (b) the annual total remuneration ratio of the highest paid individual to the median annual total remuneration for all employees (excluding the highest-paid individual) ; and (c) where applicable, any contextual information necessary to understand the data and how the data has been compiled and other changes to the underlying data that are to be considered.	41. The disclosure required by paragraph <del>95</del> 39 shall include: (a) the gender pay gap, defined as the difference of average pay levels between female and male employees, expressed as percentage of the average pay level of male employees ; (b) the annual total remuneration ratio of the highest paid individual to the median annual total remuneration for all employees (excluding the highest-paid individual) ; and <del>(c) where applicable, any contextual information necessary to understand the data and how the data has been compiled and other changes to the underlying data that are to be considered.</del>
98. The undertaking may disclose a breakdown of the gender pay gap as defined in paragraph 97(a) by employee category and/or by country/segment. The undertaking may also	42. The undertaking may disclose a breakdown of the gender pay gap as defined in paragraph <del>97</del> 41 (a) by employee category and/or by country/segment. The undertaking may

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disclose the gender pay gap between employees by categories of employees broken down by ordinary basic salary and complementary or variable components.	also disclose the gender pay gap between employees by categories of employees broken down by ordinary basic salary and complementary or variable components.
99. In relation to paragraph 97 (b), the undertaking may report this figure adjusted for purchasing power differences between countries, in which case it shall report the methodology used for the calculation.	43. In relation to paragraph <del>97</del> 41 (b), the undertaking may report this figure adjusted for purchasing power differences between countries, in which case it shall report the methodology used for the calculation.
<b>Disclosure Requirement S1-17 – Incidents, complaints and severe human rights impacts</b>	<b>Disclosure Requirement <del>S1-17</del> S1-9 – Incidents , <del>complaints</del> and severe human rights impacts</b>
100. The undertaking shall disclose the number of work-related incidents and/or complaints and severe human rights impacts within its own workforce, and any related material fines, sanctions or compensation for the reporting period.	44. The undertaking shall disclose the number of <del>work-discrimination</del> -related incidents and severe human rights impacts within its own workforce, and any related material fines, sanctions or compensation for the reporting period.
101. The objective of this Disclosure Requirement is to allow an understanding of the extent to which work-related incidents and severe cases of human rights impacts are affecting its own workforce.	45. The objective of this Disclosure Requirement is to allow an understanding of the extent to which <del>work-discrimination</del> related incidents and severe cases of human rights impacts <i>that are reported in the reporting period</i> are affecting its own workforce.
102. The disclosure required by paragraph 100 shall include, subject to the relevant privacy regulations, work-related incidents of discrimination on the grounds of gender, racial or ethnic origin, nationality, religion or belief, disability, age, sexual orientation, or other relevant forms of discrimination involving internal and/or external stakeholders across operations in the reporting period. This includes incidents of harassment as a specific form of discrimination.	46. The disclosure required by paragraph <del>100</del> 41 shall include, subject to the relevant privacy regulations, work-related incidents of discrimination on the grounds of gender, racial or ethnic origin, nationality, religion or belief, disability, age, sexual orientation, or other relevant forms of discrimination involving internal and/or external stakeholders across operations in the reporting period. This includes incidents of harassment as a specific form of discrimination.
103. The undertaking shall disclose: (a) the total number of incidents of discrimination, including harassment, reported in the reporting period; (b) the number of complaints filed through channels for people in the undertaking's own workforce to raise concerns (including grievance mechanisms) and, where applicable, to the National Contact Points for OECD Multinational Enterprises related to the matters defined in paragraph 2 of this Standard, excluding those already reported in (a) above; (c) the total amount of fines, penalties, and compensation for damages as a result of the incidents and complaints disclosed above, and a reconciliation of such monetary amounts disclosed with the most relevant amount presented in the financial statements; and (d) where applicable, contextual information necessary to understand the data and how such data has been compiled.	<del>47. The undertaking shall disclose: (a) the total number of incidents of discrimination, including harassment, reported in the reporting period; (b) the number of complaints filed through channels for people in the undertaking's own workforce to raise concerns (including grievance mechanisms) and, where applicable, to the National Contact Points for OECD Multinational Enterprises related to the matters defined in paragraph 2 of this Standard, excluding those already reported in (a) above; (c) the total amount of fines, penalties, and compensation for damages as a result of the incidents and complaints disclosed above, and a reconciliation of such monetary amounts disclosed with the most relevant amount presented in the financial statements; and (d) where applicable, contextual information necessary to understand the data and how such data has been compiled.</del>
104. The undertaking shall disclose the following information regarding identified cases of severe human rights incidents (e.g., forced labour, human trafficking or child labour): (a) the number of severe human rights incidents connected to the undertaking's workforce in the reporting period, including an indication of how many of these are cases of nonrespect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises. If no such incidents have occurred, the undertaking shall state this ; and	47. The undertaking shall disclose the following information regarding <i>incidents of discrimination</i> and identified cases of severe human rights incidents (e.g., forced labour, human trafficking or child labour): (a) <i>the total number of incidents of discrimination, including harassment, reported in the reporting period , as well as</i> the number of severe human rights incidents connected to the undertaking's workforce in the reporting period, including an indication of how many of these are cases of non-respect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for

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<p>(b) the total amount of fines, penalties and compensation for damages for the incidents described in (a) above, and a reconciliation of the monetary amounts disclosed in the most relevant amount in the financial statements.</p>	<p>Multinational Enterprises. If no such incidents have occurred, the undertaking shall state this ; and                      (b) the total amount of fines, penalties and compensation for damages as a result of <del>for</del> the <del>issues and</del> incidents described in (a) above, and a reconciliation of the monetary amounts disclosed in the most relevant amount in the financial statements. <i>If it is not possible to provide a reconciliation after making reasonable efforts to do so, the undertaking shall provide an explanation of where in the financial statements these monetary amounts can be found.</i></p>
<p><b>Appendix A: Application Requirements</b></p>	
<p>This appendix is an integral part of the ESRS S1 Own workforce. It supports the application of the disclosure requirements set out in this standard and has the same authority as the other parts of this Standard.</p>	
<p><b>Objective</b></p>	<p><b>Objective</b> <b>Own workforce</b></p>
<p>AR 1. In addition to the issues listed in paragraph 2, the undertaking may also consider disclosing information about other issues relevant to a material impact for a shorter period of time, for instance initiatives regarding the health and safety of its own workforce during a pandemic</p>	<p>AR 1. The undertaking's impacts in relation to sustainability matters and dependencies on specific stakeholder groups can create material risks for the undertaking. For instance, on the matter of equal opportunities, discrimination in hiring and promotion against women can reduce the undertaking's access to qualified labour and harm its reputation; negative impacts on value chain workers may disrupt the undertaking's operations (through customers refusing to buy its products or state agencies impounding its goods) and harm its reputation; negative relationships with affected communities may disrupt the undertaking's own operations or harm its reputation; negative impacts on the reputation of the undertaking's products and/or services can deteriorate its business performance.</p>
<p>AR 2. The overview of social matters provided in paragraph 2 is not meant to imply that all of these issues should be reported on in each Disclosure Requirement in this Standard. Rather, they provide a list of matters derived from the sustainability reporting requirements set out in Directive 2013/34/EU that the undertaking shall consider for the ESRS 2 materiality assessment related to its own workforce and, as appropriate, report as material impacts, risks and opportunities within the scope of this Standard.</p>	<p>AR 2. The overview of social matters provided in paragraph 3 (a) is not meant to imply that all of these issues should be reported on in each Disclosure Requirement in this [draft] Standard. Rather, they provide a list of matters derived from the CSRD that undertakings shall consider for the ESRS 2 materiality assessment related to own workforce and, subsequently, report as material impacts and risks within the scope of this [draft] Standard.</p>
<p>AR 3. Examples of people that fall within the scope of "Own workforce" are:                      (a) Examples of contractors (self-employed persons) in the undertaking's own workforce include:                      i. Contractors hired by the undertaking to perform work that would otherwise be carried out by an employee                      ii. Contractors hired by the undertaking to perform work in a public area (e.g., on a road, on the street).                      iii. Contractors hired by the undertaking to deliver the work/service directly at the workplace of a client of the undertaking.                      (b) Examples of people employed by a third party engaged in 'employment activities' include people who perform the same work that employees carry out, such as:                      i. people who fill in for employees who are temporarily absent (due to illness, holiday, parental leave, etc.);</p>	<p>AR 3. Examples of people that fall within the scope of "non-employees" are:                      (a) Examples of contractors (self-employed persons) in the undertaking's own workforce include:                      i. Contractors hired by the undertaking to perform work that would otherwise be carried out by an employee.                      ii. Contractors hired by the undertaking to perform work in a public area (e.g., on a road, on the street).                      iii. Contractors hired by the undertaking to deliver the work/service directly at the workplace of a client of the undertaking.                      (b) Examples of people employed by a third party engaged in 'employment activities' include people who perform the same work that employees carry out, such us:                      i. people who fill in for employees who are temporarily absent (due to illness, holiday, parental leave, etc.);                      ii. people performing work additional to regular employees;</p>

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ii. people performing work additional to regular employees; iii. people who are dispatched temporarily from another EU member state to work for the undertaking ('posted workers').	iii. people who are dispatched temporarily from another EU member state to work for the undertaking ('posted workers')
	<p><i>Value chain workers</i></p> <p>AR 4. The overview of social and human rights matters provided in paragraph 4 (a) is not meant to imply that all of these issues should be disclosed in each Disclosure Requirement in this [draft] Standard. Rather, it provides a list of matters that the undertaking shall consider in its materiality assessment (ref. to ESRS 1 chapter 3 Double materiality as the basis for sustainability disclosures and ESRS 2 IRO-1) related to workers in the value chain and, subsequently, disclose as material impacts and risks within the scope of this [draft] Standard.</p>
	<p>AR 5. Examples of workers that fall within the scope of this [draft] Standard are:</p> <p>(a) workers of outsourced services working in the workplace of the undertaking (e.g., third party catering or security workers);</p> <p>(b) workers of a supplier contracted by the undertaking who work on the supplier's premises using the supplier's work methods;</p> <p>(c) workers for a 'downstream' entity which purchases goods or services from the undertaking;</p> <p>(d) workers of an equipment supplier to the undertaking who, at a workplace controlled by the undertaking, perform regular maintenance on the supplier's equipment (e.g., photocopier) as stipulated in the contract between the equipment supplier and the undertaking; and</p> <p>(e) workers deeper in the supply chain who are extracting commodities that are then processed into components that go in the undertaking's products.</p>
	<p><i>Affected communities</i></p> <p>AR 6. The overview of social and human rights matters provided in paragraph 5 is not meant to imply that all of these issues should be disclosed in each Disclosure Requirement in this [draft] Standard. Rather, it provides a list of matters that the undertaking shall consider in its materiality assessment (ref. to ESRS 1 chapter 3 Double materiality as the basis for sustainability disclosures and ESRS 2 IR-1) related to affected communities and, subsequently, disclose as material impacts and risks within the scope of this [draft] Standard.</p>
	<p><i>Consumers and end-users</i></p> <p>AR 7. The overview of social and human rights matters provided in paragraph 6 is not meant to imply that all of these issues should be disclosed in each Disclosure Requirement in this [draft] Standard. Rather, it provides a list of matters that the undertaking shall consider in its materiality assessment (ref. to ESRS 1 chapter 3 Double materiality as the basis for sustainability disclosures and ESRS 2 IRO-1) related to consumers and/or end-users and, subsequently, disclose as material impacts and risks within the scope of this [draft] Standard.</p>
<b>ESRS 2 General Disclosures</b>	
<b>Strategy</b>	
<b>Disclosure Requirement related to ESRS 2 SBM-2 – Interests and views of stakeholders</b>	<b>Disclosure Requirement related to ESRS 2 SBM-2 – Interests and views of stakeholders</b>
AR 4. ESRS 2 SBM-2 requires the undertaking to provide an understanding of whether and how it considers the role that its strategy and business model may play in creating, exacerbating or mitigating significant material impacts on its own workforce, and whether and how the business model and strategy are adapted to address such material impacts.	

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<p>AR 5. While the undertaking's own workforce may not be engaging with the undertaking at the level of its strategy or business model, their views can inform the undertaking's assessment of its strategy and business model. The undertaking shall consider the views of workers' representatives when applicable to fulfil this disclosure.</p>	
<p><b>Disclosure Requirement related to ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model</b></p>	<p><b>Centralised in AR of Section 2</b></p>
<p>AR 6. Impacts on the undertaking's own workforce can originate in its strategy or business model in a number of different ways. For example, impacts may relate to the undertaking's value proposition (such as providing lowest cost products or services, or high-speed delivery, in ways that put pressure on labour rights in its own operations), or its cost structure and the revenue model (such as shifting inventory risk to suppliers, with knock-on effects on the labour rights of people who work for them).</p>	
<p>AR 7. Impacts on the undertaking's own workforce that originate in the strategy or business model can also bring material risks to the undertaking. For example, risks arise if some people in the workforce are at risk of forced labour, and the undertaking is importing products into countries where the law allows for the confiscation of imported goods that are suspected of being made with forced labour. An example of opportunities for the undertaking may result from providing opportunities for the workforce such as job creation and upskilling in the context of a "just transition". Another example, in the context of a pandemic or other severe health crisis, relates to the undertaking potentially relying on contingent labour with little to no access to sick care and health benefits that may face severe operational and business continuity risks as workers have no choice but to keep working while sick, further exacerbating the spread of the disease and causing major supply chain breakdowns. Reputational and business opportunity risks linked to the exploitation of lowskilled, low-paid workers in sourcing geographies with minimal protections for them are also increasing with media backlash and consumer preferences moving to more ethically sourced or sustainable goods.</p>	
<p>AR 8. Examples of particular characteristics of people in the undertaking's own workforce that may be considered by the undertaking when responding to paragraph 15 relate to young people that may be more susceptible to impacts on their physical and mental development, or women in a context where women are routinely discriminated against in the terms and conditions of work, or migrants in a context where the market for the supply of labour is poorly regulated and workers are routinely charged recruitment fees. For some people in the workforce, the inherent nature of the activity that they are required to undertake may put them at risk (for example, people required to handle chemicals or operate certain equipment or low paid employees who are on "zero hours" contracts).</p>	
<p>AR 9. With regard to paragraph 16, material risks could also arise because of the undertaking's dependency on its own workforce where low-likelihood but high-impact events may trigger financial effects; for example, where a global pandemic leads to severe health impacts on the undertaking's workforce resulting in major disruptions to production and distribution. Other examples of risk related to the undertaking's dependency on its workforce include a shortage in skilled workers or political decisions or legislation affecting its own operations and own workforce.</p>	
<p><b>Impacts, risks and opportunities management</b></p>	

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<b>Disclosure Requirement S1-1 – Policies related to own workforce</b>	<b>Centralised in AR of Section 3</b>
AR 10. The undertaking shall consider whether explanations of significant changes to the policies adopted during the reporting year (for example, new expectations for foreign subsidiaries, new or additional approaches to due diligence and remedy) provide contextual information for users and may disclose such explanations. This includes policies and commitments of the undertaking to prevent or mitigate the risks and negative impacts on people in its own workforce of reducing carbon emissions and transitioning to greener and climate-neutral operations as well as to provide opportunities for the workforce such as job creation and upskilling, including explicit commitments to a 'just transition'	
AR 11. The policy may take the form of a stand-alone policy regarding the undertaking's own workforce or be included in a broader document such as a code of ethics or a general sustainability policy that has already been disclosed by the undertaking as part of another ESRS. In those cases, the undertaking shall provide an accurate cross-reference to identify the aspects of the policy that satisfy the requirements of this Disclosure Requirement.	
AR 12. When disclosing the alignment of its policies with the UN Guiding Principles on Business and Human Rights, the undertaking shall consider that the Guiding Principles refer to the International Bill of Human Rights, which consist of the Universal Declaration of Human Rights and the two Covenants that implement it, as well as the International Labour Organisation's Declaration on Fundamental Rights and Principles at Work and the core conventions that underpin it, and may report on alignment with these instruments.	
AR 13. When explaining how external-facing policies are embedded, the undertaking may, for example, consider internal policies of responsible sourcing, and alignment with other policies relevant to own workers, for example, regarding forced labour. With regard to supplier codes of conduct that the undertaking may have, it shall indicate whether they include provisions addressing the safety of workers, precarious work (i.e., use of workers on short-term or limited hours contracts, workers employed via third parties, sub-contracting to third parties or use of informal workers), human trafficking, the use of forced labour or child labour, and whether such provisions are fully in line with applicable ILO standards.	
AR 14. The undertaking may provide an illustration of the types of communication of its policies to those individuals, group of individuals or entities for whom they are relevant, either because they are expected to implement them (for example, the undertaking's employees, contractors and suppliers), or because they have a direct interest in their implementation (for example, people in its own workforce, investors). It may disclose communication tools and channels (for example, flyers, newsletters, dedicated websites, social media, face to face interactions, workers' representatives), aimed at ensuring that the policy is accessible and that different audiences understand its implications. The undertaking may also explain how it identifies and removes potential barriers for dissemination, such as through translation into relevant languages or the use of graphic depictions.	
AR 15. Discrimination in employment and occupation occurs when someone is treated differently or less favourably because of characteristics that are not related to merit or the inherent requirements of the job. These characteristics are commonly defined in national laws.	



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<p>Besides the grounds mentioned in the Disclosure Requirement, the undertaking shall consider other grounds for discrimination prohibited under national legislation.</p>	
<p>AR 16. Discrimination can arise in a variety of work-related activities. These include access to employment, particular occupations, training and vocational guidance and social security. Moreover, it can occur with respect to the terms and conditions of employment, such as: recruitment, remuneration, hours of work and rest, paid holidays, maternity protection, security of tenure, job assignments, performance assessment and advancement, training opportunities, promotion prospects, occupational safety and health, termination of employment. The undertaking may address these areas specifically when disclosing its policies and underlying procedures to fulfil the disclosure requirement.</p>	
<p>AR 17. The undertaking may disclose whether it:</p> <ul style="list-style-type: none"> <li>(a) has policies and procedures which make qualifications, skills and experience the basis for the recruitment, placement, training and advancement at all levels, while accounting for the fact that some individuals may have more difficulty than others to acquire such qualifications, skills and experience;</li> <li>(b) assigns responsibility at top management level for equal treatment and opportunities in employment, issue clear company-wide policies and procedures to guide equal employment practices, and link advancement to desired performance in this area;</li> <li>(c) provides staff training on non-discrimination policies and practices, with a particular focus on middle and upper management to raise awareness and address resolution strategies for preventing and addressing systemic and incidental discrimination;</li> <li>(d) makes adjustments to the physical environment to ensure health and safety for workers, customers and other visitors with disabilities;</li> <li>(e) evaluates whether job requirements have been defined in a way that could systematically disadvantage certain groups;</li> <li>(f) keeps up-to-date records on recruitment, training and promotion that provide a transparent view of opportunities for employees and their progression within the undertaking;</li> <li>(g) puts in place grievance procedures to address complaints, handle appeals and provide recourse for employees (especially in the context of negotiations and collective agreements) when discrimination is identified, and is alert to formal structures and informal cultural issues that can prevent employees from raising concerns and grievances; and (h) has programs to promote access to skills development.</li> </ul>	
<p><b>Disclosure Requirement S1-2 – Processes for engaging with own workforce and workers' representatives about impacts</b></p>	<p><b>Centralised in AR of Section 3</b></p>
<p>AR 18. When describing what function or role has operational responsibility for such engagement and/or ultimate accountability, the undertaking may disclose whether this is a dedicated role or function or part of a broader role or function, and whether any capacity building activities have been offered to support the staff to undertake engagement. If it cannot identify such a position or function, it may state that this is the case. This disclosure could also be fulfilled by making reference to information disclosed according to ESRS 2 GOV-1 The role of the administrative, management and supervisory bodies.</p>	
<p>AR 19. When preparing the disclosures described in paragraph 27 b) and c), the following illustrations may be considered:</p>	

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<p>(a) examples of stages at which engagement occurs are i) determining the approach to mitigation and ii) evaluating the effectiveness of mitigation;</p> <p>(b) for type of engagement, these could be participation, consultation and/or information;</p> <p>(c) for the frequency of the engagement, information may be provided on whether engagement occurs on a regular basis, at certain points in a project or business process, (for example, when a new harvest season begins or a new production line is opened), as well as whether it occurs in response to legal requirements and/or in response to stakeholder requests and whether the result of the engagement is being integrated into the undertaking's decision-making processes; and</p> <p>(d) for the role with operational responsibility, whether the undertaking requires relevant staff to have certain skills, or whether it provides training or capacity building to relevant staff to undertake engagement.</p>	
<p>AR 20. Global Framework Agreements (GFA) serve to establish an ongoing relationship between a multinational enterprise and a Global Union Federation to ensure that the undertaking adheres to the same standards in every country in which it operates.</p>	
<p>AR 21. To illustrate how the perspectives of its own workforce have informed specific decisions or activities, the undertaking may provide examples from the current reporting period.</p>	
<p>AR 22. Where the undertaking has agreements with national, European or international trade unions or works councils related to the rights of people its own workforce, this can be disclosed to illustrate how the agreement enables the undertaking to gain insight into the perspectives of such people.</p>	
<p>AR 23. Where possible, the undertaking may disclose examples from the reporting period to illustrate how the perspectives of its own workforce and workers' representatives have informed specific decisions or activities of the undertaking.</p>	
<p>AR 24. The undertaking shall consider the following aspects when fulfilling this Disclosure Requirement:</p> <p>(a) The type of engagement (for example, information, consultation or participation) and its frequency (for example, ongoing, quarterly, annually);</p> <p>(b) how feedback is recorded and integrated into decision-making, and how people in the workforce are informed about the way in which their feedback has influenced decisions;</p> <p>(c) whether engagement activities take place at the organisational level or at a lower level, such as at the site or project level, and in the latter case, how information from engagement activities is centralised;</p> <p>(d) the resources (for example, financial or human resources) allocated to engagement; and</p> <p>(e) how it engages with people in its workforce and workers' representatives on the impacts on its own workforce that may arise from reducing carbon emissions and transitioning to greener and climate-neutral operations, in particular restructuring, employment loss or creation, training and up/reskilling, gender and social equity, and health and safety.</p>	
<p>AR 25. The undertaking may also disclose the following information in relation to paragraph 24 on diversity:</p>	

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<p>(a) how it engages with at-risk or persons in vulnerable situations (for example whether it takes specific approaches and gives special attention to potential barriers);</p> <p>(b) how it takes into account potential barriers to engagement with people in its workforce (for example, language and cultural differences, gender and power imbalances, divisions within a community or group);</p> <p>(c) how it provides people in its workforce with information that is understandable and accessible through appropriate communication channels;</p> <p>(d) any conflicting interests that have arisen among its workforce and how the undertaking has resolved these conflicting interests; and</p> <p>(e) how it seeks to respect the human rights of all stakeholders engaged, for example, their rights to privacy, freedom of expression, and peaceful assembly and protest.</p>	
<p>AR 26. The undertaking may also report information about the effectiveness of processes for engaging with its own workforce from previous reporting periods. This applies in cases where the undertaking has assessed the effectiveness of these processes or derived lessons during the current reporting period. Processes used to track effectiveness can include internal or external auditing or verification, impact assessments, measurement systems, stakeholder feedback, grievance mechanisms, external performance ratings, and benchmarking.</p>	
<p><b>Disclosure Requirement S1-3 – Processes to remediate negative impacts and channels for own workers to raise concerns</b></p>	<p><b>Centralised in AR of Section 3</b></p>
<p>AR 27. In fulfilling the requirements set out by the disclosure criteria of Disclosure Requirement ESRS S1-3, the undertaking may be guided by the content of the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct focused on remediation and grievance mechanisms.</p>	
<p>AR 28. Channels for raising concerns or needs include grievance mechanisms, hotlines, trade unions (where people in the workforce are unionised), works councils, dialogue processes or other means through which the undertaking's own workforce or workers' representatives can raise concerns about impacts or explain needs that they would like the undertaking to address. This could include both channels provided by the undertaking directly and channels provided by the entities where their own workforce is working, in addition to any other mechanisms an undertaking may use to gain insight into the management of impacts on its own workforce, such as compliance audits. Where the undertaking is relying solely on information about the existence of such channels provided by its business relationships to answer this requirement, it may state that.</p>	
<p>AR 29. Third party mechanisms could include those operated by the government, NGOs, industry associations and other collaborative initiatives. The undertaking may disclose whether these are accessible to all of its own workforce (or workers' representatives or, in their absence, individuals or organisations acting on their behalf or who are otherwise in a position to be aware of negative impacts).</p>	
<p>AR 30. The undertaking shall consider whether and how people in its own workforce that may be affected and their workers' representatives are able to access channels at the level of the undertaking they are employed by, or contracted to work for, in relation to each material impact. Relevant channels may include hotlines, trade unions (where people in the workforce are</p>	

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<p>unionised) or works councils, or other grievance mechanisms operated by the relevant undertaking or by a third party.</p>	
<p>AR 31. In explaining whether and how the undertaking knows that people in its own workforce are aware of and trust any of these channels, the undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of the people concerned. Examples of sources of information are surveys of people in the undertaking's workforce that have used such channels and their levels of satisfaction with the process and outcomes.</p>	
<p>AR 32. In describing the effectiveness of channels for its own workforce and workers' representatives to raise concerns, the undertaking may be guided by the following questions, based on the "effectiveness criteria for non-judicial grievance mechanisms", as laid out in the UN Guiding Principles on Business and Human Rights, in particular principle 31. The considerations below may be applied to individual channels or to a collective system of channels:</p> <ul style="list-style-type: none"> <li>(a) do the channels have legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust?</li> <li>(b) are the channels known and accessible to stakeholders?</li> <li>(c) do the channels have clear and known procedures, with indicative timeframes?</li> <li>(d) do the channels ensure reasonable access for stakeholders to sources of information, advice and expertise?</li> <li>(e) do the channels offer transparency by providing sufficient information both to complainants and, where applicable, to meet any public interest?</li> <li>(f) do outcomes achieved through the channels accord with internationally recognised human rights?</li> <li>(g) does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future impacts?</li> <li>(h) does the undertaking focus on dialogue with complainants as the means to reach agreed solutions, rather than seeking to unilaterally determine the outcome?</li> </ul>	
<p><b>Disclosure Requirement S1-4 – Taking action on material impacts and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions and approaches</b></p>	<p><b>Centralised in AR of Section 3</b></p>
<p>AR 33. It may take time to understand negative impacts and how the undertaking may be involved with them through its own workforce, as well as to identify appropriate responses and put them into practice). Therefore, the undertaking may disclose:</p> <ul style="list-style-type: none"> <li>(a) its general and specific approaches to addressing material negative impacts;</li> <li>(b) its initiatives aimed at contributing to additional material positive impacts;</li> <li>(c) how far it has progressed in its efforts during the reporting period; and</li> <li>(d) its aims for continued improvement.</li> </ul>	
<p>AR 34. Appropriate action can vary according to whether the undertaking causes or contributes to a material impact, or whether it is involved because the impact is directly linked to its operations, products or services by a business relationship.</p>	
<p>AR 35. Given that material negative impacts affecting its own workforce that have occurred during the reporting period may also be connected with other entities or operations outside its</p>	

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<p>direct control, the undertaking may disclose whether and how it seeks to use its leverage in its business relationships to manage those impacts. This may include using commercial leverage (for example, enforcing contractual requirements with business relationships or implementing incentives), other forms of leverage within the relationship (such as providing training or capacity-building on workers' rights to entities with which the undertaking has a business relationship) or collaborative leverage with peers or other actors (such as initiatives aimed at responsible recruitment or ensuring workers receive an adequate wage).</p>	
<p>AR 36. When the undertaking discloses its participation in an industry or multi-stakeholder initiative as part of its actions to address material negative impacts, the undertaking may disclose how the initiative, and its own involvement, is aiming to address the material impact concerned. It may report under ESRS S1-5 the relevant targets set by the initiative and progress towards them.</p>	
<p>AR 37. When disclosing whether and how the undertaking considers actual and potential impacts on its own workforce in decisions to terminate business relationships and whether and how it seeks to address any negative impacts that may result from termination, the undertaking may include examples.</p>	
<p>AR 38. Processes used to track the effectiveness of actions can include internal or external auditing or verification, court proceedings and/or related court decisions, impact assessments, measurement systems, stakeholder feedback, grievance mechanisms, external performance ratings, and benchmarking.</p>	
<p>AR 39. Reporting on effectiveness is aimed at enabling the understanding of the links between actions taken by an undertaking and the effective management of impacts. Additional information that the undertaking may provide includes data showing a decrease in the number of incidents identified.</p>	
<p>AR 40. With regard to initiatives or processes whose primary aim is to deliver positive impacts for people in the undertaking's own workforce that are based on their needs, and with regard to progress in the implementation of such initiatives or processes, the undertaking may disclose:</p> <ul style="list-style-type: none"> <li>(a) information about whether and how people in its own workforce and workers' representatives play a role in decisions regarding the design and implementation of these programmes or processes; and</li> <li>(b) information about the intended or achieved positive outcomes for the undertaking's own workforce of these programmes or processes.</li> </ul>	
<p>AR 41. The undertaking may explain whether any such initiatives are designed also to support the achievement of one or more Sustainable Development Goals. For example, an undertaking committing to SDG 8 to "promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all" may be actively working towards eliminating forced labour or compulsory labour or supporting higher levels of productivity on activities in developing countries through technological upgrades and training of local labour, which can benefit both the specific people in its own workforce targeted by the actions, and also their local communities.</p>	
<p>AR 42. When disclosing the intended or achieved positive outcomes of its actions for the undertaking's own workforce, a distinction is to be made between evidence of certain activities having occurred (for example, that x number of people have received financial literacy training)</p>	

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from evidence of actual outcomes for the people concerned (for example, that x people report that they are able to better manage their pay and their household budgets).	
AR 43. If the undertaking has taken measures to mitigate negative impacts on its own workforce that arise from the transition to a greener, climate-neutral economy, such as training and reskilling, employment guarantees, and in the case of downscaling or mass dismissal, measures such as job counselling, coaching, intra-company placements and early retirement plans, the undertaking shall disclose those measures. This includes measures to comply with prevailing regulation. The undertaking may highlight present and/or expected external developments that influence whether dependencies turn into risks. This includes consideration of impacts that may arise from the transition to greener and climate-neutral operations.	
AR 44. When disclosing the material risks and opportunities related to its impacts or dependencies on its own workforce, the undertaking may consider the following: (a) risks related to the undertaking's impacts on its own workforce may include the reputational or legal exposure where people in the undertaking's workforce are found to be subject to forced labour or child labour; (b) risks related to the undertaking's dependencies on its own workforce may include disruption of business operations where significant employee turnover or lack of skills/training development threaten the undertaking's business; and (c) opportunities related to the undertaking's impacts on its own workforce may include market differentiation and greater customer appeal from guaranteeing decent pay and conditions for non-employees.	
AR 45. When explaining whether dependencies turn into risks, the undertaking shall consider external developments.	
AR 46. When disclosing policies, actions and resources and targets related to the management of material risks and opportunities, in cases where risks and opportunities arise from a material impact, the undertaking may cross-reference its disclosures on policies, actions and resources and targets in relation to that impact.	
AR 47. The undertaking shall consider whether and how its process(es) to manage material risks related to own workforce are integrated into its existing risk management process(es).	
AR 48. When disclosing the resources allocated to the management of material impacts, the undertaking may explain which internal functions are involved in managing the impacts and what types of action they take to address negative and advance positive impacts.	
<b>Metrics and targets</b>	
<b>Disclosure Requirement S1-5 – Targets related to managing material impacts, advancing positive impacts, as well as to risks and opportunities</b>	<b>Centralised in AR of Section 3</b>
AR 49. When disclosing information about targets in accordance with paragraph 46, the undertaking may disclose: (a) the intended outcomes to be achieved in the lives of a certain number of people in its own workforce; (b) the stability of the targets over time in terms of definitions and methodologies to enable comparability over time; and/or (c) the standards or commitments which the targets are based on (for instance codes of conduct, sourcing policies, global frameworks, or industry codes).	

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AR 50. Targets related to risks and opportunities may be the same as or distinct from targets related to impacts. For example, a target to reach adequate wages for non-employees could both reduce impacts on those people and reduce associated risks in terms of the quality and reliability of their output.																	
AR 51. The undertaking may also distinguish between short-, medium- and long-term targets covering the same policy commitment. For example, the undertaking may have a long-term target to achieve an 80% reduction in health and safety incidents affecting its delivery drivers by 2030 and a near-term target to reduce the overtime hours of delivery drivers by x% while maintaining their income by 2024.																	
AR 52. When modifying or replacing a target in the reporting period, the undertaking may explain the change by cross-referencing it to significant changes in the business model or to broader changes in the accepted standard or legislation from which the target is derived to provide contextual information as per ESRS 2 BP-2 Disclosures in relation to specific circumstances.																	
<b>Disclosure Requirement S1-6 – Characteristics of the Undertaking’s Employees</b>	<b>Metrics and targets for Own workforce Disclosure Requirement S4-6 S1-1 – Characteristics of the undertaking’s employees</b>																
AR 53. This Disclosure Requirement covers all employees who perform work for any of the undertaking’s entities included in its sustainability reporting.	AR 8. This Disclosure Requirement covers all employees who perform work for any of the undertaking’s entities included in its sustainability reporting.																
AR 54. Providing a breakdown of employees by country gives insight into the distribution of activity across countries. The number of employees in each country is also a key trigger for many information, consultation and participation rights for workers and workers’ representatives, both in the Union labour law acquis (for example, Directive 2009/38/EC of the European Parliament and of the Council “European Works Councils Directive” and Directive 2002/14/EC of the European Parliament and of the Council “Information and Consultation Directive”) and in national law (for example, rights to establish a works council or to have board level employee representation). Providing a breakdown of employees by gender and type of employment relationship gives insight into gender representation across the undertaking. Additionally, providing a breakdown of employees by region gives insight into regional variations. A region can refer to a country or other geographic locations, such as a region within a country or a world region	<del>AR 54. Providing a breakdown of employees by country gives insight into the distribution of activity across countries. The number of employees in each country is also a key trigger for many information, consultation and participation rights for workers and workers’ representatives, both in the Union labour law acquis (for example, Directive 2009/38/EC of the European Parliament and of the Council “European Works Councils Directive” and Directive 2002/14/EC of the European Parliament and of the Council “Information and Consultation Directive”) and in national law (for example, rights to establish a works council or to have board level employee representation). Providing a breakdown of employees by gender and type of employment relationship gives insight into gender representation across the undertaking. Additionally, providing a breakdown of employees by region gives insight into regional variations. A region can refer to a country or other geographic locations, such as a region within a country or a world region</del>																
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<p>AR 59. For the own employee turnover calculation, the undertaking shall calculate the aggregate of the number of employees who leave voluntarily or due to dismissal, retirement, or death in service. The undertaking shall use this number for the numerator of the employee</p>	<p><del>AR 59. For the own employee turnover calculation, the undertaking shall calculate the aggregate of the number of employees who leave voluntarily or due to dismissal, retirement, or death in service. The undertaking shall use this number for the numerator of the employee</del></p>																																										

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AR 60. Where data is not available for detailed information, the undertaking shall use an estimation of the employee number or ratios, in accordance with ESRS 1, and clearly identify where the use of estimates has taken place.	<del>AR 60. Where data is not available for detailed information, the undertaking shall use an estimation of the employee number or ratios, in accordance with ESRS 1, and clearly identify where the use of estimates has taken place.</del>
<b>Disclosure Requirement S1-7 – Characteristics of non-employees in the undertaking's own workforce</b>	<b>Disclosure Requirement S1-2 – Characteristics of non-employees in the undertaking's own workforce</b>
AR 61. This Disclosure Requirement provides insight into the undertaking's approach to employment, as well as the scope and nature of impacts arising from its employment practices. It also provides contextual information that aids an understanding of the information reported in other disclosures. This disclosure covers both individual contractors supplying labour to the undertaking ("self-employed people") and workers provided by undertakings primarily engaged in "employment activities" (NACE Code N78). If all the people performing work for the undertaking are employees and the undertaking does not have any people in its workforce who are not employees, this Disclosure Requirement is not material for the undertaking; notwithstanding, the undertaking may state this fact when disclosing the information required by Disclosure Requirement S1-6 as contextual information as this information can be relevant for the users of the Sustainability Statement.	AR 14. This Disclosure Requirement provides insight into the undertaking's approach to employment, as well as the scope and nature of impacts arising from its employment practices. It also provides contextual information that aids an understanding of the information reported in other disclosures. <del>This disclosure covers both individual contractors supplying labour to the undertaking ("self-employed people") and workers provided by undertakings primarily engaged in "employment activities" (NACE Code N78).</del> If all the people performing work for the undertaking are employees and the undertaking does not have any people in its workforce who are not employees, this Disclosure Requirement is not material for the undertaking; notwithstanding, the undertaking may state this fact when disclosing the information required by Disclosure Requirement <del>S1-6</del> S1-1 as contextual information as this information can be relevant for the users of the Sustainability Statement.
AR 62. Examples of contractors (self-employed people) in the undertaking's own workforce include: contractors hired by the undertaking to perform work that would otherwise be carried out by an employee; contractors hired by the undertaking to perform work in a public area (for example, on a road, on the street); and contractors hired by the undertaking to deliver the work/service directly at the workplace of a client of the organization. Examples of people employed by a third party engaged in 'employment activities' whose work is under the direction of the undertaking include: people who perform the same work that employees carry out, such as people who fill in for employees who are temporarily absent (due to illness, holiday, parental leave, etc.); people performing regular work at the same site as employees; and workers who are dispatched temporarily from another EU member state to work for the undertaking ('posted workers'). Examples of value chain workers (and thus of workers not in the undertaking's own workforce and reported under the scope of ESRS S2) include: workers for a supplier contracted by the undertaking who work on the supplier's premises using the supplier's work methods; workers for a 'downstream' entity which purchases goods or services from the undertaking; and workers of an equipment supplier to the undertaking who, at one or more of the undertaking's workplaces, perform regular maintenance on the supplier's equipment (for example, photocopier) as stipulated in the contract between the equipment supplier and the undertaking.	AR 15. Examples of contractors (self-employed people) in the undertaking's own workforce include: contractors hired by the undertaking to perform work that would otherwise be carried out by an employee; contractors hired by the undertaking to perform work in a public area (for example, on a road, on the street); and contractors hired by the undertaking to deliver the work/service directly at the workplace of a client of the organization. Examples of people employed by a third party engaged in 'employment activities' whose work is under the direction of the undertaking include: people who perform the same work that employees carry out, such as people who fill in for employees who are temporarily absent (due to illness, holiday, parental leave, etc.); people performing regular work at the same site as employees; and workers who are dispatched temporarily from another EU member state to work for the undertaking ('posted workers'). Examples of value chain workers (and thus of workers not in the undertaking's own workforce and reported under the scope of ESRS S2) include: workers for a supplier contracted by the undertaking who work on the supplier's premises using the supplier's work methods; workers for a 'downstream' entity which purchases goods or services from the undertaking; and workers of an equipment supplier to the undertaking who, at one or more of the undertaking's workplaces, perform regular maintenance on the supplier's equipment (for example, photocopier) as stipulated in the contract between the equipment supplier and the undertaking.
AR 63. If the undertaking cannot report exact figures, it shall use estimates according to the provisions in ESRS 1 to disclose the number of people in its own workforce who are not employees to the nearest ten or, where the number of people in its own workforce who are not employees is greater than 1,000, to the nearest 100, and explain this. In addition, it shall clearly identify the information that derives from actual data and estimates.	<del>AR 63. If the undertaking cannot report exact figures, it shall use estimates according to the provisions in ESRS 1 to disclose the number of people in its own workforce who are not employees to the nearest ten or, where the number of people in its own workforce who are not employees is greater than 1,000, to the nearest 100, and explain this. In addition, it shall clearly identify the information that derives from actual data and estimates.</del>
AR 64. Disclosing the number of people in the undertaking's own workforce who are not employees at the end of the reporting period provides information for that point in time without	AR 16. Disclosing the number of people in the undertaking's own workforce who are not employees at the end of the reporting period provides information for that point in time without

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<p>capturing fluctuations during the reporting period. Disclosing this number as an average across the reporting period considers fluctuations during the reporting period and can provide more insightful and relevant information for users.</p>	<p>capturing fluctuations during the reporting period. Disclosing this number as an average across the reporting period considers fluctuations during the reporting period and can provide more insightful and relevant information for users.</p>		
<p>AR 65. The information disclosed by the undertaking allows users to understand how the number of non-employees in the undertaking's own workforce varies during the reporting period or compared to the previous reporting period (i.e., whether the numbers have increased or decreased). The undertaking may also disclose the reasons for the fluctuations. For example, an increase in the number of non-employees during the reporting period could be due to a seasonal event. Conversely, a decrease in the number of non-employees compared to the previous reporting period could be due to the completion of a temporary project. If the undertaking discloses fluctuations, it shall also explain the criteria used to determine which fluctuations it discloses. If there are no significant fluctuations in the number of non-employees during the reporting period or between the current and previous reporting period, the undertaking may disclose this information.</p>	<p>AR 17. <del>The information disclosed by the undertaking allows users to understand how the number of non-employees in the undertaking's own workforce varies during the reporting period or compared to the previous reporting period (i.e., whether the numbers have increased or decreased).</del> The undertaking may also disclose the reasons for the fluctuations. For example, an increase in the number of non-employees during the reporting period could be due to a seasonal event. Conversely, a decrease in the number of non-employees compared to the previous reporting period could be due to the completion of a temporary project. If the undertaking discloses fluctuations, it shall also explain the criteria used to determine which fluctuations it discloses. If there are no significant fluctuations in the number of non-employees during the reporting period or between the current and previous reporting period, the undertaking may disclose this information.</p>		
<p><b>Disclosure Requirement S1-8 – Collective bargaining coverage and social dialogue</b></p>	<p><b>Disclosure Requirement S1-8 S1-3 – Collective bargaining coverage and social dialogue</b></p>		
<p>Collective bargaining coverage</p>	<p>Collective bargaining coverage</p>		
<p>AR 66. The percentage of employees covered by collective bargaining agreements is calculated using the following formula:</p> $\frac{\text{Number of employees covered by collective bargaining agreements}}{\text{Number of employees}} \times 100$	<p>AR 66. The percentage of employees covered by collective bargaining agreements is calculated using the following formula:</p> $\frac{\text{Number of employees covered by collective bargaining agreements}}{\text{Number of employees}} \times 100$		
<p>AR 67. The employees in the undertaking's own workforce covered by collective bargaining agreements are those individuals to whom the undertaking is obliged to apply the agreement. This means that if none of the employees are covered by a collective bargaining agreement, the percentage reported is zero. An employee in the undertaking's own workforce covered by more than one collective bargaining agreement only needs to be counted once.</p>	<p>AR 19. The employees in the undertaking's own workforce covered by collective bargaining agreements are those individuals to whom the undertaking is obliged to apply the agreement. This means that if none of the employees are covered by a collective bargaining agreement, the percentage reported is zero. An employee in the undertaking's own workforce covered by more than one collective bargaining agreement only needs to be counted once.</p>		
<p>AR 68. This requirement is not aimed at obtaining the percentage of employees represented by a works council or belonging to trade unions, which can be different. The percentage of employees covered by collective bargaining agreements can be higher than the percentage of unionised employees when the collective bargaining agreements apply to both union and non-union members. Alternatively, the percentage of employees covered by collective bargaining agreements can be lower than the percentage of unionised employees. This may be the case when there are no collective bargaining agreements available or when the collective bargaining agreements do not cover all unionised employees.</p>	<p>AR 20. This requirement is not aimed at obtaining the percentage of employees represented by a works council or belonging to trade unions, which can be different. The percentage of employees covered by collective bargaining agreements can be higher than the percentage of unionised employees when the collective bargaining agreements apply to both union and non-union members. Alternatively, the percentage of employees covered by collective bargaining agreements can be lower than the percentage of unionised employees. This may be the case when there are no collective bargaining agreements available or when the collective bargaining agreements do not cover all unionised employees.</p>		
	<p>The information required by this Disclosure Requirement shall be reported as follows  <b>Table 1: Reporting template for collective bargaining coverage</b></p> <table border="1" data-bbox="1133 1235 1765 1315"> <tr> <td data-bbox="1133 1235 1451 1315"><b>Coverage Rate</b></td> <td data-bbox="1451 1235 1765 1315"><b>Collective bargaining</b></td> </tr> </table>	<b>Coverage Rate</b>	<b>Collective bargaining</b>
<b>Coverage Rate</b>	<b>Collective bargaining</b>		

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		<b>coverage of employees</b>
	0-19%	
	20-39%	
	40-59%	
	60-79%	
	80-100%	
<p><b>Social Dialogue</b></p> <p>AR 69. For calculating the information required by paragraph 63(a), the undertaking shall identify in which European Economic Area (EEA) countries it has significant employment (i.e., at least 50 employees representing at least 10% of its total employees). For these countries it shall report the percentage of employees in that country which are employed in establishments in which employees are represented by workers' representatives. Establishment is defined as any place of operations where the undertaking carries out a non-transitory economic activity with human means and goods. Examples include: a factory, a branch of a retail chain, or an undertaking's headquarters. For countries in which there is only one establishment the percentage reported shall be either 100% or 0%.</p> $\frac{\text{Number of employees working in establishments with workers' representatives}}{\text{Number of employees}} \times 100$	<p><b>Social Dialogue</b></p> <p><del>AR 69. For calculating the information required by paragraph 63(a), the undertaking shall identify in which European Economic Area (EEA) countries it has significant employment (i.e., at least 50 employees representing at least 10% of its total employees). For these countries it shall report the percentage of employees in that country which are employed in establishments in which employees are represented by workers' representatives. Establishment is defined as any place of operations where the undertaking carries out a non-transitory economic activity with human means and goods. Examples include: a factory, a branch of a retail chain, or an undertaking's headquarters. For countries in which there is only one establishment the percentage reported shall be either 100% or 0%.</del></p> $\frac{\text{Number of employees working in establishments with workers' representatives}}{\text{Number of employees}} \times 100$	
<p>AR 70. The information required by this Disclosure Requirement shall be reported as follows Table 1: Reporting template for collective bargaining coverage and social dialogue</p>	<p><del>AR 70. The information required by this Disclosure Requirement shall be reported as follows Table 1: Reporting template for collective bargaining coverage and social dialogue</del></p>	

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Coverage Rate	Collective Bargaining Coverage		Social dialogue		Coverage Rate	Collective Bargaining Coverage		Social dialogue	
	Employees – EEA (for countries with >50 empl. representing >10% total empl.)	Employees – Non-EEA (estimate for regions with >50 empl. representing >10% total empl.)	Workplace representation (EEA only) (for countries with >50 empl. representing >10% total empl.)			Employees – EEA (for countries with >50 empl. representing >10% total empl.)	Employees – Non-EEA (estimate for regions with >50 empl. representing >10% total empl.)	Workplace representation (EEA only) (for countries with >50 empl. representing >10% total empl.)	
0-19%		Region A			0-19%		Region A		
20-39%	Country A	Region B			20-39%	Country A	Region B		
40-59%	Country B		Country A		40-59%	Country B		Country A	
60-79%			Country B		60-79%			Country B	
80-100%					80-100%				
<b>Disclosure Requirement S1-9 – Diversity metrics</b>				<b>Disclosure Requirement S1-9 – Diversity metrics</b>					
AR 71. In preparing the disclosure on gender at top management, the undertaking shall use the definition of top management as one and two levels below the administrative and supervisory bodies unless this concept has already been defined with the undertaking's operations and differs from the previous description. If this is the case, the undertaking can use its own definition for top management and disclose that fact and its own definition				AR 71. In preparing the disclosure on gender at top management, the undertaking shall use the definition of top management as one and two levels below the administrative and supervisory bodies unless this concept has already been defined with the undertaking's operations and differs from the previous description. If this is the case, the undertaking can use its own definition for top management and disclose that fact and its own definition					
<b>Disclosure Requirement S1-10 – Adequate Wages</b>				<b>Disclosure Requirement S1-40 S1-4 – Adequate Wages</b>					
AR 72. The lowest wage shall be calculated for the lowest pay category, excluding interns and apprentices. This is to be based on the basic wage plus any fixed additional payments that are guaranteed to all employees. The lowest wage shall be considered separately for each country in which the undertaking has operations, except outside the EEA when the relevant adequate or minimum wage is defined at a sub national level.				AR 21. The lowest wage shall be calculated for the lowest pay category, excluding interns and apprentices. This is to be based on the basic wage plus any fixed additional payments that are guaranteed to all employees. The lowest wage shall be considered separately for each country in which the undertaking has operations, except outside the EEA when the relevant adequate or minimum wage is defined at a sub national level.					
AR 73. The adequate wage benchmark used for comparison with the lowest wage shall not be lower than: (a) in the EEA: the minimum wage set in accordance with Directive (EU) 2022/2041 of the European Parliament and of the Council on adequate minimum wages in the European Union. In the period until Directive (EU) 2022/2041 enters into application, where there is no applicable minimum wage determined by legislation or collective bargaining in an EEA country, the undertaking shall use an adequate wage benchmark that is either not lower than the minimum wage in a neighboring country with a similar socio-economic status or not lower than a commonly-referenced international norm such as 60% of the country's median wage and 50% of the gross average wage. (b) outside of the EEA: i. the wage level established in any existing international, national or sub-national legislation, official norms or collective agreements, based on an assessment of a wage level needed for a decent standard of living; ii. if none of the instruments identified in (i) exist, any national or sub-national minimum wage established by legislation or collective bargaining; or iii. if none of the instruments identified in (i) or (ii) exist, any benchmark that meets the criteria set out by the Sustainable Trade Initiative (IDH) ('Roadmap on Living Wages - A Platform to Secure Living Wages in Supply Chains'), including applicable benchmarks aligned with the Anker methodology, or provided by the Wage Indicator Foundation or Fair Wage				AR 22. The adequate wage benchmark used for comparison with the lowest wage shall not be lower than: (a) in the EEA: the minimum wage set in accordance with Directive (EU) 2022/2041 of the European Parliament and of the Council on adequate minimum wages in the European Union. In the period until Directive 2022/2041 enters into application, where there is no applicable minimum wage determined by legislation or collective bargaining in an EEA country, the undertaking shall use an adequate wage benchmark that is either not lower than the minimum wage in a neighboring country with a similar socio-economic status or not lower than a commonly-referenced international norm such as 60% of the country's median wage and 50% of the gross average wage. (b) outside of the EEA: i. the wage level established in any existing international, national or sub-national legislation, official norms or collective agreements, based on an assessment of a wage level needed for a decent standard of living; ii. if none of the instruments identified in (i) exist, any national or sub-national minimum wage established by legislation or collective bargaining; or iii. if none of the instruments identified in (i) or (ii) exist, any benchmark that meets the criteria set out by the Sustainable Trade Initiative (IDH) ('Roadmap on Living Wages - A Platform to Secure Living Wages in Supply Chains'), including applicable benchmarks aligned with the Anker methodology, or provided by the Wage Indicator Foundation or Fair Wage					

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Network, provided the primacy of collective bargaining for the establishment of terms and conditions of employment is ensured.	Network, provided the primacy of collective bargaining for the establishment of terms and conditions of employment is ensured.
AR 74. Directive (EU) 2022/2041 on adequate minimum wages in the European Union references both indicative reference values commonly used at international level such as 60 % of the gross median wage and 50 % of the gross average wage, and/or indicative reference values used at national level. Data for the indicative values of 60% of the national median gross wage or 50% of the national average gross wage can be obtained from the European Labour Force Survey.	AR 23. Directive (EU) 2022/2041 on adequate minimum wages in the European Union references both indicative reference values commonly used at international level such as 60 % of the gross median wage and 50 % of the gross average wage, and/or indicative reference values used at national level. Data for the indicative values of 60% of the national median gross wage or 50% of the national average gross wage can be obtained from the European Labour Force Survey.
<b>Disclosure Requirement S1-11 – Social protection</b>	<b>Disclosure Requirement S4-44 S1-5 – Social protection</b>
AR 75. Social protection refers to all the measures that provide access to health care and income support in cases of challenging life events such as the loss of a job, being sick and in need of medical care, giving birth and raising a child, or retiring and in need of a pension.	AR 24. Social protection refers to all the measures that provide access to health care and income support in cases of challenging life events such as the loss of a job, being sick and in need of medical care, giving birth and raising a child, or retiring and in need of a pension.
<b>Disclosure Requirement S1-12 – Persons with disabilities</b>	<b>Disclosure Requirement S4-42 – Persons with disabilities</b>
AR 76. When disclosing the information required in paragraph 77 regarding persons with disabilities, the undertaking shall provide any contextual information necessary to understand the data and how the data has been compiled (methodology). For example, information about the impact of different legal definitions of persons with disabilities in the different countries in which the undertaking has operations.	AR 76. When disclosing the information required in paragraph 77 regarding persons with disabilities, the undertaking shall provide any contextual information necessary to understand the data and how the data has been compiled (methodology). For example, information about the impact of different legal definitions of persons with disabilities in the different countries in which the undertaking has operations.
<b>Disclosure Requirement S1-13 – Training and Skills Development metrics</b>	<b>Disclosure Requirement S4-43 S1-6 – Training metrics</b>
AR 77. A regular performance review is defined as a review based on criteria known to the employee and his or her superior undertaken with the knowledge of the employee at least once per year. The review can include an evaluation by the worker's direct superior, peers, or a wider range of employees. The review can also involve the human resources department. In order to disclose the information required by paragraph 83 (a), the undertaking shall use the employee headcount figures provided in Disclosure Requirement ESRS S1-6 in the denominator to calculate the: (a) number/proportion of performance reviews per employee; and (b) number of reviews in proportion to the agreed number of reviews by the management.	AR 77. A regular performance review is defined as a review based on criteria known to the employee and his or her superior undertaken with the knowledge of the employee at least once per year. The review can include an evaluation by the worker's direct superior, peers, or a wider range of employees. The review can also involve the human resources department. In order to disclose the information required by paragraph 83 (a), the undertaking shall use the employee headcount figures provided in Disclosure Requirement ESRS S1-6 in the denominator to calculate the: (a) number/proportion of performance reviews per employee; and (b) number of reviews in proportion to the agreed number of reviews by the management.
AR 78. To disclose the average required per paragraph 83 (b), the undertaking shall perform the following calculation: total number of training hours offered to and completed by employees per gender category divided by the total number of employees per gender category. For the total training average and the average by gender, the head count figures for total employment and employment by gender reported in Disclosure Requirement ESRS S1-6 shall be used.	AR 25. To disclose the average required per paragraph 32, the undertaking shall perform the following calculation: total number of training hours offered to and completed by employees per gender category divided by the total number of employees per gender category. For the total training average and the average by gender, the head count figures for total employment and employment by gender reported in Disclosure Requirement ESRS S4-6 S1-1 shall be used.
AR 79. Employee categories are a breakdown of employees by level (such as senior management, middle management) or function (such as technical, administrative, production). This information is derived from the undertaking's own human resources system. In categorising the workforce, the undertaking shall define reasonable and meaningful employee categories which enable users of the information to understand different performance measures between the categories. The undertaking may present a category for executive and non-executive employees.	AR 79. Employee categories are a breakdown of employees by level (such as senior management, middle management) or function (such as technical, administrative, production). This information is derived from the undertaking's own human resources system. In categorising the workforce, the undertaking shall define reasonable and meaningful employee categories which enable users of the information to understand different performance measures between the categories. The undertaking may present a category for executive and non-executive employees.
<b>Disclosure Requirement S1-14 – Health and safety metrics</b>	<b>Disclosure Requirement S4-44 S1-7 – Health and safety metrics</b>

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AR 80. In relation to paragraph 88 (a), the percentage of its own workforce who are covered by the undertaking's health and safety management system shall be disclosed on a head count basis rather than a full-time equivalent basis.	<del>AR 80. In relation to paragraph 88 (a), the percentage of its own workforce who are covered by the undertaking's health and safety management system shall be disclosed on a head count basis rather than a full-time equivalent basis.</del>
AR 81. With regard to paragraph 90, when the undertaking's health and safety management system, or certain parts thereof, has been subject to an internal audit or external certification, the undertaking may state this fact, or absence thereof, and the underlying standards for such audits/certifications, as applicable.	<del>AR 81. With regard to paragraph 90, when the undertaking's health and safety management system, or certain parts thereof, has been subject to an internal audit or external certification, the undertaking may state this fact, or absence thereof, and the underlying standards for such audits/certifications, as applicable.</del>
AR 82. Fatalities may be reported separately for those resulting from work-related injuries and those resulting from work-related ill health.	AR 26. Fatalities may be reported separately for those resulting from work-related injuries and those resulting from work-related ill health.
<b>Guidance on "work-related"</b>	<b>Guidance on "work-related"</b>
<p>AR 83. Work-related injuries and work-related ill health arise from exposure to hazards at work. Notwithstanding, other types of incidents can occur that are not connected with the work itself. For example, the following incidents are generally not considered to be work-related, unless otherwise specified in applicable national legislation:</p> <p>(a) a person in the workforce suffers a heart attack while at work that it is not connected with work;</p> <p>(b) a person in the workforce driving to or from work is injured in a car accident (when driving is not part of the work and where the transport has not been organised by the undertaking); and</p> <p>(c) a person in the workforce with epilepsy has a seizure at work that is not connected with work.</p>	<p>AR 27. Work-related injuries and work-related ill health arise from exposure to hazards at work. Notwithstanding, other types of incidents can occur that are not connected with the work itself. For example, the following incidents are generally not considered to be work related, unless otherwise specified in applicable national legislation:</p> <p>(a) a person in the workforce suffers a heart attack while at work that it is not connected with work;</p> <p>(b) a person in the workforce driving to or from work is injured in a car accident (when driving is not part of the work and where the transport has not been organised by the undertaking); and</p> <p>(c) a person in the workforce with epilepsy has a seizure at work that it is not connected with work.</p>
AR 84. With regard to travelling for work purposes, injuries and ill health that occur while a person is travelling are work-related if, at the time of the injury or ill health, the person was engaged in work activities "in the interest of the employer". Examples of such activities include travelling to and from customer contacts; conducting job tasks; and entertaining or being entertained to transact, discuss, or promote business (at the direction of the employer). If the undertaking is responsible for the transport commuting, incidents occurred while commuting are considered to be work-related. Nonetheless, incidents which arise during travel, outside of the undertaking's responsibility (i.e., regular commuting to and from work), may be reported separately provided that the undertaking has such data available across the undertaking.	AR 28. With regard to travelling for work purposes, injuries and ill health that occur while a person is travelling are work-related if, at the time of the injury or ill health, the person was engaged in work activities "in the interest of the employer". Examples of such activities include travelling to and from customer contacts; conducting job tasks; and entertaining or being entertained to transact, discuss, or promote business (at the direction of the employer). If the undertaking is responsible for the transport commuting, incidents occurred while commuting are considered to be work-related. Nonetheless, incidents which arise during travel, outside of the undertaking's responsibility (i.e. regular commuting to and from work), may be reported separately provided that the undertaking has such data available across the undertaking.
AR 85. With regard to working from home, injuries and ill health that occur when working from home are work-related, if the injury or ill health occurs while the person is performing work from home; and the injury or ill health is directly related to the performance of work rather than the general home environment or setting.	AR 29. With regard to working from home, injuries and ill health that occur when working from home are work-related, if the injury or ill health occurs while the person is performing work from home; and the injury or ill health is directly related to the performance of work rather than the general home environment or setting.
AR 86. With regard to mental illness, it is considered to be work-related, if it has been notified voluntarily by the person concerned and it is supported by an opinion from a licensed healthcare professional with appropriate training and experience; and if such opinion states that the illness is work-related.	AR 30. With regard to mental illness, it is considered to be work related, if it has been notified voluntarily by the person concerned and it is supported by an opinion from a licensed healthcare professional with appropriate training and experience; and if such opinion states that the illness is work-related.
AR 87. Health issues resulting, for example, from smoking, drug and alcohol abuse, physical inactivity, unhealthy diets, and psychosocial factors unrelated to work are not considered work-related.	AR 31. Health issues resulting, for example, from smoking, drug and alcohol abuse, physical inactivity, unhealthy diets, and psychosocial factors unrelated to work are not considered work-related.

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AR 88. Occupational diseases are not considered work-related injuries but are covered under work-related ill health.	AR 32. Occupational diseases are not considered work-related injuries but are covered under work-related ill health.
<b>Guidance on computing the rate of work-related injuries</b>	<b>Guidance on computing the rate of work-related injuries</b>
AR 89. In computing the rate of work-related injuries, the undertaking shall divide the respective number of cases by the number of total hours worked by people in its own workforce and multiplied by 1,000,000. Thereby, these rates represent the number of respective cases per one million hours worked. A rate based on 1,000,000 hours worked indicates the number of work-related injuries per 500 full time people in the workforce over a 1-year timeframe. For comparability purposes a rate based on 1,000,000 hours worked shall be used also for undertakings with less than 500 people in the workforce.	AR 33. In computing the rate of work-related injuries, the undertaking shall divide the respective number of cases by the number of total hours worked by people in its own workforce and multiplied by 1,000,000. Thereby, these rates represent the number of respective cases per one million hours worked. A rate based on 1,000,000 hours worked indicates the number of work-related injuries per 500 full time people in the workforce over a 1-year timeframe. For comparability purposes a rate based on 1,000,000 hours worked shall be used also for undertakings with less than 500 people in the workforce.
AR 90. If the undertaking cannot directly calculate the number of hours worked, it may estimate this on the basis of normal or standard hours of work, taking into account entitlements to periods of paid leave of absence from work (for example, paid vacations, paid sick leave, public holidays) and explain this in its disclosures.	AR 34. If the undertaking cannot directly calculate the number of hours worked, it may estimate this on the basis of normal or standard hours of work, taking into account entitlements to periods of paid leave of absence from work (for example, paid vacations, paid sick leave, public holidays) and explain this in its disclosures.
AR 91. An undertaking shall include fatalities as a result of work-related injury in the calculation of the number and rate of recordable work-related injuries.	AR 35. An undertaking shall include fatalities as a result of work-related injury in the calculation of the number and rate of recordable work-related injuries.
<b>Guidance on recordable work-related ill health</b>	<b>Guidance on recordable work-related ill health</b>
AR 92. Work-related ill health can include acute, recurring, and chronic health problems caused or aggravated by work conditions or practices. These include musculoskeletal disorders, skin and respiratory diseases, malignant cancers, diseases caused by physical agents (for example, noise-induced hearing loss, vibration-caused diseases), and mental illnesses (for example, anxiety, post-traumatic stress disorder). For the purpose of the required disclosures, the undertaking shall, at a minimum, include in its disclosure those cases outlined in the ILO List of Occupational Diseases.	AR 36. Work-related ill health can include acute, recurring, and chronic health problems caused or aggravated by work conditions or practices. These include musculoskeletal disorders, skin and respiratory diseases, malignant cancers, diseases caused by physical agents (for example, noise induced hearing loss, vibration-caused diseases), and mental illnesses (for example, anxiety, post-traumatic stress disorder). For the purpose of the required disclosures, the undertaking shall, at a minimum, include in its disclosure those cases outlined in the ILO List of Occupational Diseases.
AR 93. In the context of this Standard, work-related musculoskeletal disorders are covered under work-related ill health (and not injuries).	AR 37. In the context of this <i>[draft]</i> Standard, work-related musculoskeletal disorders are covered under work-related ill health (and not injuries).
AR 94. The cases to be disclosed in paragraph 88(d) relate to cases of work-related ill health notified to the undertaking or identified by the undertaking through medical surveillance, during the reporting period. The undertaking might be notified of cases of work-related ill health through reports by affected people, compensation agencies, or healthcare professionals. The disclosure may include cases of work-related ill health that were detected during the reporting period among people who were formerly in the undertaking's workforce.	<del>AR 94. The cases to be disclosed in paragraph 88(d) relate to cases of work-related ill health notified to the undertaking or identified by the undertaking through medical surveillance, during the reporting period. The undertaking might be notified of cases of work-related ill health through reports by affected people, compensation agencies, or healthcare professionals. The disclosure may include cases of work-related ill health that were detected during the reporting period among people who were formerly in the undertaking's workforce.</del>
<b>Guidance on the number of days lost</b>	<b>Guidance on the number of days lost</b>
AR 95. The undertaking shall count the number of days lost such that the first full day and last day of absence shall be included. Calendar days should be considered for the calculation, thus days on which the affected individual is not scheduled for work (for example, weekends, public holidays) will count as lost days.	AR 38. The undertaking shall count the number of days lost as such that the first full day and last day of absence shall be included. Calendar days should be considered for the calculation, thus days on which the affected individual is not scheduled for work (for example, weekends, public holidays) will count as lost days.
<b>Disclosure Requirement S1-15 – Work-life balance</b>	<b>Voluntary Disclosure S1-15 S1-11 – Work-life balance</b>
AR 96. Family-related leave include maternity leave, paternity leave, parental leave, and carers' leave that is available under national law or collective agreements. For the purpose of this Standard, these concepts are defined as:	AR 49. Family-related leave include maternity leave, paternity leave, parental leave, and carers' leave that is available under national law or collective agreements. For the purpose of this <i>[draft]</i> Standard, these concepts are defined as:



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<p>(a) maternity leave (also called pregnancy leave): employment-protected leave of absence for employed women directly around the time of childbirth (or, in some countries, adoption);</p> <p>(b) paternity leave: leave from work for fathers or, where and in so far as recognised by national law, for equivalent second parents, on the occasion of the birth or adoption of a child for the purposes of providing care;</p> <p>(c) parental leave: leave from work for parents on the grounds of the birth or adoption of a child to take care of that child, as defined by each Member State;</p> <p>(d) carers' leave from work: leave for workers to provide personal care or support to a relative, or a person who lives in the same household, in need of significant care or support for a serious medical reason, as defined by each Member State.</p>	<p>(a) maternity leave (also called pregnancy leave): employment-protected leave of absence for employed women directly around the time of childbirth (or, in some countries, adoption);</p> <p>(b) paternity leave: leave from work for fathers or, where and in so far as recognised by national law, for equivalent second parents, on the occasion of the birth or adoption of a child for the purposes of providing care;</p> <p>(c) parental leave: leave from work for parents on the grounds of the birth or adoption of a child to take care of that child, as defined by each Member State;</p> <p>(d) carers' leave from work: leave for workers to provide personal care or support to a relative, or a person who lives in the same household, in need of significant care or support for a serious medical reason, as defined by each Member State.</p>
<p>AR 97. With regard to paragraph 93 (a), employees entitled to family-related leave are those who are covered by regulations, organisational policies, agreements, contracts or collective bargaining agreements that contain family-related leave entitlements and have reported their entitlement to the undertaking or the undertaking is aware of the entitlement.</p>	<p>AR 50. <del>With regard to paragraph 93 (a),</del> Employees entitled to family-related leave are those who are covered by regulations, organisational policies, agreements, contracts or collective bargaining agreements that contain family-related leave entitlements and have reported their entitlement to the undertaking or the undertaking is aware of the entitlement.</p>
<p><b>Disclosure Requirement S1-16 – Remuneration metrics (pay gap and total remuneration)</b></p>	<p><b>Disclosure Requirement <del>S1-16</del> S1-8 – Remuneration metrics (pay gap and total remuneration)</b></p>
<p><b>Pay gap</b></p>	<p><b>Pay gap</b></p>
<p>AR 98. When compiling the information required under paragraph 97 (a) for the gap in pay between its female and male employees (also known as the “gender pay gap”) the undertaking shall use the following methodology:</p> <p>(a) include all employees' gross hourly pay level; and</p> <p>(b) apply the following formula to calculate the gender pay gap</p> $\frac{\text{Average gross hourly pay level of male employees} - \text{average gross hourly pay level of female employees}}{\text{Average gross hourly pay level of male employees}} \times 100$	<p>AR 39. When compiling the information required under paragraph 39(a) for the gap in pay between its female and male employees (also known as the “gender pay gap”) the undertaking shall use the following methodology:</p> <p>(a) include all employees' gross hourly pay level; and</p> <p>(b) apply the following formula to calculate the gender pay gap</p> $\frac{\text{Average gross hourly pay level of male employees} - \text{average gross hourly pay level of female employees}}{\text{Average gross hourly pay level of male employees}} \times 100$
<p>AR 99. When disclosing the information required under paragraph 97 (a), the undertaking shall provide any contextual information necessary to understand the data and how the data has been compiled (methodology). Information regarding how objective factors such as type of work and country of employment influence the gender pay gap may be reported.</p>	<p>AR 40. When disclosing the information required under paragraph 39 (a), the undertaking shall provide any contextual information necessary to understand the data and how the data has been compiled (methodology). Information regarding how objective factors such as type of work and country of employment influence the gender pay gap may be reported.</p>
<p>AR 100. The measure of the undertaking's gender pay gap shall be reported for the current reporting period and, if reported in previous sustainability reports, for the previous two reporting periods.</p>	<p>AR 41. The measure of the undertaking's gender pay gap shall be reported for the current reporting period and, if reported in previous sustainability reports, for the previous two reporting periods.</p>
<p><b>Total remuneration Ratio</b></p>	<p><b>Total remuneration Ratio</b></p>
<p>AR 101. When compiling the information required by paragraph 97 (b), the undertaking shall:</p> <p>(a) include all employees;</p> <p>(b) consider, depending on the undertaking's remuneration policies, all of the following:</p> <ol style="list-style-type: none"> <li>base salary, which is the sum of guaranteed, short-term, and non-variable cash compensation;</li> <li>benefits in cash, which is the sum of the base salary and cash allowances, bonuses, commissions, cash profit-sharing, and other forms of variable cash payments;</li> <li>benefits in kind, such as cars, private health insurance, life insurance, wellness programs; and</li> </ol>	<p>AR 42. When compiling the information required by paragraph 39 (b), the undertaking shall:</p> <p>(a) include all employees;</p> <p>(b) consider, depending on the undertaking's remuneration policies, all of the following:</p> <ol style="list-style-type: none"> <li>base salary, which is the sum of guaranteed, short-term, and non-variable cash compensation;</li> <li>benefits in cash, which is the sum of the base salary and cash allowances, bonuses, commissions, cash profit-sharing, and other forms of variable cash payments;</li> <li>benefits in kind, such as cars, private health insurance, life insurance, wellness programs; and</li> </ol>

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<p>iv. direct remuneration, which is the sum of benefits in cash, benefits in kind and total fair value of all annual long-term incentives (for example, stock option awards, restricted stock shares or units, performance stock shares or units, phantom stock shares, stock appreciation rights, and long-term cash awards).</p> <p>(c) apply the following formula for the annual total remuneration ratio:</p> $\frac{\text{Annual total remuneration for the undertaking's highest paid individual}}{\text{Median employee annual total remuneration (excluding the highest – paid individual)}}$	<p>iv. direct remuneration, which is the sum of benefits in cash, benefits in kind and total fair value of all annual long-term incentives (for example, stock option awards, restricted stock shares or units, performance stock shares or units, phantom stock shares, stock appreciation rights, and long-term cash awards).</p> <p>(c) apply the following formula for the annual total remuneration ratio:</p> $\frac{\text{Annual total remuneration for the undertaking's highest paid individual}}{\text{Median employee annual total remuneration (excluding the highest – paid individual)}}$
<p>AR 102. To illustrate the contextual information, the undertaking may provide an explanation to understand the data and how the data has been compiled (methodology). Quantitative data, such as the annual total remuneration ratio, may not be sufficient on its own to understand pay disparity and its drivers. For example, pay ratios can be influenced by the size of the undertaking (for example, revenue, number of employees), its sector, its employment strategy (for example, reliance on outsourced workers or part-time employees, a high degree of automation), or currency volatility.</p>	<p><del>AR 102. To illustrate the contextual information, the undertaking may provide an explanation to understand the data and how the data has been compiled (methodology). Quantitative data, such as the annual total remuneration ratio, may not be sufficient on its own to understand pay disparity and its drivers. For example, pay ratios can be influenced by the size of the undertaking (for example, revenue, number of employees), its sector, its employment strategy (for example, reliance on outsourced workers or part-time employees, a high degree of automation), or currency volatility.</del></p>
<p><b>Disclosure Requirement S1-17 –Incidents, complaints and severe human rights impacts</b></p>	<p><b>Disclosure Requirement S1-17 S1-9 –Incidents, complaints and severe human rights impacts</b></p>
	<p>Discrimination incidents</p>
<p>AR 103. In addition to the information required by paragraphs 103 and 104, the undertaking may disclose the status of incidents and/or complaints and actions taken with reference to the following:</p> <p>(a) incidents reviewed by the undertaking;</p> <p>(b) remediation plans being implemented;</p> <p>(c) remediation plans that have been implemented, with results reviewed through routine internal management review processes; and</p> <p>(d) incidents no longer subject to action.</p>	<p>AR 43. In addition to the information required by paragraphs 45 and 46, the undertaking may disclose the status of incidents and/or complaints and actions taken with reference to the following:</p> <p>(a) incidents reviewed by the undertaking;</p> <p>(b) remediation plans being implemented;</p> <p>(c) remediation plans that have been implemented, with results reviewed through routine internal management review processes; and</p> <p>(d) incidents no longer subject to action.</p>
<p>AR 104. If the undertaking compiles the information described in AR 105, it shall consider the following:</p> <p>(a) an incident is no longer subject to action if it is resolved, the case is completed, or no further action is required by the undertaking. For example, an incident for which no further action is required can include cases that are withdrawn or where the underlying circumstances that led to the incident no longer exist;</p> <p>(b) remedial action is directed toward the alleged harasser and the alleged victim. Remedial action toward the victim may include offering to pay his/her expenses for counselling sessions, offering the victim some paid time off, offering to reinstate sick/vacation days if the victim has incurred any expenses due to the harassment (such as having used sick or vacation days); and</p> <p>(c) remedial action toward the harasser may include giving the harasser a verbal and/or written warning, mandating anti-harassment counselling or sending the harasser to an appropriate seminar, harassment awareness and prevention training. A suspension without pay may also be an option. If the harasser has been disciplined earlier but his/her harassment does not cease, then more serious discipline may be required.</p>	<p>AR 44. If the undertaking compiles the information described in AR 43, it shall consider the following:</p> <p>(a) an incident is no longer subject to action if it is resolved, the case is completed, or no further action is required by the undertaking. For example, an incident for which no further action is required can include cases that are withdrawn or where the underlying circumstances that led to the incident no longer exist;</p> <p>(b) remedial action is directed toward the alleged harasser and the alleged victim. Remedial action toward the victim may include offering to pay his/her expenses for counselling sessions, offering the victim some paid time off, offering to reinstate sick/vacation days if the victim has incurred any expenses due to the harassment (such as having used sick or vacation days); and</p> <p>(c) remedial action toward the harasser may include giving the harasser a verbal and/or written warning, mandating anti-harassment counselling or sending the harasser to an appropriate seminar, harassment awareness and prevention training. A suspension without pay may also be an option. If the harasser has been disciplined earlier but his/her harassment does not cease, then more serious discipline may be required.</p>

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<p>AR 105. Severe human rights incidents include instances of lawsuits, formal complaints through the undertaking or third-party complaint mechanisms, serious allegations in public reports or the media, where these are connected to the undertaking's own workforce, and the fact of the incidents is not disputed by the undertaking, as well as any other severe impacts of which the undertaking is aware.</p>	<p>AR 45. Severe human rights incidents include instances of lawsuits, formal complaints through the undertaking or third-party complaint mechanisms, serious allegations in public reports or the media, where these are connected to the undertaking's own workforce, and the fact of the incidents is not disputed by the undertaking, as well as any other severe impacts of which the undertaking is aware.</p>
<p>AR 106. In addition to the information required by paragraph 104 above, the undertaking may disclose the number of severe human rights incidents where the undertaking played a role securing remedy for those affected during the reporting period.</p>	<p><del>AR 106. In addition to the information required by paragraph 104 above, the undertaking may disclose the number of severe human rights incidents where the undertaking played a role securing remedy for those affected during the reporting period.</del></p>
<p><b>ESRS S2 WORKERS IN THE VALUE CHAIN</b></p>	<p><b>S2, S3 and S4 centralised in Section 2 and 3</b></p>
<p><b>Objective</b></p>	
<p>1. The objective of this Standard is to specify disclosure requirements which will enable users of the sustainability statement to understand material impacts on value chain workers connected with the undertaking's own operations and value chain, including through its products or services, as well as through its business relationships, and its related material risks and opportunities, including:</p> <ul style="list-style-type: none"> <li>(a) how the undertaking affects workers in its value chain, in terms of material positive and negative actual or potential impacts;</li> <li>(b) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential negative impacts, and to address risks and opportunities;</li> <li>(c) the nature, type and extent of the undertaking's material risks and opportunities, including those related to its impacts and dependencies on workers in the value chain, and how the undertaking manages them; and</li> <li>(d) the financial effects on the undertaking over the short-, medium- and long-term of material risks and opportunities, including those arising from the undertaking's impacts and dependencies on workers in the value chain.</li> </ul>	
<p>2. In order to meet the objective, this Standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on value chain workers in relation to:</p> <ul style="list-style-type: none"> <li>(a) working conditions (for example, secure employment, working time, adequate wage, social dialogue, freedom of association, including the existence of work councils, collective bargaining, work-life balance and health and safety);</li> <li>(b) equal treatment and opportunities for all (for example, gender equality and equal pay for work of equal value, training and skills development, the employment and inclusion of persons with disabilities, measures against violence and harassment in the workplace, and diversity);</li> <li>(c) other work-related rights (for example, child labour, forced labour, adequate housing, water and sanitation and privacy).</li> </ul>	
<p>3. This Standard also requires an explanation of how such impacts, as well as the undertaking's dependencies on value chain workers, can create material risks or opportunities for the undertaking. For example, negative impacts on value chain workers may disrupt the undertaking's operations (through customers refusing to buy its products or state agencies impounding its goods) and harm its reputation. Conversely, respect for workers' rights and</p>	

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active support programmes (for example through financial literacy initiatives) can bring business opportunities, such as more reliable supply or widening of the future consumer base.	
4. This Standard covers all workers in the undertaking's upstream and downstream value chain who are or can be materially impacted by the undertaking, including impacts that are connected with the undertaking's own operations and value chain, including through its products or services, as well as through its business relationships. This includes all workers who are not included in the scope of "own workforce" ("own workforce" includes employees, individual contractors, i.e., self-employed workers, and workers provided by third party undertakings primarily engaged in 'employment activities'). Own workforce is covered in ESRS S1 Own workforce. See AR 3 for examples of what is included in the scope of this Standard.	
<b>Interaction with other ESRS</b>	
5. This Standard applies when material impacts on and/or material risks and opportunities related to value chain workers have been identified through the materiality assessment process laid out in ESRS 2 General disclosures.	
6. This Standard shall be read in conjunction with ESRS 1 General requirements, and ESRS 2, as well as the ESRS S1, ESRS S3 Affected communities and ESRS S4 Consumers and end-users.	
7. The reporting under this Standard shall be consistent, coherent and where relevant clearly linked with reporting on the undertaking's own workforce under ESRS S1, in order to ensure effective reporting.	
<b>Disclosure Requirements</b>	
<b>ESRS 2 General disclosures</b>	<b>ESRS 2 General disclosures</b>
8. The requirements of this section should be read in conjunction with the disclosures required by ESRS 2 on Strategy (SBM). The resulting disclosures shall be presented alongside the disclosures required by ESRS 2, except for SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model, for which the undertaking has an option to present the disclosures alongside the topical disclosure.	
<b>Strategy</b>	
<b>Disclosure Requirement related to ESRS 2 SBM-2 Interests and views of stakeholders</b>	<b>Disclosure Requirement related to ESRS 2 SBM-2 Interests and views of stakeholders</b>
9. When responding to ESRS 2 SBM-2 paragraph 43, the undertaking shall disclose how the interests, views, and rights of its value chain workers could be materially impacted by the undertaking, including respect for their human rights, inform its strategy and business model. Value chain workers are a key group of affected stakeholders.	
<b>Disclosure Requirement related to ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model</b>	<b>Centralised in AR of Section 2</b>
10. When responding to ESRS 2 SBM-3 paragraph 48, the undertaking shall disclose: (a) whether and how actual and potential impacts on value chain workers, as identified in ESRS 2 IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities: (i) originate from or are connected to the undertaking's strategy and business models, and (ii) inform and contribute to adapting the undertaking's strategy and business model; and	

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<p>(b) the relationship between on the one hand its material risks and opportunities arising from impacts and dependencies on value chain workers, and on the other hand its strategy and business model.</p>	
<p>11. When fulfilling the requirements of paragraph ESRS 2 SBM-3 paragraph 48, the undertaking shall disclose whether all value chain workers who are likely to be materially impacted by the undertaking, including impacts that are connected with the undertaking's own operations and value chain, including through its products or services, as well as through its business relationships, are included in the scope of its disclosure under ESRS 2. In addition, the undertaking shall provide the following information:</p> <p>(a) a brief description of the types of value chain workers who could be materially impacted by the undertaking, including impacts that connected with the undertaking's own operations and value chain, including through its products or services, as well as through its business relationships, and specify whether they are:</p> <ol style="list-style-type: none"> <li>i. workers working on the undertaking site but who are not part of own workforce, i.e., who are not self-employed workers or workers provided by third party undertakings primarily engaged in employment activities (covered through ESRS S1);</li> <li>ii. workers working for entities in the undertaking's upstream value chain (e.g., those involved in the extraction of metals or minerals or harvesting of commodities, in refining, manufacturing or other forms of processing);</li> <li>iii. workers working for entities in the undertaking's downstream value chain (e.g., those involved in the activities of logistics or distribution providers, franchisees, retailers);</li> <li>iv. workers working in the operations of a joint venture or special purpose vehicle involving the reporting undertaking;</li> <li>v. workers who (within the prior categories or additionally) are particularly vulnerable to negative impacts whether due to their inherent characteristics or to the particular context, such as trade unionists, migrant workers, home workers, women or young workers.</li> </ol> <p>(b) any geographies, at country level or other levels, or commodities for which there is a significant risk of child labour, or of forced labour or compulsory labour, among workers in the undertaking's value chain ;</p> <p>(c) in the case of material negative impacts, whether they are either (i) widespread or systemic in contexts where the undertaking operates or has sourcing or other business relationships (e.g., child labour or forced labour in particular commodity supply chains in specific countries or regions), or (ii) related to individual incidents (e.g., an industrial accident or an oil spill) or to specific business relationships. This includes consideration of impacts on value chain workers that may arise from the transition to greener and climate-neutral operations. Potential impacts include impacts associated with innovation and restructuring, closure of mines, increased mining of minerals needed for the transition to a sustainable economy, and solar panel production;</p> <p>(d) in the case of material positive impacts, a brief description of the activities that result in the positive impacts (e.g., updated purchasing practices, capacity-building to supply chain workers), including providing opportunities for the workforce such as job creation and upskilling in the context of a 'just transition', and the types of value chain workers that are positively affected or could be positively affected; the undertaking may also disclose whether the positive impacts occur in specific countries or regions; and</p>	

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(e) any material risks and opportunities for the undertaking arising from impacts and dependencies on value chain workers.	
12. In describing the main types of value chain workers who are or could be negatively affected, based on the materiality assessment set out in ESRS 2 IRO-1, the undertaking shall disclose whether and how it has developed an understanding of how workers with particular characteristics, those working in particular contexts, or those undertaking particular activities may be at greater risk of harm.	
13. The undertaking shall disclose which, if any, of its material risks and opportunities arising from impacts and dependencies on its value chain workers relate to specific groups of value chain workers (for example, particular age groups, workers in a particular factory or country) rather than to all of the value chain workers.	
Impact, risk and opportunity management	
<b>Disclosure Requirement S2-1 – Policies related to value chain workers</b>	<b>Centralised in AR of Section 3</b>
14. The undertaking shall describe its policies adopted to manage its material impacts on value chain workers, as well as associated material risks and opportunities.	
15. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of material impacts on value chain workers specifically, as well as policies that cover material risks or opportunities related to value chain workers.	
16. The disclosure required by paragraph 14 shall contain the information on the undertaking's policies to manage its material impacts, risks and opportunities related to value chain workers in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters. In addition, the undertaking shall specify whether such policies cover specific groups of value chain workers or all value chain workers.	
17. The undertaking shall describe its human rights policy commitments that are relevant to value chain workers, including those processes and mechanisms to monitor compliance with the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises. In its disclosure, it shall focus on those matters that are material in relation to, as well as the general approach to: (a) respect for the human rights, including labour rights, of workers; (b) engagement with value chain workers; and (c) measures to provide and/or enable remedy for human rights impacts.	
18. The undertaking shall state whether its policies in relation to value chain workers explicitly address trafficking in human beings, forced labour or compulsory labour and child labour. It shall also state whether the undertaking has a supplier code of conduct	
19. The undertaking shall disclose whether and how its policies with regard to value chain workers are aligned with internationally recognised instruments relevant to value chain workers, including the United Nations (UN) Guiding Principles on Business and Human Rights. The undertaking shall also disclose the extent to which cases of non-respect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises that involve value chain	

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workers have been reported in its upstream and downstream value chain and, if applicable, an indication of the nature of such cases	
<b>Disclosure Requirement S2-2 – Processes for engaging with value chain workers about impacts</b>	<b>Centralised in AR of Section 3</b>
20. The undertaking shall disclose its general processes for engaging with value chain workers and their representatives about actual and potential impacts on them.	
21. The objective of this Disclosure Requirement is to enable an understanding of whether and how the undertaking engages, as part of its ongoing due diligence process, with value chain workers and their legitimate representatives, or with credible proxies, about material actual and potential positive and/or negative impacts that do or are likely to affect them, and whether and how perspectives of value chain workers are taken into account in the decision-making processes of the undertaking.	
22. The undertaking shall disclose whether and how the perspectives of value chain workers inform its decisions or activities aimed at managing the actual and potential impacts on value is derived from a mandatory indicator related to principal adverse impacts as set out by indicator #10 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments; and benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicators “Number of benchmark constituents subject to social violations (absolute number and relative divided by all benchmark constituents), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law” and “Exposure of the benchmark portfolio to companies without due diligence policies on issues addressed by the fundamental International Labour Organisation Conventions 1 to 8” in section 1 and 2 of Annex II. chain workers. This shall include, where relevant, an explanation of: (a) whether engagement occurs with value chain workers or their legitimate representatives directly, or with credible proxies that have insight into their situation; (b) the stage(s) at which engagement occurs, the type of engagement, and the frequency of the engagement; (c) the function and the most senior role within the undertaking that has operational responsibility for ensuring that this engagement happens, and that the results inform the undertaking’s approach; (d) where applicable, Global Framework Agreements or for agreements that the undertaking has with global union federations related to respect of human rights of workers in the value chain, including their right to bargain collectively, and including an explanation of how the agreement enables the undertaking to gain insight into those workers’ perspectives; and (e) where applicable, how the undertaking assesses the effectiveness of its engagement with workers in the value chain, including, where relevant, any agreements or outcomes that result.	
23. Where applicable, the undertaking shall disclose the steps it takes to gain insight into the perspectives of workers that may be particularly vulnerable to impacts and/or marginalised (for example, women workers, migrant workers, workers with disabilities).	

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<p>24. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with workers in the value chain, it shall disclose this to be the case. It may disclose a timeframe in which it aims to have such a process in place.</p>	
<p><b>Disclosure Requirement S2-3 – Processes to remediate negative impacts and channels for value chain workers to raise concerns</b></p>	<p><b>Centralised in AR of Section 3</b></p>
<p>25. The undertaking shall describe the processes it has in place to provide for or cooperate in the remediation of negative impacts on value chain workers that the undertaking is connected with, as well as channels available to value chain workers to raise concerns and have them addressed.</p>	
<p>26. The objective of this Disclosure Requirement is to enable an understanding of the formal means by which value chain workers can make their concerns and needs known directly to the undertaking and/or through which the undertaking supports the availability of such channels (for example, grievance mechanisms ) in the workplace of value chain workers, how follow up is carried out with these workers regarding the issues raised, and the effectiveness of these channels.</p>	
<p>27. The undertaking shall describe:                      (a) its general approach to and processes for providing or contributing to remedy where it has caused or contributed to a material negative impact on value chain workers, including whether and how the undertaking assesses that the remedy provided is effective;                      (b) any specific channels it has in place for value chain workers to raise their concerns or needs directly with the undertaking and have them addressed, including whether these are established by the undertaking itself and/or whether they are third-party mechanisms;</p>	
<p>28. The undertaking shall disclose whether and how it assesses that value chain workers are aware of and trust these structures or processes as a way to raise their concerns or needs and have them addressed. In addition, the undertaking shall disclose whether it has policies in place regarding the protection of individuals that use them against retaliation. If such information has been disclosed in accordance with ESRS G1-1, the undertaking may refer to that information.</p>	
<p>29. If the undertaking cannot disclose the above required information because it has not adopted a channel for raising concerns and/or does not support the availability of such a channel in the workplace of value chain workers, it shall disclose this to be the case. It may disclose a timeframe in which it aims to have such a channel or processes in place.</p>	
<p><b>Disclosure Requirement S2-4 – Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions</b></p>	<p><b>Centralised in AR of Section 3</b></p>
<p>30. The undertaking shall disclose how it takes action to address material impacts on value chain workers, and to manage material risks and pursue material opportunities related to value chain workers and the effectiveness of those actions.                      31. The objective of this Disclosure Requirement is twofold. Firstly, it is to enable an understanding of any actions or initiatives through which the undertaking seeks to:                      (a) prevent, mitigate and remediate the negative material impacts on value chain workers; and/or                      (b) achieve positive material impacts for value chain workers.</p>	



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<p>Secondly, it is to enable an understanding of the ways in which the undertaking is addressing the material risks and pursuing the material opportunities related to workers in the value chain. The undertaking shall provide a summarised description of the action plans and resources to manage its material impacts, risks, and opportunities related to value chain workers as per ESRS 2 MDR-A Actions and resources in relation to material sustainability matters.</p> <p>32. In relation to material impacts, the undertaking shall describe:</p> <p>(a) actions taken, planned or underway to prevent or mitigate material negative impacts on value chain workers;</p> <p>(b) whether and how it has taken action to provide or enable remedy in relation to an actual material impact;</p> <p>(c) any additional actions or initiatives it has in place with the primary purpose of delivering positive impacts for value chain workers; and</p> <p>(d) how it tracks and assesses the effectiveness of such actions and initiatives in delivering intended outcomes for value chain workers.</p>	
<p>33. In relation to paragraph 30, the undertaking shall describe:</p> <p>(a) the processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on value chain workers;</p> <p>(b) its approach to taking action in relation to specific material negative impacts on value chain workers, including any action in relation to its own purchasing or other internal practices, as well as capacity- building or other forms of engagement with entities in the value chain, or forms of collaborative action with industry peers or other relevant parties; and</p> <p>(c) how it ensures that processes to provide or enable remedy in the event of material negative impacts are available and effective in their implementation and outcomes.</p>	
<p>34. In relation to material risks and opportunities, the undertaking shall describe:</p> <p>(a) what action is planned or underway to mitigate material risks for the undertaking arising from its impacts and dependencies on value chain workers and how it tracks effectiveness in practice; and</p> <p>(b) what action is planned or underway to pursue material opportunities for the undertaking in relation to value chain workers.</p>	
<p>35. When disclosing the information required under paragraph 32 (c), the undertaking shall consider ESRS 2 (see ESRS 2 MDR-T Tracking effectiveness of policies and actions The undertaking shall disclose whether and how it takes action to avoid causing or contributing to material negative impacts on value chain workers through its own practices, including, where relevant, in relation to procurement, sales and data use. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.</p>	
<p>36. The undertaking shall also disclose whether severe human rights issues and incidents connected to its upstream and downstream value chain have been reported and, if applicable, disclose these .</p>	
<p>37. through targets) if it evaluates the effectiveness of an action by setting a target.</p>	

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38. The undertaking shall disclose what resources are allocated to the management of its material impacts, with information that enables users to gain an understanding of how the material impacts are managed.	
Metrics and targets	
<b>Disclosure Requirement S2-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities</b>	<b>Centralised in AR of Section 3</b>
39. The undertaking shall disclose the time-bound and outcome-oriented targets it may have set related to: (a) reducing negative impacts on value chain workers; and/or (b) advancing positive impacts on value chain workers; and/or (c) managing material risks and opportunities related to value chain workers.	
40. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking is using time-bound and outcome-oriented targets to drive and measure its progress in addressing material negative impacts, and/or advancing positive impacts on value chain workers, and/or in managing material risks and opportunities related to value chain workers.	
41. The summarised description of the targets to manage its material impacts, risks and opportunities related to value chain workers shall contain the information requirements defined in ESRS 2 MDR-T.	
42. The undertaking shall disclose the process for setting the targets, including whether and how the undertaking engaged directly with workers in the value chain, their legitimate representatives, or with credible proxies that have insight into their situation in: (a) setting any such targets; (b) tracking the undertaking's performance against them; and (c) identifying any lessons or improvements as a result of the undertaking's performance.	
<b>ESRS S3 AFFECTED COMMUNITIES</b>	<b>Centralised in AR of Section 3</b>
<b>Objective</b>	<b>Objective</b>
1. The objective of this Standard is to specify disclosure requirements which will enable users of the sustainability statement to understand material impacts on affected communities connected with the undertaking's own operations and value chain, including through its products or services, as well as through its business relationships, and its related material risks and opportunities, including: (a) how the undertaking affects communities, in areas where impacts are most likely to be present and severe, in terms of material positive and negative actual or potential impacts; (b) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential negative impacts, and to address risks and opportunities; (c) the nature, type and extent of the undertaking's material risks and opportunities related to its impacts and dependencies on affected communities, and how the undertaking manages them; and (d) the financial effects on the undertaking over the short-, medium- and long-term of material risks and opportunities arising from the undertaking's impacts and dependencies on affected communities.	

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<p>2. In order to meet the objective, this Standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on affected communities in relation to:</p> <p>(a) communities' economic, social and cultural rights (for example, adequate housing, adequate food, water and sanitation, land-related and security-related impacts);</p> <p>(b) communities' civil and political rights (for example, freedom of expression, freedom of assembly, impacts on human rights defenders); and</p> <p>(c) particular rights of indigenous peoples (for example, free, prior and informed consent, self-determination, cultural rights).</p>	
<p>3. This Standard also requires an explanation of how such impacts, as well as the undertaking's dependencies on affected communities, can create material risks or opportunities for the undertaking. For example, negative relationships with affected communities may disrupt the undertaking's own operations or harm its reputation, while constructive relationships can bring business benefits, such as stable and conflict-free operations and a greater ease of recruiting locally.</p>	
<p><b>Interaction with other ESRS</b></p>	<p><b>Interaction with other ESRS</b></p>
<p>4. This standard applies when material impacts on and/or material risks and opportunities related to affected communities have been identified through the materiality assessment process laid out in ESRS 2 General disclosures.</p>	
<p>5. This Standard shall be read in conjunction with ESRS 1 General requirements, and ESRS 2, as well as the ESRS S1 Own workforce, ESRS S2 Workers in the value chain and ESRS S4 Consumers and end-users.</p>	
<p><b>Disclosure Requirements</b></p>	
<p><b>ESRS 2 General disclosures</b></p>	<p><b>ESRS 2 General disclosures</b></p>
<p>6. The requirements of this section should be read in conjunction with the disclosures required by ESRS 2 on Strategy (SBM). The resulting disclosures shall be presented alongside the disclosures required by ESRS 2, except for SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model, for which the undertaking has an option to present the disclosures alongside the topical disclosure.</p>	
<p><b>Strategy</b></p>	
<p><b>Disclosure Requirement related to ESRS 2 SBM-2 – Interests and views of stakeholders</b></p>	<p><b>Centralised in AR of Section 2</b></p>
<p>7. When responding to ESRS 2 SBM-2, paragraph 43, the undertaking shall disclose how the views, interests, and rights of affected communities, including respect for their human rights (and their rights as indigenous peoples, where applicable), inform its strategy and business model. Affected communities are a key group of affected stakeholders.</p>	
<p><b>Disclosure Requirement related to ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model</b></p>	<p><b>Centralised in AR of Section 2</b></p>
<p>8. When responding to ESRS 2 SBM-3 paragraph 48, the undertaking shall disclose:</p> <p>(a) whether and how actual and potential impacts on affected communities as identified in ESRS 2 IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities: (i) originate from or are connected to the undertaking's strategy and business models, and (ii) inform and contribute to adapting the undertaking's strategy and business model; and</p>	

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<p>(b) the relationship between its material risks and opportunities arising from impacts and dependencies on affected communities and its strategy and business model.</p>	
<p>9. When fulfilling the requirements of paragraph 48, the undertaking shall disclose whether all affected communities who are likely to be materially impacted by the undertaking, including impacts that are connected with the undertaking's own operations and value chain, including through its products or services, as well as through its business relationships, are included in the scope of its disclosure under ESRS 2. In addition, the undertaking shall provide the following information:</p> <p>(a) a brief description of the types of communities subject to material impacts by its own operations or through its upstream and downstream value chain, and specify whether they are:</p> <ul style="list-style-type: none"> <li>i. communities living or working around the undertaking's operating sites, factories, facilities or other physical operations, or more remote communities affected by activities at those sites (for example by downstream water pollution);</li> <li>ii. communities along the undertaking's value chain (for example, those affected by the operations of suppliers' facilities or by the activities of logistics or distribution providers);</li> <li>iii. communities at one or both endpoints of the value chain (for example, at the point of extraction of metals or minerals or harvesting of commodities, or communities around waste or recycling sites);</li> <li>iv. communities of indigenous peoples.</li> </ul> <p>(b) in the case of material negative impacts, whether they are either (i) widespread or systemic in contexts where the undertaking operates or has sourcing or other business relationships (for example, marginalised populations suffering impacts on their health and quality of life in a highly industrialised area), or (ii) related to individual incidents in the undertaking's own operations (e.g., a toxic waste spill affecting a community's access to clean drinking water) or in a specific business relationship (e.g., a peaceful protest by communities against business operations that was met with a violent response from the undertaking's security services). This includes consideration of impacts on affected communities that may arise from the transition to greener and climate- neutral operations. Potential impacts include impacts associated with innovation and restructuring, closure of mines, increased mining of minerals needed for the transition to a sustainable economy and solar panel production;</p> <p>(c) in the case of material positive impacts, a brief description of the activities that result in the positive impacts (for example, capacity-building to support more and new forms of local livelihoods) and the types of communities that are positively affected or could be positively affected; the undertaking may also disclose whether the positive impacts occur in specific countries or regions; and</p> <p>(d) any material risks and opportunities for the business arising from impacts and dependencies on affected communities.</p>	
<p>10. In describing the main types of communities who are or could be negatively affected, based on the materiality assessment set out in Disclosure Requirement ESRS 2 IRO-1, the undertaking shall disclose whether and how it has developed an understanding of how affected communities with particular characteristics or those living in particular contexts, or those undertaking particular activities may be at greater risk of harm.</p>	

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11. The undertaking shall disclose which, if any, of its material risks and opportunities arising from impacts and dependencies on affected communities relate to specific groups of affected communities rather than to all affected communities.	
Impact, risk and opportunity management	
<b>Disclosure Requirement S3-1 – Policies related to affected communities</b>	<b>Centralised in AR of Section 3</b>
12. The undertaking shall describe its policies adopted to manage its material impacts on affected communities, as well as associated material risks and opportunities.	
13. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of material impacts on affected communities specifically, as well as policies that cover material risks or opportunities related to affected communities.	
14. The disclosure required by paragraph 12 shall contain the information on the undertaking's policies to manage its material impacts, risks and opportunities related to affected communities in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters. In addition, the undertaking shall specify if such policies cover specific affected communities or all affected communities.	
15. The undertaking shall disclose any particular policy provisions for preventing and addressing impacts on indigenous peoples.	
16. The undertaking shall describe its human rights policy commitments that are relevant to affected communities, including those processes and mechanisms to monitor compliance with the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises. In its disclosure it shall focus on those matters that are material in relation to , as well as its general approach to: (a) respect for the human rights of communities, and indigenous peoples specifically; (b) engagement with affected communities; and (c) measures to provide and/or enable remedy for human rights impacts.	
17. The undertaking shall disclose whether and how its policies with regard to affected communities are aligned with internationally recognised standards relevant to communities and indigenous peoples specifically, including the United Nations (UN) Guiding Principles on Business and Human Rights. The undertaking shall also disclose the extent to which cases of non-respect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises that involve affected communities have been reported in its own operations or in its upstream and downstream value chain and, if applicable, an indication of the nature of such cases .	
18. The policy may take the form of a stand-alone policy regarding communities or be included in a broader document such as a code of ethics or a general sustainability policy that has already been disclosed by the undertaking as part of another ESRS. In those cases, the undertaking shall provide an accurate cross-reference to identify the aspects of the policy that satisfy the requirements of this Disclosure Requirement.	
<b>Disclosure Requirement S3-2 – Processes for engaging with affected communities about impacts</b>	<b>Centralised in AR of Section 3</b>

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19. The undertaking shall disclose its general processes for engaging with affected communities and their representatives about actual and potential impacts on them.	
20. The objective of this Disclosure Requirement is to enable an understanding of whether and how the undertaking engages, as part of its ongoing due diligence process, with affected communities, their legitimate representatives, or with credible proxies, about material actual and potential positive and/or negative impacts that do or are likely to affect them, and whether and how perspectives of affected communities are taken into account in the decision-making processes of the undertaking.	
21. The undertaking shall disclose whether and how the perspectives of affected communities inform its decisions or activities aimed at managing actual and potential impacts on communities. This shall include, where relevant, an explanation of: (a) whether engagement occurs with affected communities or their legitimate representatives directly, or with credible proxies that have insight into their situation; (b) the stage(s) at which engagement occurs, the type of engagement, and the frequency of the engagement; (c) the function and the most senior role within the undertaking that has operational responsibility for ensuring this engagement happens, and that the results inform the undertaking's approach; (d) where applicable, how the undertaking assesses the effectiveness of its engagement with affected communities, including, where relevant, any agreements or outcomes that result.	
22. Where applicable, the undertaking shall disclose the steps it takes to gain insight into the perspectives of affected communities that may be particularly vulnerable to impacts and/or marginalised, and into the perspective of specific groups within the affected communities, such as women and girls.	
23. Where affected communities are indigenous peoples, the undertaking shall also disclose how it takes into account and ensures respect of their particular rights in its stakeholder engagement approach, including their right to free, prior and informed consent with regard to: (i) their cultural, intellectual, religious and spiritual property; (ii) activities affecting their lands and territories; and (iii) legislative or administrative measures that affect them. In particular, where engagement occurs with indigenous peoples, the undertaking shall also disclose whether and how indigenous peoples have been consulted on the mode and parameters of the engagement (for example, in designing the agenda, nature, and timeliness of the engagement).	
24. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with affected communities, it shall disclose this to be the case. It may disclose a timeframe in which it aims to have such a process in place.	
<b>Disclosure Requirement S3-3 – Processes to remediate negative impacts and channels for affected communities to raise concerns</b>	<b>Centralised in AR of Section 3</b>
25. The undertaking shall describe the processes it has in place to provide for or cooperate in the remediation of negative impacts on affected communities that the undertaking	

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<p>is connected with, as well as channels available to affected communities to raise concerns and have them addressed.</p>	
<p>26. The objective of this Disclosure Requirement is to enable an understanding of the formal means by which affected communities can make their concerns and needs known directly to the undertaking, and/or through which the undertaking supports the availability of such channels (for example, grievance mechanisms) by its business relationships, how follow up is performed with these communities regarding the issues raised, and the effectiveness of these channels.</p>	
<p>27. The undertaking shall describe:</p> <p>(a) its general approach to and processes for providing or contributing to remedy where it has identified that it has caused or contributed to a material negative impact on affected communities, including whether and how the undertaking assesses that the remedy provided is effective;</p> <p>(b) any specific channels it has in place for affected communities to raise their concerns or needs directly with the undertaking and have them addressed, including whether these are established by the undertaking itself and/or through participation in third-party mechanisms;</p> <p>(c) its processes through which the undertaking supports the availability of such channels by its business relationships; and</p> <p>(d) how it tracks and monitors issues raised and addressed, and how it ensures the effectiveness of the channels, including through involvement of stakeholders who are the intended users of those channels.</p>	
<p>28. The undertaking shall disclose whether and how it assesses that affected communities are aware of and trust these structures or processes as a way to raise their concerns or needs and have them addressed. In addition, the undertaking shall disclose whether it has policies in place regarding the protection of individuals that use them against retaliation. If such information has been disclosed in accordance with ESRS G1-1, the undertaking may refer to that information.</p>	
<p>29. If the undertaking cannot disclose the above required information because it has not adopted a channel for raising concerns and/or does not support the availability of such a channel by its business relationships, it shall disclose this to be the case. It may disclose a timeframe in which it aims to have such a channel or processes in place.</p>	
<p><b>Disclosure Requirement S3-4 – Taking action on material impacts on affected communities, and approaches to managing material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions</b></p>	<p><b>Centralised in AR of Section 3</b></p>
<p>30. The undertaking shall disclose how it takes action to address material impacts on affected communities, and to manage material risks and pursue material opportunities related to affected communities and the effectiveness of those actions.</p>	
<p>31. The objective of this Disclosure Requirement is twofold. Firstly, it is to provide an understanding of any actions and initiatives through which the undertaking seeks to:</p> <p>(a) prevent, mitigate and remediate the negative material impacts on affected communities; and/or</p> <p>(b) achieve positive material impacts for affected communities.</p>	

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<p>Secondly, it is to enable an understanding of the ways in which the undertaking is addressing the material risks and pursuing the material opportunities related to affected communities. The undertaking shall provide a summarised description of the action plans and resources to manage its material impacts, risks, and opportunities related to affected communities as per ESRS 2 MDR-A Actions and resources in relation to material sustainability matters.</p>	
<p>32. In relation to material impacts, the undertaking shall describe:                      (a) actions taken, planned or underway to prevent or mitigate material negative impacts on affected communities;                      (b) whether and how it has taken action to provide or enable remedy in relation to an actual material impact;                      (c) any additional actions or initiatives it has in place with the primary purpose of delivering positive impacts for affected communities; and                      (d) how it tracks and assesses the effectiveness of these actions and initiatives in delivering intended outcomes for affected communities.</p>	
<p>33. In relation to paragraph 29, the undertaking shall describe:                      (a) the processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on affected communities;                      (b) its approach to taking action in relation to specific material negative impacts on communities, including any action in relation to its own practices regarding land acquisition, planning and construction, operation or closure practices, as well as whether wider industry or collaborative action with other relevant parties will be required; and                      (c) how it ensures that processes to provide or enable remedy in the event of material negative impacts are available and effective in their implementation and outcomes.</p>	
<p>34. In relation to material risks and opportunities, the undertaking shall describe:                      (a) what action is planned or underway to mitigate material risks for the undertaking arising from its impacts and dependencies on affected communities and how it tracks effectiveness in practice; and                      (b) what action is planned or underway to pursue material opportunities for the undertaking in relation to affected communities.</p>	
<p>35. The undertaking shall disclose whether and how it takes action to avoid causing or contributing to material negative impacts on affected communities through its own practices, including, where relevant, in relation to planning, land acquisition and exploitation, finance, extraction or production of raw materials, use of natural resources, and management of environmental impacts. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.</p>	
<p>36. The undertaking shall also disclose whether severe human rights issues and incidents connected to affected communities have been reported and, if applicable, disclose these .</p>	
<p>37. When disclosing the information required under paragraph 31 (c), the undertaking shall consider ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets if it evaluates the effectiveness of an action by setting a target.</p>	



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<p>38. The undertaking shall disclose what resources are allocated to the management of its material impacts, with information that enables users to gain an understanding of how the material impacts are managed.</p>	
<p>Metrics and targets</p>	
<p>Disclosure Requirement S3-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities</p>	
<p>39. The undertaking shall disclose the time-bound and outcome-oriented targets it may have set related to:</p> <ul style="list-style-type: none"> <li>(a) reducing negative impacts on affected communities; and/or</li> <li>(b) advancing positive impacts on affected communities; and/or</li> <li>(c) managing material risks and opportunities related to affected communities.</li> </ul>	
<p>40. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking is using time-bound and outcome-oriented targets to drive and measure its progress in addressing material negative impacts, and/or advancing positive impacts on affected communities, and/or in managing material risks and opportunities related to affected communities</p>	
<p>41. The summarised description of the targets to manage its material impacts, risks and opportunities related to affected communities shall contain the information requirements defined in ESRS 2 MDR-T.</p>	
<p>42. The undertaking shall disclose the process for setting the targets, including whether and how the undertaking engaged directly with affected communities, their legitimate representatives, or with credible proxies that have insight into their situation in:</p> <ul style="list-style-type: none"> <li>(a) setting any such targets;</li> <li>(b) tracking the undertaking's performance against them; and</li> <li>(c) identifying, any, lessons or improvements as a result of the undertaking's performance</li> </ul>	
<p><b>ESRS S4 CONSUMERS AND END-USERS</b></p>	<p><b>Centralised in AR of Section 3</b></p>
<p><b>Objective</b></p>	<p><b>Objective</b></p>
<p>1. The objective of this Standard is to specify disclosure requirements which will enable users of the sustainability statement to understand material impacts on consumers and endusers connected with the undertaking's own operations and value chain, including through its products or services, as well as through its business relationships, and its related material risks and opportunities, including:</p> <ul style="list-style-type: none"> <li>(a) how the undertaking affects the consumers and/or end-users of its products and/or services (referred to in this Standard as "consumers and end-users"), in terms of material positive and negative actual or potential impacts;</li> <li>(b) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential negative impacts, and to address risks and opportunities;</li> <li>(c) the nature, type and extent of the undertaking's material risks and opportunities related to its impacts and dependencies on consumers and end-users, and how the undertaking manages such risks and opportunities; and</li> </ul>	

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(d) the financial effects on the undertaking over the short-, medium- and long-term of material risks and opportunities arising from the undertaking's impacts and dependencies on consumers and/or end-users.	
2. In order to meet the objective, this Standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on the consumers and/or end-users related to its products and/or services in relation to: (a) information-related impacts on consumers and/or end-users (for example, privacy, freedom of expression and access to (quality) information); (b) personal safety of consumers and/or end-users (for example, health and safety, security of a person and protection of children); (c) social inclusion of consumers and/or end-users (for example, non-discrimination, access to products and services and responsible marketing practices).	
3. This Standard also requires an explanation of how such impacts, as well as the undertaking's dependencies on consumers and/or end-users, can create material risks or opportunities for the undertaking. For example, negative impacts on the reputation of the undertaking's products and/or services can be detrimental to its business performance, while trust in products and/or services can bring business benefits, such as increased sales or widening of the future consumer base.	
4. The unlawful use or misuse of the undertaking's products and services by consumers and end-users fall outside the scope of this standard	
<b>Interaction with other ESRS</b>	<b>Interaction with other ESRS</b>
5. This standard applies when material impacts on and/or material risks and opportunities related to consumers and/or end-users have been identified through the materiality assessment process laid out in ESRS 2 General disclosures.	
6. This Standard shall be read in conjunction with ESRS 1 General requirements, and ESRS 2, as well as ESRS S1 Own workforce, ESRS S2 Workers in the value chain and ESRS S3 Affected communities.	
<b>Disclosure Requirements</b>	
<b>ESRS 2 General Disclosures</b>	<b>ESRS 2 General Disclosures</b>
7. The requirements of this section should be read in conjunction with the disclosures required by ESRS 2 on Strategy (SBM). The resulting disclosures shall be presented alongside the disclosures required by ESRS 2, except for SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model, for which the undertaking has an option to present the disclosures alongside the topical disclosure.	
<b>Strategy</b>	
<b>Disclosure Requirement related to ESRS 2 SBM-2 – Interests and views of stakeholders</b>	<b>Disclosure Requirement related to ESRS 2 SBM-2 – Interests and views of stakeholders</b>
8. When responding to ESRS 2 SBM-2, paragraph 43, the undertaking shall disclose how the interests, views and rights of its consumers and/or end-users, including respect for their human rights, inform its strategy and business model. Consumers and/or end-users are a key group of affected stakeholders.	
<b>Disclosure Requirement related to ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model</b>	<b>Centralised in AR of Section 2</b>

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<p>9. When responding to ESRS 2 SBM-3 paragraph 48, the undertaking shall disclose:</p> <p>(a) whether and how actual and potential impacts on consumers and/or end-users as identified in Disclosure Requirements ESRS 2 IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities: (i) originate from or are connected to the undertaking's strategy and business model, and (ii) inform and contribute to adapting the undertaking's strategy and business model, and</p> <p>(b) the relationship between its material risks and opportunities arising from impacts and dependencies on consumers and/or end-users and its strategy and business model.</p>	
<p>10. When fulfilling the requirements of paragraph 48, the undertaking shall disclose whether all consumers and/or end-users who are likely to be materially impacted by the undertaking, including impacts connected with the undertaking's own operations and value chain, including through its products or services, as well as through its business relationships, are included in the scope of its disclosure under ESRS 2. In addition, the undertaking shall disclose the following information:</p> <p>(a) a brief description of the types of consumers and/or end-users subject to material impacts by its own operations or through its value chain, and specify whether they are:</p> <ul style="list-style-type: none"> <li>i. consumers and/or end-users of products that are inherently harmful to people and/or increase risks for chronic disease;</li> <li>ii. consumers and/or end-users of services that potentially negatively impact their rights to privacy, to have their personal data protected, to freedom of expression and to non-discrimination;</li> <li>iii. consumers and/or end-users who are dependent on accurate and accessible product- or service- related information, such as manuals and product labels, to avoid potentially damaging use of a product or service;</li> <li>iv. consumers and/or end-users who are particularly vulnerable to health or privacy impacts or impacts from marketing and sales strategies, such as children or financially vulnerable individuals;</li> </ul> <p>(b) in the case of material negative impacts, whether they are either (i) widespread or systemic in contexts where the undertaking sells or provides its products or services (for example, state surveillance that affects the privacy of service users), or (ii) related to individual incidents (for example, a defect linked to a particular product) or to specific business relationships (for example, a business partner uses marketing that inappropriately targets young consumers);</p> <p>(c) in the case of material positive impacts, a brief description of the activities that result in the positive impacts (for example, product design that improves its accessibility for persons with disabilities) and the types of consumers and/or end-users that are positively affected or could be positively affected; the undertaking may also disclose whether the positive impacts occur in specific countries or regions; and</p> <p>(d) any material risks and opportunities for the business arising from impacts and dependencies on consumers and/or end-users.</p>	
<p>11. In describing the main types of consumers and/or end-users who are or could be negatively affected, based on the materiality assessment set out in ESRS 2 IRO-1, the undertaking shall disclose whether and how it has developed an understanding of how</p>	

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consumers and/or end-users with particular characteristics, or those using particular products or services, may be at greater risk of harm.	
12. The undertaking shall disclose which, if any, of its material risks and opportunities arising from impacts and dependencies on consumers and/or end-users, relate to specific groups of consumers and/or end-users (for example, particular age groups) rather than to all consumers and/or end-users.	
<b>Impact, risk and opportunity management</b>	
<b>Disclosure Requirement S4-1 – Policies related to consumers and end-users</b>	<b>Centralised in AR of Section 3</b>
13. The undertaking shall describe its policies adopted to manage its material impacts of its products and/or services on consumers and end-users, as well as associated material risks and opportunities.	
14. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of material impacts on consumers and/or end-users specifically, as well as policies that cover material risks or opportunities related to consumers and/or end-users.	
15. The disclosure required by paragraph 13 shall contain the information on the undertaking's policies to manage its material impacts, risks and opportunities related to consumers and/or end-users in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters. In addition, the undertaking shall specify if such policies cover specific groups or all consumers and/or end-users.	
16. The undertaking shall describe its human rights policy commitments that are relevant to consumers and/or end-users, including those processes and mechanisms to monitor compliance with the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises. In its disclosure it shall focus on those matters that are material, as well as the general approach in relation to : (a) respect for the human rights of consumers and/or end-users; (b) engagement with consumers and/or end-users; and (c) measures to provide and/or enable remedy for human rights impacts.	
17. The undertaking shall disclose whether and how its policies with regard to consumers and/or end-users are aligned with internationally recognised instruments relevant to consumers and/or end-users, including United Nations (UN) Guiding Principles on Business and Human Rights. The undertaking shall also disclose the extent to which cases of nonrespect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises that involve consumers and/or end-users have been reported in its downstream value chain and, if applicable, an indication of the nature of such cases	
<b>Disclosure Requirement S4-2 – Processes for engaging with consumers and endusers about impacts</b>	<b>Centralised in AR of Section 3</b>

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18. The undertaking shall disclose its general processes for engaging with consumers and end-users and their representatives about actual and potential impacts on them.	
19. The objective of this Disclosure Requirement is to enable an understanding of whether and how the undertaking engages, as part of its ongoing due diligence process, with consumers and/or end-users, their legitimate representatives, or with credible proxies, about material actual and potential positive and/or negative impacts that do or are likely to affect them, and whether and how perspectives of consumers and/or end-users are taken into account in the decision-making processes of the undertaking.	
20. The undertaking shall disclose whether and how the perspectives of consumers and/or endusers inform its decisions or activities aimed at managing actual and potential impacts on consumers and/or end-users. This shall include, where relevant, an explanation of: (a) whether engagement occurs with affected consumers and/or end-users or their legitimate representatives directly, or with credible proxies that have insight into their situation; (b) the stage(s) at which engagement occurs, the type of engagement, and the frequency of the engagement; (c) the function and the most senior role within the undertaking that has operational responsibility for ensuring this engagement happens and that the results inform the undertaking's approach; and (d) where applicable, how the undertaking assesses the effectiveness of its engagement with consumers and/or end-users, and, where relevant, any agreements or outcomes that result from such engagement.	
21. Where applicable, the undertaking shall disclose the steps it takes to gain insight into the perspectives of consumers and/or end-users that may be particularly vulnerable to impacts and/or marginalised (for example, people with disabilities, children, etc.).	
22. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with consumers and/or end-users, it shall disclose this to be the case. It may disclose a timeframe in which it aims to have such a process in place.	
<b>Disclosure Requirement S4-3 – Processes to remediate negative impacts and channels for consumers and end-users to raise concerns</b>	<b>Centralised in AR of Section 3</b>
23. The undertaking shall describe the processes it has in place to provide for or cooperate in the remediation of negative impacts on consumers and end-users that the undertaking is connected with, as well as channels available to consumers and endusers to raise concerns and have them addressed.	
24. The objective of this Disclosure Requirement is to enable an understanding of the formal means by which consumers and/or end-users can make their concerns and needs known directly to the undertaking, and/or through which the undertaking supports the availability of such channels (for example, grievance mechanisms) by its business relationships, how follow up is performed with these consumers and/or end-users regarding the issues raised, and the effectiveness of these channels.	
25. The undertaking shall describe: (a) its general approach to and processes for providing or contributing to remedy where it has identified that it has caused or contributed to a material negative impact on consumers	

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<p>and/or end-users, including whether and how the undertaking assesses that the remedy provided is effective;</p> <p>(b) any specific channels it has in place for consumers and/or end-users to raise their concerns or needs directly with the undertaking and have them addressed, including whether these are established by the undertaking itself and/or through participation in third-party mechanisms;</p> <p>(c) the processes through which the undertaking supports or requires the availability of such channels by its business relationships; and</p> <p>(d) how it tracks and monitors issues raised and addressed, and how it ensures the effectiveness of the channels, including through involvement of stakeholders who are the intended users.</p>	
<p>26. The undertaking shall disclose whether and how it assesses that consumers and/or endusers are aware of and trust these structures or processes as a way to raise their concerns or needs and have them addressed. In addition, the undertaking shall disclose whether it has policies in place to protect individuals from retaliation when they use such structures or processes. If such information has been disclosed in accordance with ESRS G1-1, the undertaking may refer to that information.</p>	
<p>27. If the undertaking cannot disclose the above required information because it has not adopted a channel for raising concerns and/or does not support the availability of mechanisms by its business relationships, it shall disclose this to be the case. It may disclose a timeframe in which it aims to have such a channel or processes in place.</p>	
<p><b>Disclosure Requirement S4-4 – Taking action on material impacts on consumers and end- users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions</b></p>	<p><b>Centralised in AR of Section 3</b></p>
<p>28. The undertaking shall disclose how it takes action to address material impacts on consumers and end-users, and to manage material risks and pursue material opportunities related to consumers and end-users, and effectiveness of those actions.</p>	
<p>29. The objective of this Disclosure Requirement is twofold. Firstly, it is to provide an understanding of any actions and initiatives through which the undertaking seeks to:</p> <p>(a) prevent, mitigate and remediate the negative material impacts on consumers and/or end-users, and/or</p> <p>(b) achieve positive material impacts for consumers and/or end-users.</p> <p>Secondly, it is to enable an understanding of the ways in which the undertaking is addressing the material risks and pursuing the material opportunities related to consumers and/or endusers.</p>	
<p>30. The undertaking shall provide a summarised description of the action plans and resources to manage its material impacts, risks, and opportunities related to consumers and end-users as per ESRS 2 MDR-A Actions and resources in relation to material sustainability matters.</p>	
<p>31. In relation to material impacts, the undertaking shall describe:</p> <p>(a) actions taken, planned or underway to prevent, mitigate or remediate material negative impacts on consumers and/or end-users;</p>	

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<p>(b) whether and how it has taken action to provide or enable remedy in relation to an actual material impact;</p> <p>(c) any additional actions or initiatives it has in place with the primary purpose of positively contributing to improved social outcomes for consumers and/or end-users; and</p> <p>(d) how it tracks and assesses the effectiveness of these actions and initiatives in delivering intended outcomes for consumers and/or end-users.</p>	
<p>32. In relation to paragraph 28, the undertaking shall describe:</p> <p>(a) the processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on consumers and/or end-users;</p> <p>(b) its approaches to taking action in relation to specific material negative impacts on consumers and/or end-users, including any action in relation to its own practices regarding product design, marketing or sales, as well as whether wider industry or collaborative action with other relevant parties will be required; and</p> <p>(c) how it ensures that processes to provide or enable remedy in the event of material negative impacts are available and effective in their implementation and outcomes.</p>	
<p>33. In relation to material risks and opportunities, the undertaking shall describe:</p> <p>(a) what action is planned or underway to mitigate material risks for the undertaking arising from its impacts and dependencies on consumers and/or end-users and how it tracks effectiveness in practice; and</p> <p>(b) what action is planned or underway to pursue material opportunities for the undertaking in relation to consumers and/or end-users.</p>	
<p>34. The undertaking shall disclose whether and how it takes action to avoid causing or contributing to material negative impacts on consumers and/or end-users through its own practices, including, where relevant, in relation to marketing, sales and data use. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.</p>	
<p>35. When preparing this disclosure, the undertaking shall consider whether severe human rights issues and incidents connected to its consumers and/or end-users have been reported and, if applicable, disclose these</p>	
<p>36. Where the undertaking evaluates the effectiveness of an action by setting a target, in disclosing the information required under paragraph 32 (c), the undertaking shall consider ESRS 2 MDR-T Tracking effectiveness of policies and actions through targets.</p>	
<p>37. The undertaking shall disclose what resources are allocated to the management of its material impacts with information that enables users to gain an understanding of how the material impacts are managed.</p>	
<p>Metrics and targets</p>	
<p>Disclosure Requirement S4-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities</p>	<p><b>Centralised in AR of Section 3</b></p>
<p>38. The undertaking shall disclose the time-bound and outcome-oriented targets it may have set related to:</p> <p>(a) reducing negative impacts on consumers and/or end-users; and/or</p> <p>(b) advancing positive impacts on consumers and/or end-users; and/or</p> <p>(c) managing material risks and opportunities related to consumers and/or endusers.</p>	

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<p>39. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking is using time-bound and outcome-oriented targets to drive and measure progress in addressing material negative impacts, and/or advancing positive impacts on consumers and/or end-users, and/or in managing material risks and opportunities related to consumers and/or end-users .</p>	
<p>40. The summarised description of the targets to manage its material impacts, risks and opportunities related to consumers and/or end-users shall contain the information requirements defined in ESRS 2 MDR-T.</p>	
<p>41. The undertaking shall disclose the process for setting the targets, including whether and how the undertaking engaged directly with consumers and/or end-users, their legitimate representatives, or with credible proxies that have insight into their situation in:</p> <ul style="list-style-type: none"> <li>(a) setting any such targets;</li> <li>(b) tracking the undertaking's performance against them; and</li> <li>(c) identifying, if any, lessons or improvements as a result of the undertaking's performance.</li> </ul>	



## ESRS LSME ED Section 6 – Business conduct

SET 1 ESRS G1 – Business conduct	ESRS LSME ED – Section 6 Business conduct
<b>Objective</b>	<b>Objective</b>
1. The objective of this Standard is to specify disclosure requirements which will enable users of the undertaking's sustainability statement to understand the undertaking's strategy and approach, processes and procedures as well as its performance in respect of business conduct.	1. The objective of this section of this <i>[draft]</i> Standard is to specify disclosure requirements which will enable users of the undertaking's sustainability statement to understand the undertaking's strategy and approach, processes and procedures as well as its performance in respect of business conduct.
2. This Standard focusses on the following matters, collectively referred to in this Standard as 'business conduct or business conduct matters': (a) business ethics and corporate culture, including anti-corruption and anti-bribery, the protection of whistleblowers, and animal welfare; (b) the management of relationships with suppliers, including payment practices, especially with regard to late payment to small and medium-sized undertakings. (c) activities and commitments of the undertaking related to exerting its political influence, including its lobbying activities;	2. This section focusses on the following matters <del>collectively referred to in this Standard as 'business conduct or business conduct matters':</del> (a) <del>business ethics and corporate culture</del> anti-corruption and anti-bribery; <del>the protection of whistleblowers, and animal welfare;</del> (b) the management of relationships with suppliers including payment practices, especially with regard to late payment to small and medium-sized undertakings.; and; (c) <del>activities and commitments of the undertaking related to exerting its political influence including its</del> and lobbying activities.
	3. <i>The undertaking shall apply the requirements in this Section, when it concludes that the corresponding topic is material (according to chapter 3.3 Double materiality, 3.4 Impact materiality and 3.5 Financial materiality of Section 1). Following the undertaking's assessment of the materiality of the information according to paragraph 36 of Section 1, the sustainability statement shall include those disclosures prescribed in this Section that are assessed to be material. Individual datapoints may be omitted when the corresponding information is not material and the undertaking concludes that such information is not needed to meet the objective of the Disclosure Requirement.</i>
<b>Interaction with other ESRS</b>	<b>Interaction with other ESRS</b>
3. The content of this Standard on general disclosures as well as impact, risk and opportunity management and metrics and targets shall be read in conjunction respectively with ESRS 1 General principles and ESRS 2 General requirements.	4. <del>The content of this Standard on general disclosures as well as impact, risk and opportunity management and metrics and targets</del> <i>The objectives in par. 1 and the metrics disclosure requirements under section 6 G1-1 to G1-3 shall be read in conjunction with Section 2 and 3 of this [draft] ESRS.</i>
<b>Disclosure Requirements</b>	<b>Disclosure Requirements</b>
<b>ESRS 2 General disclosures</b>	<b>ESRS 2 General disclosures</b>
4. The requirements of this section should be read in conjunction with and reported alongside the disclosures required by ESRS 2 on Governance (GOV), Strategy (SBM) and Management of impacts, risks and opportunities (IRO).	4. <del>The requirements of this section should be read in conjunction with and reported alongside the disclosures required by ESRS 2 on Governance (GOV), Strategy (SBM) and Management of impacts, risks and opportunities (IRO).</del>
<b>Disclosure Requirement related to ESRS 2 GOV-1 – The role of the administrative, management and supervisory bodies</b>	<b>Disclosure Requirement related to ESRS 2 GOV-1 – The role of the administrative, management and supervisory bodies</b> <b>(Centralised in Section 3 AR Disclosure Requirement (IR-3)–Policies and actions in relation to sustainability Matters)</b>
5. When disclosing information about the role of the administrative, management and supervisory bodies, the undertaking shall cover the following aspects: (a) the role of the administrative, management and supervisory bodies related to business conduct; and (b) the expertise of the administrative, management and supervisory bodies on business conduct matters.	<b>(Centralised in Section 3 AR Disclosure Requirement 11 (IR-3) –Policies and actions in relation to sustainability Matters)</b>

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<b>Impact, risk and opportunity management</b>	<b>Impact, risk and opportunity management</b>
<b>Disclosure Requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities</b>	<b>Disclosure Requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities</b>
6. When describing the process to identify material impacts, risks and opportunities in relation to business conduct matters, the undertaking shall disclose all relevant criteria used in the process, including location, activity, sector and the structure of the transaction.	6. When describing the process to identify material impacts, risks and opportunities in relation to business conduct matters, the undertaking shall disclose all relevant criteria used in the process, including location, activity, sector and the structure of the transaction.
<b>Disclosure Requirement G1-1– Business conduct policies and corporate culture</b>	<b>Disclosure Requirement G1-1– Business conduct policies and corporate culture</b>
7. The undertaking shall disclose its policies with respect to business conduct matters and how it fosters its corporate culture.	(Centralised in Section 3 AR Disclosure Requirement 11 (IR-3) –Policies and actions in relation to sustainability Matters)
8. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of its material impacts, risks and opportunities related to business conduct matters. It also aims to provide an understanding of the undertaking’s approach to corporate culture.	(Centralised in Section 3 AR Disclosure Requirement 11 (IR-3) –Policies and actions in relation to sustainability Matters)
9. The disclosures required under paragraph 7 shall include how the undertaking establishes, develops, promotes and evaluates its corporate culture.	(Centralised in Section 3 AR Disclosure Requirement 11 (IR-3) –Policies and actions in relation to sustainability Matters)
10. The disclosures in paragraph 7 shall cover the following aspects related to the undertaking’s policies on business conduct matters: (a) a description of the mechanisms for identifying, reporting and investigating concerns about unlawful behaviour or behaviour in contradiction of its code of conduct or similar internal rules; and whether it accommodates reporting from internal and/or external stakeholders; (b) where the undertaking has no policies on anti-corruption or anti-bribery consistent with the United Nations Convention against Corruption , it shall state this and whether it has plans to implement them and the timetable for implementation; (c) how the undertaking protects whistleblowers, including: i. details on the establishment of internal whistleblower reporting channels, including whether the undertaking provides for information and training to its own workers and information about the designation and training of staff receiving reports; and ii. measures to protect against retaliation its own workers who are whistleblowers in accordance with the applicable law transposing Directive (EU) 2019/1937 of the European Parliament and of the Council ; (d) where the undertaking has no policies on the protection of whistle-blowers , it shall state this and whether it has plans to implement them and the timetable for implementation; (e) beyond the procedures to follow-up on reports by whistleblowers in accordance with the applicable law transposing Directive (EU) 2019/1937, whether the undertaking has procedures to investigate business conduct incidents, including incidents of corruption and bribery, promptly, independently and objectively; (f) where applicable, whether the undertaking has in place policies with respect to animal welfare; (g) the undertaking’s policy for training within the organisation on business conduct, including target audience, frequency and depth of coverage; and (h) the functions within the undertaking that are most at risk in respect of corruption and bribery.	(Centralised in Section 3 AR Disclosure Requirement 11 (IR-3) –Policies and actions in relation to sustainability Matters)

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SET 1 ESRS G1 – Business conduct	ESRS LSME ED – Section 6 Business conduct
11. Undertakings that are subject to legal requirements under national law transposing Directive (EU) 2019/1937, or to equivalent legal requirements with regard to the protection of whistleblowers, may comply with the disclosure specified in paragraph 10 (d) by stating that they are subject to those legal requirements.	<b>(Centralised in Section 3 AR Disclosure Requirement 11 (IR-3) –Policies and actions in relation to sustainability Matters)</b>
<b>Disclosure Requirement G1-2 – Management of relationships with suppliers</b>	<b>Disclosure Requirement G1-1 – Management of relationships with suppliers</b> (G1-2 and G1-6 of SET 1 merged and simplified)
12. The undertaking shall provide information about the management of its relationships with its suppliers and its impacts on its supply chain.	5. The undertaking shall provide information about the management of its relationships with its suppliers <i>as well as the management of its impacts on its supply chain.</i>
13. The objective of this Disclosure Requirement is to provide an understanding of the undertaking's management of its procurement process including fair behaviour with suppliers.	<del>13. The objective of this Disclosure Requirement is to provide an understanding of the undertaking's management of its procurement process including fair behaviour with suppliers.</del>
	<del>6. This disclosure requirement should be read in conjunction with Section 2 IR 3, where the undertaking shall state whether it has a supplier code of conduct.</del>
14. The undertaking shall provide a description of its policy to prevent late payments, specifically to SMEs.	<del>14. The undertaking shall provide a description of its policy to prevent late payments, specifically to SMEs.</del>
	7. <i>The undertaking may disclose information on its purchasing practice / procedure and whether it considers also ESG criteria.</i>
15. The disclosure required under paragraph 12 shall include the following information: (a) the undertaking's approach to its relationships with its suppliers, taking account of risks to the undertaking related to its supply chain and of impacts on sustainability matters; and (b) whether and how it takes into account social and environmental criteria for the selection of its suppliers.	<del>15. The disclosure required under paragraph 12 shall include the following information: (a) the undertaking's approach to its relationships with its suppliers, taking account of risks to the undertaking related to its supply chain and of impacts on sustainability matters; and (b) whether and how it takes into account social and environmental criteria for the selection of its suppliers.</del>
	8. <i>The undertaking shall disclose whether it has established a practice / procedure to monitor late payments.</i>
<b>Disclosure Requirement G1-3 – Prevention and detection of corruption and bribery</b>	<b>Disclosure Requirement G1-2 – <del>Prevention and detection</del> Anti-corruption and anti-bribery</b> (G1-3 and G1-4 of SET 1 merged and simplified)
16. The undertaking shall provide information about its system to prevent and detect, investigate, and respond to allegations or incidents relating to corruption and bribery including the related training.	9. The undertaking shall <del>provide information about its system</del> <i>report whether it has a system in place and describe it if applicable</i> to prevent and detect, investigate, and respond to allegations or incidents relating to corruption and bribery including the related training, <i>and, if applicable, to describe it.</i>
	10. The undertaking shall disclose: (a) any actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery; (b) the number of convictions and the amount of fines for violation of anti-corruption and anti-bribery laws. (NOTE: ALSO a Benchmark indicator)
17. The objective of this Disclosure Requirement is to provide transparency on the key procedures of the undertaking to prevent, detect, and address allegations about corruption and bribery. This includes the training provided to own workers and/or information provided internally or to suppliers.	<del>17. The objective of this Disclosure Requirement is to provide transparency on the key procedures of the undertaking to prevent, detect, and address allegations about corruption and bribery. This includes the training provided to own workers and/or information provided internally or to suppliers.</del>
18. The disclosure required under paragraph 16 shall include the following information: (a) a description of the procedures in place to prevent, detect, and address allegations or incidents of corruption and bribery;	<del>18. The disclosure required under paragraph 16 shall include the following information: (a) a description of the procedures in place to prevent, detect, and address allegations or incidents of corruption and bribery;</del>

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(b) whether the investigators or investigating committee are separate from the chain of management involved in the matter; and (c) the process, if any, to report outcomes to the administrative, management and supervisory bodies.	<del>(b) whether the investigators or investigating committee are separate from the chain of management involved in the matter; and (c) the process, if any, to report outcomes to the administrative, management and supervisory bodies.</del>
19. Where the undertaking has no such procedures in place, it shall disclose this fact and, where applicable, its plans to adopt them.	19. Where the undertaking has no such procedures in place, it shall disclose this fact and, where applicable, its plans to adopt them.
20. The disclosures required by paragraph 16 shall include information about how the undertaking communicates its policies to those for whom they are relevant to ensure that the policy is accessible and that they understand its implications.	<del>20. The disclosures required by paragraph 16 shall include information about how the undertaking communicates its policies to those for whom they are relevant to ensure that the policy is accessible and that they understand its implications.</del>
21. The disclosure required by paragraph 16 shall include information about the following with respect to training: (a) the nature, scope and depth of anti-corruption and anti-bribery training programmes offered or required by the undertaking; (b) the percentage of functions-at-risk covered by training programmes; and (c) the extent to which training is given to members of the administrative, management and supervisory bodies.	<del>21. The disclosure required by paragraph 16 shall include information about the following with respect to training: (a) the nature, scope and depth of anti-corruption and anti-bribery training programmes offered or required by the undertaking; (b) the percentage of functions-at risk covered by training programmes; and (c) the extent to which training is given to members of the administrative, management and supervisory bodies.</del>
<b>Metrics and targets</b>	<b>Metrics and targets</b>
<b>Disclosure Requirement G1-4 – Incidents of corruption or bribery</b>	(G1-3 and G1-4 of SET 1 merged and simplified / see G1-2 above)
22. The undertaking shall provide information on incidents of corruption or bribery during the reporting period.	<del>22. The undertaking shall provide information on incidents of corruption or bribery during the reporting period.</del>
23. The objective of this Disclosure Requirement is to provide transparency on the incidents relating to corruption or bribery during the reporting period and the related outcomes.	<del>23. The objective of this Disclosure Requirement is to provide transparency on the incidents relating to corruption or bribery during the reporting period and the related outcomes.</del>
24. The undertaking shall disclose: (a) the number of convictions and the amount of fines for violation of anti-corruption and anti-bribery laws ; and (b) any actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery .	<del>24. The undertaking shall disclose: (a) the number of convictions and the amount of fines for violation of anti-corruption and anti-bribery laws ; and (b) any actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery .</del>
25. The undertaking may disclose: (a) the total number and nature of confirmed incidents of corruption or bribery; (b) the number of confirmed incidents in which own workers were dismissed or disciplined for corruption or bribery-related incidents; (c) the number of confirmed incidents relating to contracts with business partners that were terminated or not renewed due to violations related to corruption or bribery; and (d) details of public legal cases regarding corruption or bribery brought against the undertaking and its own workers during the reporting period and the outcomes of such cases. This includes cases that were initiated in previous years where the outcome was only established in the current reporting period.	<del>25. The undertaking may disclose: (a) the total number and nature of confirmed incidents of corruption or bribery; (b) the number of confirmed incidents in which own workers were dismissed or disciplined for corruption or bribery-related incidents; (c) the number of confirmed incidents relating to contracts with business partners that were terminated or not renewed due to violations related to corruption or bribery; and (d) details of public legal cases regarding corruption or bribery brought against the undertaking and its own workers during the reporting period and the outcomes of such cases. This includes cases that were initiated in previous years where the outcome was only established in the current reporting period.</del>
26. The disclosures required shall include incidents involving actors in its value chain only where the undertaking or its employees are directly involved.	<del>26. The disclosures required shall include incidents involving actors in its value chain only where the undertaking or its employees are directly involved.</del>
<b>Disclosure Requirement G1-5 – Political influence and lobbying activities</b>	<b>Disclosure Requirement G1-3 – Political influence and lobbying activities</b>
27. The undertaking shall provide information on the activities and commitments related to exerting its political influence, including its lobbying activities related to its material impacts, risks and opportunities.	11. The undertaking shall <del>provide</del> <i>disclose information whether it has in place</i> activities and commitments related to exerting its political influence, including its lobbying activities related to its material impacts, risks and (opportunities), <i>and describe them if applicable.</i>

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28. The objective of this Disclosure Requirement is to provide transparency on the undertaking's activities and commitments related to exerting its political influence with political contributions, including the types and purpose of lobbying activities.	<del>28. The objective of this Disclosure Requirement is to provide transparency on the undertaking's activities and commitments related to exerting its political influence with political contributions, including the types and purpose of lobbying activities.</del>
29. The disclosure required by paragraph 27 shall include: (a) if applicable, the representative(s) responsible in the administrative, management and supervisory bodies for the oversight of these activities; (b) for financial or in-kind political contributions: i. the total monetary value of financial and in-kind political contributions made directly and indirectly by the undertaking aggregated by country or geographical area where relevant, as well as type of recipient/beneficiary; and ii. where appropriate, how the monetary value of in-kind contributions is estimated. (c) the main topics covered by its lobbying activities and the undertaking's main positions on these in brief. This shall include explanations on how this interacts with its material impacts, risks and opportunities identified in its materiality assessment per ESRS 2; and (d) if the undertaking is registered in the EU Transparency Register or in an equivalent transparency register in a Member State, the name of any such register and its identification number in the register.	12. The disclosure required by paragraph 10 shall include: (a) if applicable, the representative(s) responsible in the administrative, management and supervisory bodies for the oversight of these activities; (b) for financial or in-kind political contributions: i. the total monetary value of financial and in-kind political contributions made directly and indirectly by the undertaking aggregated by country or geographical area where relevant, as well as type of recipient/beneficiary; and ii. where appropriate, how the monetary value of in-kind <i>political</i> contributions is estimated. (c) the main topics covered by its lobbying activities and the undertaking's main positions on these in brief. This shall include explanations on how this interacts with its material impacts, risks and opportunities identified in its materiality assessment per ESRS 2; and (d) if the undertaking is registered in the EU Transparency Register or in an equivalent transparency register in a Member State, the name of any such register and its identification number in the register.
30. The disclosure shall also include information about the appointment of any members of the administrative, management and supervisory bodies who held a comparable position in public administration (including regulators) in the 2 years preceding such appointment in the current reporting period.	<del>30. The disclosure shall also include information about the appointment of any members of the administrative, management and supervisory bodies who held a comparable position in public administration (including regulators) in the 2 years preceding such appointment in the current reporting period.</del>
<b>Disclosure Requirement G1-6 – Payment practices</b>	<b>(G1-6 of SET 1 merged and simplified in G1-1 above)</b>
31. The undertaking shall provide information on its payment practices, especially with respect to late payments to small and medium enterprises (SMEs).	<del>31. The undertaking shall provide information on its payment practices, especially with respect to late payments to small and medium enterprises (SMEs).</del>
32. The objective of this Disclosure Requirement is to provide insights on the contractual payment terms and on its performance with regard to payment, especially as to how these impact SMEs and specifically with respect to late payments to SMEs.	<del>32. The objective of this Disclosure Requirement is to provide insights on the contractual payment terms and on its performance with regard to payment, especially as to how these impact SMEs and specifically with respect to late payments to SMEs.</del>
33. The disclosure under paragraph 31 shall include: (a) the average time the undertaking takes to pay an invoice from the date when the contractual or statutory term of payment starts to be calculated, in number of days; (b) a description of the undertaking's standard payment terms in number of days by main category of suppliers and the percentage of its payments aligned with these standard terms; (c) the number of legal proceedings currently outstanding for late payments; and (d) complementary information necessary to provide sufficient context. If the undertaking has used representative sampling to calculate the information required under point (a), it shall state that fact and briefly describe the methodology used.	33. The disclosure under paragraph 31 shall include: (a) the average time the undertaking takes to pay an invoice from the date when the contractual or statutory term of payment starts to be calculated, in number of days; (b) a description of the undertaking's standard payment terms in number of days by main category of suppliers and the percentage of its payments aligned with these standard terms; (c) the number of legal proceedings currently outstanding for late payments; and (d) complementary information necessary to provide sufficient context. If the undertaking has used representative sampling to calculate the information required under point (a), it shall state that fact and briefly describe the methodology used.
<b>Appendix A: Application Requirements</b>	<b>Appendix A: Application Requirements</b>
This appendix is an integral part of the ESRS G1 Business conduct. It supports the application of the disclosure requirements set out in this standard and has the same authority as the other parts of the Standard.	This appendix is an integral part of <i>this section of this [draft] Standard</i> <del>the [draft] ESRS G1 Business conduct</del> . It supports the application of the disclosure requirements set out in this <i>section</i> and has the same authority as the other parts of this [draft] Standard.
<b>Impact, risk and opportunity management</b>	<b>Impact, risk and opportunity management</b>
<b>Disclosure Requirement G1-1 – Business conduct policies and corporate culture</b>	<b>Disclosure Requirement G1-1 – Business conduct policies and corporate culture</b>

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<p>AR 1. The undertaking may consider the following aspects when determining its disclosure under paragraph 7:</p> <p>(a) the aspects of corporate culture that are taken into consideration and discussed by the administrative, management and supervisory bodies and with which frequency;</p> <p>(b) the principal themes that are promoted and communicated as part of the corporate culture;</p> <p>(c) how the members of the undertaking’s administrative, management and supervisory bodies provide direction to promote a corporate culture; and</p> <p>(d) specific incentives or tools for its own workers to foster and encourage its corporate culture.</p>	<p>AR 1. The undertaking may consider the following aspects when determining its disclosure under paragraph 7:</p> <p><del>(a) the aspects of corporate culture that are taken into consideration and discussed by the administrative, management and supervisory bodies and with which frequency;</del></p> <p><del>(b) the principal themes that are promoted and communicated as part of the corporate culture;</del></p> <p><del>(c) how the members of the undertaking’s administrative, management and supervisory bodies provide direction to promote a corporate culture; and</del></p> <p><del>(d) specific incentives or tools for its own workers to foster and encourage its corporate culture.</del></p>
<p><b>Disclosure Requirement G1-2 – Management of relationships with suppliers</b></p>	<p><b>Disclosure Requirement G1-1 – Management of relationships with suppliers</b></p>
<p>AR 2. For purposes of this standard, management of relationships with the undertaking’s suppliers may include the following:</p> <p>(a) how the undertaking’s practices, including activities to avoid or minimise the impacts of disruptions to its supply chain, support its strategy and risk management;</p> <p>(b) training of the undertaking’s procurement/supply chain workforce on engagement and dialogue with suppliers as well as incentives of its procurement workforce including whether such incentives refer to price, quality or sustainability factors;</p> <p>(c) the screening and evaluation of social and environmental performance of suppliers;</p> <p>(d) the inclusion of locally based suppliers in its supply chain and/or suppliers with certification;</p> <p>(e) how the undertaking’s practices deal with vulnerable suppliers;</p> <p>(f) the undertaking’s targets and actions with regard to communication and management of relationships with suppliers; and</p> <p>(g) how the outcomes of these practices are evaluated, including supplier visits, audits or surveys.</p>	<p>AR 1. For purposes of this standard, management of relationships with the undertaking’s suppliers may include the following:</p> <p>(a) how the undertaking’s practices, including activities to avoid or minimise the impacts of disruptions to its supply chain, support its strategy and risk management;</p> <p><del>(b) training of the undertaking’s procurement/supply chain workforce on engagement and dialogue with suppliers as well as incentives of its procurement workforce including whether such incentives refer to price, quality or sustainability factors;</del></p> <p><del>(c) the screening and evaluation of social and environmental performance of suppliers;</del></p> <p><del>(d) the inclusion of locally based suppliers in its supply chain and/or suppliers with certification;</del></p> <p><del>(e) how the undertaking’s practices deal with vulnerable suppliers;</del></p> <p>(b) the undertaking’s targets and actions, if any, with regard to communication and management of relationships with suppliers.</p> <p><del>(g) how the outcomes of these practices are evaluated, including supplier visits, audits or surveys.</del></p>
<p>AR 3. 'Vulnerable suppliers' includes <b>suppliers</b> that are exposed to significant economic, environmental and/or social risks.</p>	<p>AR 3. 'Vulnerable suppliers' includes <b>suppliers</b> that are exposed to significant economic, environmental and/or social risks.</p>
<p><b>Disclosure Requirement G1-3 – Prevention and detection of corruption and bribery</b></p>	<p><b>Disclosure Requirement G1-2 – Prevention and detection <i>Anti - corruption and anti – bribery</i></b></p>
<p>AR 4. 'Functions-at-risk' means those functions deemed to be at risk of corruption and bribery as a result of its tasks and responsibilities.</p>	<p><del>AR 4. 'Functions-at-risk' means those functions deemed to be at risk of corruption and bribery as a result of its tasks and responsibilities.</del></p>
<p>AR 5. Disclosures may include details about the risk assessments and/or mapping, as well as monitoring programmes and/or internal control procedures performed by the undertaking to detect corruption and bribery.</p>	<p>AR 2. Disclosures may include details about the risk assessments and/or mapping as well as monitoring programmes and/or internal control procedures performed by the undertaking to detect corruption and bribery. <i>Such procedures may include training or whistleblowing systems.</i></p>
	<p>AR 3. <i>The undertaking may present the required information about training on its anti-bribery and corruption policies using the following table:</i></p>

Part 1 'two columns comparison ESRS LSME ED -Set 1'

SET 1 ESRS G1 – Business conduct	ESRS LSME ED – Section 6 Business conduct																					
	<p><b>Anti-corruption and bribery training illustrative example</b>                      During the 20XY financial year ABC provided training to its at-risk own workers in terms of its policy (see note x).. Details of its training during the year is as follows:</p> <table border="1" data-bbox="1137 213 1615 395"> <thead> <tr> <th></th> <th>Managers</th> <th>Other employees</th> </tr> </thead> <tbody> <tr> <td><b>Training coverage</b></td> <td></td> <td></td> </tr> <tr> <td>Total</td> <td>5</td> <td>50</td> </tr> <tr> <td>Total receiving training</td> <td>3</td> <td>42</td> </tr> <tr> <td>Total hours of training</td> <td>6</td> <td>84</td> </tr> <tr> <td><b>Frequency</b></td> <td></td> <td></td> </tr> <tr> <td>How often training is required</td> <td>Annually</td> <td>Annually</td> </tr> </tbody> </table>		Managers	Other employees	<b>Training coverage</b>			Total	5	50	Total receiving training	3	42	Total hours of training	6	84	<b>Frequency</b>			How often training is required	Annually	Annually
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<p>AR 6. The undertaking's policies on corruption and bribery may be relevant to specific groups of people, either because they are expected to implement them (for example, the undertaking's employees, contractors and suppliers), or because they have a direct interest in their implementation (for example, value chain workers, investors). The undertaking may disclose the communication tools and channels (e.g., flyers, newsletters, dedicated websites, social media, face to face interactions, unions and/or workers representatives) to communicate policies to such groups. This may also include the identification and/or removal of potential barriers to dissemination, such as through translation into relevant languages or the use of graphic depictions.</p>	<p><del>AR 6. The undertaking's policies on corruption and bribery may be relevant to specific groups of people, either because they are expected to implement them (for example, the undertaking's employees, contractors and suppliers), or because they have a direct interest in their implementation (for example, value chain workers, investors). The undertaking may disclose the communication tools and channels (e.g., flyers, newsletters, dedicated websites, social media, face to face interactions, unions and/or workers representatives) to communicate policies to such groups. This may also include the identification and/or removal of potential barriers to dissemination, such as through translation into relevant languages or the use of graphic depictions.</del></p>																					
<p>AR 7. The undertaking may disclose an analysis of its training activities by, for example, region of training or category of own workforce where its programmes differ significantly based on such factors and such information would be useful to users.</p>	<p><del>AR 7. The undertaking may disclose an analysis of its training activities by, for example, region of training or category of own workforce where its programmes differ significantly based on such factors and such information would be useful to users.</del></p>																					
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<p><b>Anti-corruption and bribery training illustrative example</b>                      During the 20XY financial year ABC provided training to its at-risk own workers in terms of its policy (see note x). For those at-risk functions the training is mandatory, but ABC also made available voluntary training for other own workers. Details of its training during the year is as follows:</p> <table border="1" data-bbox="107 292 696 695"> <thead> <tr> <th></th> <th>At-risk functions</th> <th>Managers</th> <th>AMSB<sup>105</sup></th> <th>Other own workers</th> </tr> </thead> <tbody> <tr> <td><b>Training coverage</b></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Total</td> <td>20,000</td> <td>200</td> <td>16</td> <td>70,000</td> </tr> <tr> <td>Total receiving training</td> <td>19,500</td> <td>150</td> <td>8</td> <td>5,000</td> </tr> <tr> <td><b>Delivery method and duration</b></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Classroom training</td> <td>5 hours</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Computer-based training</td> <td>1 hour</td> <td>2 hours</td> <td>1 hour</td> <td></td> </tr> <tr> <td>Voluntary computer-based training</td> <td></td> <td></td> <td></td> <td>1 hour</td> </tr> <tr> <td><b>Frequency</b></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>How often training is required</td> <td>Annually</td> <td>Annually</td> <td>Bi-annually</td> <td>-</td> </tr> <tr> <td><b>Topics covered</b></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Definition of corruption</td> <td>X</td> <td>X</td> <td>X</td> <td>X</td> </tr> <tr> <td>Policy</td> <td>X</td> <td>X</td> <td>X</td> <td>X</td> </tr> <tr> <td>Procedures on suspicion/detection</td> <td>X</td> <td>X</td> <td></td> <td></td> </tr> <tr> <td>Etc.</td> <td>X</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		At-risk functions	Managers	AMSB <sup>105</sup>	Other own workers	<b>Training coverage</b>					Total	20,000	200	16	70,000	Total receiving training	19,500	150	8	5,000	<b>Delivery method and duration</b>					Classroom training	5 hours				Computer-based training	1 hour	2 hours	1 hour		Voluntary computer-based training				1 hour	<b>Frequency</b>					How often training is required	Annually	Annually	Bi-annually	-	<b>Topics covered</b>					Definition of corruption	X	X	X	X	Policy	X	X	X	X	Procedures on suspicion/detection	X	X			Etc.	X				
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<p>AR 9. For purposes of this Standard 'political contribution' means financial or in-kind support provided directly to political parties, their elected representatives or persons seeking political office. Financial contributions can include donations, loans, sponsorships, advance payments for services, or the purchase of tickets for fundraising events and other similar practices. In-kind contributions can include advertising, use of facilities, design and printing, donation of equipment, provision of board membership, employment or consultancy work for elected politicians or candidates for office.</p>	<p><del>AR 9. For purposes of this Standard 'political contribution' means financial or in-kind support provided directly to political parties, their elected representatives or persons seeking political office. Financial contributions can include donations, loans, sponsorships, advance payments for services, or the purchase of tickets for fundraising events and other similar practices. In-kind contributions can include advertising, use of facilities, design and printing, donation of equipment, provision of board membership, employment or consultancy work for elected politicians or candidates for office.</del></p>																																																																											
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<p>AR 11. When determining 'comparable position' in this standard, the undertaking shall consider various factors, including level of responsibility and scope of activities undertaken.</p>	<p><del>AR 11. When determining 'comparable position' in this standard, the undertaking shall consider various factors, including level of responsibility and scope of activities undertaken.</del></p>																																																																											
<p>AR 12. The undertaking may provide the following information on its financial or in-kind contributions with regard to its lobbying expenses:                      (a) the total monetary amount of such internal and external expenses; and                      (b) the total amount paid for membership to lobbying associations.</p>	<p><del>AR 12. The undertaking may provide the following information on its financial or in-kind contributions with regard to its lobbying expenses:                      (a) the total monetary amount of such internal and external expenses; and                      (b) the total amount paid for membership to lobbying associations.</del></p>																																																																											
<p>AR 13. If the undertaking is legally obliged to be a member of a chamber of commerce or other organisation that represents its interests, it may disclose that this is the case.</p>	<p><del>AR 13. If the undertaking is legally obliged to be a member of a chamber of commerce or other organisation that represents its interests, it may disclose that this is the case.</del></p>																																																																											



Part 1 'two columns comparison ESRS LSME ED -Set 1'

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<p>AR 14. In meeting the requirement in paragraph 29(c) the undertaking shall consider the alignment between its public statements on its material impacts, risks and opportunities and its lobbying activities.</p>	<p><del>AR 14. In meeting the requirement in paragraph 29(c) the undertaking shall consider the alignment between its public statements on its material impacts, risks and opportunities and its lobbying activities.</del></p>																														
<p>AR 15. An example of what such disclosures could look like:</p> <p><b>Political engagement (including lobbying activities) illustrative example</b></p> <p><i>During the 20XY financial year ABC was involved in activities around the proposed regulation XXX which could have significant negative impacts on its <b>business model</b> if implemented in the current format. ABC's considers that while the proposed regulation will realise some improvements to the regulatory regime such as xxx, in its current format the costs relating to xxx will outweigh the benefits. ABC and its peers continue to work with XXX (the regulator) to improve this balance.</i></p> <p>ABC also supported the QRP political party in Country X and EFG party in Country Y as both .... ABC is registered in its local transparency register, i.e., XYZ, and its registration number is 987234.</p> <p>Amounts in € thousands.</p> <table border="1" data-bbox="100 550 694 635"> <thead> <tr> <th></th> <th>2023</th> <th>2022 [TBC]</th> </tr> </thead> <tbody> <tr> <td>Political funding provided</td> <td>100</td> <td></td> </tr> <tr> <td>Funding to QRP</td> <td>75</td> <td></td> </tr> <tr> <td>Funding to EFG</td> <td>25</td> <td></td> </tr> <tr> <td></td> <td>100</td> <td></td> </tr> </tbody> </table>		2023	2022 [TBC]	Political funding provided	100		Funding to QRP	75		Funding to EFG	25			100		<p><del>AR 15. An example of what such disclosures could look like:</del></p> <p><del><b>Political engagement (including lobbying activities) illustrative example</b></del></p> <p><del><i>During the 20XY financial year ABC was involved in activities around the proposed regulation XXX which could have significant negative impacts on its <b>business model</b> if implemented in the current format. ABC's considers that while the proposed regulation will realise some improvements to the regulatory regime such as xxx, in its current format the costs relating to xxx will outweigh the benefits. ABC and its peers continue to work with XXX (the regulator) to improve this balance.</i></del></p> <p><del>ABC also supported the QRP political party in Country X and EFG party in Country Y as both .... ABC is registered in its local transparency register, i.e., XYZ, and its registration number is 987234.</del></p> <p><del>Amounts in € thousands.</del></p> <table border="1" data-bbox="1131 550 1724 635"> <thead> <tr> <th></th> <th>2023</th> <th>2022 [TBC]</th> </tr> </thead> <tbody> <tr> <td>Political funding provided</td> <td>100</td> <td></td> </tr> <tr> <td>Funding to QRP</td> <td>75</td> <td></td> </tr> <tr> <td>Funding to EFG</td> <td>25</td> <td></td> </tr> <tr> <td></td> <td>100</td> <td></td> </tr> </tbody> </table>		2023	2022 [TBC]	Political funding provided	100		Funding to QRP	75		Funding to EFG	25			100	
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<p><b>Disclosure Requirement G1-6 – Payment practices</b></p>	<p><del><b>Disclosure Requirement G1-6 – Payment practices</b></del></p>																														
<p>AR 16. In some cases, the undertaking's standard contractual payment terms may differ significantly depending on country or type of supplier. In such cases, information about the standard terms per main categories of suppliers or country or geographical region could be examples of additional contextual information to explain the disclosures in paragraph 33(b).</p>	<p><del>AR 16. In some cases, the undertaking's standard contractual payment terms may differ significantly depending on country or type of supplier. In such cases, information about the standard terms per main categories of suppliers or country or geographical region could be examples of additional contextual information to explain the disclosures in paragraph 33(b).</del></p>																														
<p>AR 17. An example of what the description of standard contract term disclosures in paragraph 33(b) could look like:</p> <p>ABC's standard contract payment terms are payment on receipt of invoice for wholesalers which encompass approximately 80% of its annual invoices by value. It pays for services received within 30 days after receipt of the invoice which are about 5% of its annual invoices. The remainder of its invoices are paid within 60 days of receipt except for those in country X which in accordance with the marketplace standards are paid within 90 days of receipt.</p>	<p><del>AR 17. An example of what the description of standard contract term disclosures in paragraph 33(b) could look like:</del></p> <p><del>ABC's standard contract payment terms are payment on receipt of invoice for wholesalers which encompass approximately 80% of its annual invoices by value. It pays for services received within 30 days after receipt of the invoice which are about 5% of its annual invoices. The remainder of its invoices are paid within 60 days of receipt except for those in country X which in accordance with the marketplace standards are paid within 90 days of receipt.</del></p>																														

**ADDENDUM  
BASIS FOR CONCLUSIONS  
ESRS LSME ED**

**PART 2 – Changes made by EFRAG SRB to  
ESRS LSME ED approved by EFRAG SR TEG**

This paper has been prepared by the EFRAG Secretariat for discussion at a meeting of EFRAG SRB. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG SRB or EFRAG SR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG SRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

## **Exposure Draft**

### **DRAFT EUROPEAN SUSTAINABILITY REPORTING STANDARD**

#### **ESRS LSME ED – SECTION 1 GENERAL REQUIREMENTS**

#### **VERSION AFTER CHANGES AGREED AT SRB 13 AND 15 DECEMBER 2023**

*IN MARK-UP ARE THE CHANGES AGREED BY THE SRB IN THE APPROVAL OF THE ED COMPARED TO THE VERSION APPROVED BY SR TEG ON 17 OCTOBER 2023*

#### **DISCLAIMER**

ESRS LSME ED Section 1 *General requirements* is set out in paragraphs 1 – 136. The following appendices have the same authority as the main body of the [draft] Standard:

- Appendix A: *Application Requirements*,
- Appendix B: *Qualitative characteristics of information*,
- Appendix C: *List of phased-in Disclosure Requirements*, and
- Appendix D: *Structure of ESRS sustainability statements*.

ESRS LSME ED Section 1 General requirements is accompanied by the following illustrative non-authoritative appendices:

- Appendix E: *Flowchart for determining disclosures to be included*,
- Appendix F: *Example of structure of ESRS sustainability statements*,
- Appendix G: *Example of incorporation by reference*, and
- Appendix H: *List of Disclosure/Application Requirements in Section 2*



**CONTENT AND STATUS OF THIS ESRS LSME ED**

The mark-up shows changes to the SR TEG approved version, that were agreed during the SRB meetings on 13 and 15 December.

In particular (to be read in conjunction with Cover note SRB 15 December 2023 – paper 02-01):

<b>SRB decisions</b>	<b>Implemented in ESRS LSME ED</b>
Agreed to expand the content of Set 1 to subsidiaries and to include the proposed illustration in AR	Chapter 4.1 <i>Reporting undertaking and value chain</i> Par. 61 and AR 19
Agreed to include a new DR and an additional AR to better specify that an LSME can rely and refer to information in sustainability statement of actors in its value chain	Chapter 4.2 <i>Estimation using sector averages and proxies</i> Par. 65 and AR 21
Agreed to add a new AR to specify a possible approach on value chain when performing the materiality assessment	Chapter 3.3 <i>Application requirements – Double materiality</i> AR 9
Simplified chapters 6.1, 6.2  Chapter 6.3, “reasonable effort” facilitation introduced for events after the end of the reporting period and reintroduced “shall” if not possible with reasonable effort	Chapter 6.1 <i>Presenting comparative information</i> Chapter 6.2 <i>Sources of estimation and outcome uncertainty</i> Chapter 6.3 <i>Updating disclosures about events after the end of the reporting period</i>
Simplification of paragraph 114 on connectivity. specific consideration on connecting the monetary amounts in sustainability statements (individual perspective) with the consolidated financial statements	Chapter 8.2 <i>Connected information and connectivity with financial statements</i>  Par. 114



## **SIMPLIFICATION COMPARED TO SET 1 IN THIS SECTION**

**To reflect the principle of proportionality, the following key simplifications of ESRS Set 1 have been implemented in this document:**

- the text of ESRS Set 1 has been integrally considered and amended where appropriate, so that the ESRS LSME ED will be a standalone document;
- this draft standard has been adjusted to reflect the “individual reporting” in LSME.
- EFRAG will consult on the applicability of each Sector specific ESRS to LSMEs, as part of the consultation on that ESRS. A question on the general approach to sector standards in LSME will also be included in LSME Exposure Draft. Pending the definition of such an approach, in this draft there are no references to sector-specific ESRS.
- The reporting covers material impacts and risks (as per the CSRD). Opportunities are voluntary.
- The undertaking shall disclose negative impacts. Positive impacts are voluntary.
- Targets (not explicitly required in the CSRD but assessed as technically necessary for quality disclosure – when they are used in practice). The requirement is to disclose whether the undertaking has targets, and if it has targets, the requirement is to specify whether they are science-based and how they are calculated and implemented.
- Due diligence (not explicitly required in the CSRD but assessed as technically necessary for quality disclosure – when DD processes exist in practice): the undertaking is required to disclose whether and to what extent it has implemented sustainability due diligence processes as defined in the relevant OECD, UNGP and ILO instruments.
- Simplifications have been introduced in chapter 6.1, 6.4 and 6.5.
- Chapter 6.7 Information on intellectual property, know-how or results of innovation has been simplified.
- Chapter 4.1 Reporting undertaking and value chain: same as in Set 1 but deleted the reference to accounted equity methods.
- Reasonable effort when reporting on comparative and restatement of errors.

Added Chapter 6.7 “Matters in course of negotiation”. Beside Intellectual property we have included the possibility for LSME to omit, in exceptional cases, information relating to impending developments or matters in the course of negotiation. This exemption is not included in CSRD for LSME (Art. 19a(6) derogates from Art. 19a(2) to (4)), but we added it considering that the rationale of the derogation is to simplify and make sustainability reporting more proportionate for listed SMEs. Granting that exemption only to large undertakings would be inconsistent with this rationale.

The approach to entity-specific disclosure is unchanged from Set 1 ('shall'), as considered an integral component of a reporting that meets the quality of information (Appendix B). A specific question will be included in the consultation on this aspect.

The approach to materiality and value chain is unchanged from Set 1 (except the clarification that IROs of subsidiaries are treated as IROs from investments – part of business relationships).

The list of phase-ins is described in *Appendix C: List of phased-in Disclosure Requirements* of this section and are adjusted to reflect the size of the LSMEs.

All cross-references in different paragraphs and sections may be subject to numbering adjustments

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## Objective

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1. The objective of this European Sustainability Reporting Standard for listed SMEs (LSME ESRS) is to specify the sustainability information that the undertakings identified in the next paragraph shall disclose in their individual sustainability statement. This is in accordance with Directive 2013/34/EU of the European Parliament and of the Council<sup>1</sup>, as amended by Directive (EU) 2022/2464<sup>2</sup> (the “CSRD”), when they elect to present the report in accordance with the sustainability reporting standards for small- and medium-sized undertakings. Reporting in accordance with LSME ESRS does not exempt undertakings from other obligations laid down in substantive Union law. In particular, this [draft] Standard sets out *General Requirements* (Section 1), *General Disclosures* (Section 2), *Policies, actions and targets* (Section 3) and *Topical Disclosures* (Sections 4, 5 and 6) that specify the sustainability information to be disclosed in accordance with Directive 2013/34/EU as amended by Directive EU 2022/2464 Corporate Sustainability Reporting Directive when using the derogation in Art. 19a (6) and 29c.

## Scope

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2. The following undertakings fall within the scope of LSME ESRS, (hereafter collectively referred to as the “LSME” or “the undertaking”):
  - (a) small and medium-sized undertakings, which are public interest entities according to point (a), point (1) of Article 2 of Directive 2013/34/EU and which are not micro-undertakings as defined in Article 3(1) of that Directive. According to Art. 4(5) of the Transparency Directive (as amended by the CSRD), this also includes third country listed SMEs;
  - (b) small non-complex credit institutions defined in point (145) of Article 4(1), Regulation (EU) No 575/2013, provided that they are large undertakings within the meaning of Article 3(4) of Directive 2013/34/EU or that they are small- or medium-sized undertakings within the meaning of Article 3(2) and (3) of that Directive. These are public-interest entities as defined in point (a), point (1) of Article 2 of that Directive and which are not micro-undertakings as defined in Article 3(1) of that Directive;
  - (c) captive insurance undertakings defined in point (2) of Article 13 of Directive 2009/138/EC of the European Parliament and of the Council; and
  - (d) captive reinsurance undertakings defined in point (5) of Article 13 of that same Directive.
3. An LSME is allowed to use the derogation in Art. 19a (6) and 29c of the CSRD and prepare its individual sustainability statement using this [draft] Standard when it is not a parent of a large group. A large group is a group that, on a consolidated basis, exceeds the limits of at least two of the three following criteria (as defined in Art. 3 (7) of Directive 2013/34/EU):
  - (a) balance sheet total  $\geq$  EUR 20,000,000;
  - (b) net turnover  $\geq$  EUR 40,000,000; and
  - (c) average number of employees during the financial year  $\geq$  250.
4. An LSME, which is a parent undertaking of a large group, is required to present consolidated sustainability reporting to be included in its management report, prepared

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<sup>1</sup> Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).

<sup>2</sup> Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (OJ L 322, 16.12.2022, p. 15).

according to the ESRS for large undertakings (art. 29a and 29b of Directive 2013/34/EU as amended by the CSRD, Commission Delegated Regulation xxxx).

5. In particular, the ESRS LSME ED specify the information that an undertaking shall disclose about its **material impacts** and **risks** in relation to environmental, social, and governance **sustainability matters**. The ESRS LSME ED do not require undertakings to disclose any information on environmental, social and governance topics covered by this standard, **when ever** the undertaking has assessed **such information** as non-material (sSee Appendix E flowchart for determining disclosures under ESRS **LSME ED**). The information disclosed in accordance with this standard enables **users** of the **sustainability statement** to understand the undertaking's material impacts on people and environment and the material effects of sustainability matters on the undertaking's development, performance and position.

## Section 1: LSME General Requirements

6. This section sets out the general requirements that undertakings shall comply with when preparing and presenting **their** individual sustainability statement under article 19a (6) and article 29c of the CSRD. This [draft] Standard establishes sustainability reporting requirements for small and medium sized undertakings that are proportionate and relevant to their capacities and characteristics and to the scale and complexity of their activities.

### **1. Categories of disclosures, reporting areas and drafting conventions**

#### **1.1 Complying with ~~[draft]~~ LSME ESRS **LSME ED****

7. The undertaking shall disclose, in accordance with this [draft] Standard, all the material information regarding negative impacts and risks in relation to environmental, social, and governance matters. **This** information shall enable the understanding of the undertaking's negative impacts on those matters and **of** how they affect the undertaking's development, performance and position.
8. The undertaking may disclose:
  - (a) ~~the~~ material information regarding **its** positive impacts in relation to environmental, social, and governance matters; **and**
  - (b) sustainability-related financial opportunities that generate or are likely to generate material financial effects in the short-, medium- or long- term.
9. The undertaking shall present its individual sustainability statement containing material sustainability-related information as part of its management report (see chapter **87** *Structure of sustainability statements*).

#### **1.2 ESRS LSME ED structure and reporting areas**

10. ~~These~~ ~~[Draft]~~ ESRS **are** composed of the following **six** sections:
  - Section 1 *General requirements*;
  - Section 2 *General disclosures*;
  - Section 3 *Policies, actions and targets*
  - Section 4 *Environmental disclosures*;

Section 5 *Social disclosures*; and

Section 6 *Business conduct disclosures*.

11. Section 1, Section 2 and Section 3 of this [draft] Standard are cross-cutting sections of this [draft] standard, ~~whereas~~ Section 4, Section 5 and Section 6 are topical sections ~~of this [draft] standard~~ (Environmental, Social and Governance disclosures). ~~Both C~~ cross-cutting sections and topical sections are sector-agnostic, meaning that they apply to all undertakings regardless of ~~which the~~ sector or sectors they ~~undertaking~~ operates in. ~~The e~~ Cross-cutting Section 1 (General requirements), Section 2 (General disclosures) and Section 3 (Policies, Actions and Targets) apply to the **sustainability matters** covered ~~by~~ in the topical sections. Section 2 of this [draft] ~~ESRS~~ Standard establishes the information that is to be mandatorily provided by the undertaking at a general level, across all sustainability topics.
12. ~~The T~~ topical sections of this [draft] ~~ESRS~~ Standard cover ~~a~~ sustainability topics and are structured into topics and sub-topics, and, where necessary sub-sub-topics. Disclosure requirements are organised in accordance with this topical approach. The table found in Appendix A *Application Requirements* of this [draft] Standard, (paragraph AR 15), presents the list of sustainability topics, sub-topics and sub-sub-topics (collectively '**sustainability matters**') covered in the [draft] topical sections.
13. The Disclosure Requirements in this [draft] ESRS cover the following reporting areas:
  - (a) **Governance** (GOV): the governance processes, controls and procedures used to monitor and manage **impacts** and **risks** (see Section 2 of this [draft] ESRS, chapter 2 *Governance*);
  - (b) **Strategy** (SBM): how the undertaking's strategy and business model interact with its material impacts and risks, including how the undertaking addresses those impacts and risks (see Section 2 of this [draft] ESRS, chapter 3 *Strategy*);
  - (c) **Impact and risk management** (IR): the process(es) by which the undertaking: (i) identifies impacts and risks as well as ~~and~~ assesses their **materiality** (see Section 2 Disclosure Requirement 9 (*IR-1*)); (ii) ~~m~~ Manages material **sustainability matters** through **policies** and **actions** (see Section 3 Disclosure Requirement 11 (*IR-3*)), (iii) ~~D~~ discloses information about **targets** if it has set them (see Section 3 Disclosure Requirement 12 (*IR-4*)), (iv) ~~e~~ Engages with its own workers, workers in the value chain, affected communities, consumers and end-users, and their representatives on such ~~about~~ impacts, to the extent that it has stakeholder engagement in place (see Section 3 Disclosure Requirement 13 (*IR-5*)), and, (v) ~~r~~ remediates negative impacts and implements channels for its own workers, workers in the value chain, affected communities, consumers and end-users to raise concerns, to the extent that it has remediation ~~mechanisms~~ activities and channels in place (see Section 3 Disclosure Requirement 14 (*IR-6*)); and
  - (d) **Metrics** (M): how the undertaking measures its performance (see topical sections 4, 5 and 6 of this [draft] ESRS).
14. In addition to the disclosure requirements laid down in the sections ~~listed~~ described in paragraph 10, when an undertaking concludes that an **impact** or **risk** is either not covered in a section of this Standard or not covered with sufficient granularity ~~by a section of this standard but is despite it being~~ material (given due to its specific facts and circumstances), it shall provide additional entity-specific disclosures to enable users to understand the undertaking's sustainability-related impacts and risks. Application requirements AR 1 to AR 4 of this section provide further guidance regarding entity-specific disclosures.

### 1.3 Drafting conventions

15. In this ESRS:

- (a) the term “**impacts**” refers to sustainability-related impacts ~~(positive impacts are disclosed on a voluntary basis) that are~~ connected towith the undertaking’s business, as identified through an **impact materiality** assessment process (see section 3.4 Impact materiality). It refers both to actual impacts and ~~to~~ potential future impacts. In this [draft] ESRS the term “impacts” refers only to negative impacts, unless ~~otherwise differently~~ specified (positive impacts are disclosed on a voluntary basis); and
- (b) the term “**risks**” refers to the undertaking’s sustainability-related financial risks, including those deriving from dependencies on natural, human and social resources, as identified through a **financial materiality** assessment process (see Ssection 3.5).

Collectively, these are referred to as “impacts and risks” (Irs). They reflect the **double materiality** perspective of ESRS described in Ssection 3 (disclosure ~~of~~ material opportunities is made only on voluntary basis ~~only~~, see Section 2 of this [draft] ESRS- 41 to 43).

- 16. Throughout ESRS, terms that are defined in the glossary of definitions (Annex II) are put in **bold italic**, except when a defined term is used more than once in the same paragraph.
- 17. The ESRS structure the information to be disclosed under Disclosure Requirements. Each dDisclosure rRequirement consists of one or more distinct datapoints. The term “datapoint” can also refer to a narrative sub-element of a Ddisclosure Rrequirement.
- 18. In addition to Disclosure Requirements, most sSections also contain Application Requirements. Application Requirements support the application of the Disclosure Requirements and have the same authority as other parts of this [draft] ESRS.
- 19. This [draft] ESRS uses the following terms to distinguish between different degrees of obligation on the undertaking to disclose information:
  - (a) “shall disclose” – indicates that the provision is prescribed by a Disclosure Requirement or datapoint;
  - (b) “may disclose” – indicates voluntary disclosure to encourage good practice.

In addition, this [draft] ESRS uses the term “shall consider” when referring to issues, resources or methodologies that the undertaking is expected to take into account or to use in the preparation of a given disclosure if applicable.

## 2. Qualitative characteristics of information

- 20. When preparing its **sustainability statement**, the undertaking shall apply:
  - (a) the fundamental qualitative characteristics of information, i.e., relevance and faithful representation; and
  - (b) the enhancing qualitative characteristics of information, i.e., comparability, verifiability and understandability.
- 21. These qualitative characteristics of information are defined and described in Appendix B of the presentis Section of this [draft] ESRS.

## 3. Double materiality as the basis for sustainability disclosures

- 22. The undertaking shall report on **sustainability matters** based on the **double materiality** principle as defined and explained in this chapter.

### **3.1 Stakeholders and their relevance to the materiality assessment process**

23. **Stakeholders** are those who can affect or be affected by the undertaking. There are two main groups of stakeholders:
- (a) 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
  - (b) 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.
24. Some, but not all, **stakeholders** may belong to both groups defined in paragraph 23.
25. To the extent that an undertaking engages with affected **stakeholders**, engagement with them supports the undertaking’s sustainability **materiality** assessment. This includes its processes ~~for~~ **identifying** and **assessing** actual and potential negative impacts, which then inform the assessment process ~~for the~~ **identification of the** material impacts for the purposes of sustainability reporting (see chapter 3.4 of this Section).

### **3.2 Material matters and materiality of information**

26. Performing a **materiality** assessment (see chapters 3.4 and 3.5 of this Section) is necessary for the undertaking to identify the material **impacts** and **risks that are** to be reported. If an undertaking reports on its material positive impacts and/or opportunities on a voluntary basis, these are also covered by the materiality assessment.
27. **Materiality** assessment is the starting point for sustainability reporting under this [draft] ESRS. Disclosure Requirement 9 (*IR-1*) in Section 2 of this [draft] ESRS includes general disclosure requirements about the undertaking’s process to identify **impacts** and **risks** and assess their materiality. Disclosure Requirement 7 (*SMB-3*) of Section 2 provides general disclosures requirements on the material impacts and risks resulting from the undertaking’s materiality assessment.
28. The Application Requirements **laid out** in Appendix A of this Section, (paragraph ~~ARXX6 to 18~~), include the list of **sustainability** matters covered in **the** topical sections of this [draft] ESRS. ~~They are~~, categorised by topics, sub-topics and sub-sub-topics, to support the **materiality** assessment. Appendix E *Flowchart for determining disclosures to be included* of this [draft] Standard provides an illustrative example of the materiality assessment process described in this section.
29. A sustainability matter is “material” when it meets the criteria defined for **impact materiality** (see ~~chaptersection~~ 3.4 of this Section) or **financial materiality** (see ~~chaptersection~~ 3.5 of this Section) or both.
30. Irrespective of the outcome of the materiality assessment, as stated also in paragraph 11 of this ~~S~~section, the undertaking shall always disclose the information required by Section 2 of this [draft] ESRS (i.e., all Disclosure Requirements and data points).
31. When the undertaking concludes that a sustainability matter is material as a result of its **materiality** assessment, it shall:
- (a) disclose information according to the Disclosure Requirements (including Application Requirements) related to that specific sustainability matter in the relevant sections of this [draft] ESRS; and

- (b) disclose additional appropriate entity-specific disclosures (see paragraph 15 and AR 1 to AR 4 of this Section) when the material sustainability matter is not covered by this [draft] ESRS or is covered with insufficient granularity.
32. The applicable information prescribed within a Disclosure Requirement, including its datapoints, or within an entity-specific disclosure, shall be disclosed when the undertaking assesses, as part of its assessment of material information, that the information is relevant from one or more of the following perspectives:
- (a) the significance of the information in relation to the matter it purports to depict or explain; or
- (b) the capacity of such information to meet ~~the~~ users' decision-making needs, including the needs of primary users of general-purpose financial reporting described in paragraph 50 and/or the needs of users whose principal interest lies in information about the undertaking's impacts.
33. If the undertaking concludes that climate change is not material and therefore omits all disclosure requirements related to E1 Climate change, it shall disclose a detailed explanation of the conclusions of its **materiality** assessment with regard to climate change (see Section 2 Disclosure Requirement 10 (*IR-2*) *Disclosure Requirements in ESRS covered by the undertaking's sustainability statement*), including a forward-looking analysis of the conditions that could lead the undertaking to conclude that climate change is material in the future.
34. If the undertaking concludes that a topic other than climate change is not material and therefore it omits all the Disclosure Requirements in Section 3 or/and in the corresponding topical Sections of this [draft] ESRS, it may briefly explain the conclusions of its materiality assessment for that topic.
35. When reporting on **policies, actions** and **targets in relation to a sustainability matter** that has been assessed to be material, the undertaking shall apply the requirements outlined in Section 3 of this [draft] ESRS (see Disclosure Requirement 11 (*IR-3*) – *Policies and actions in relation to sustainability matters*, and Disclosure Requirement 12 (*IR-4*) – *Targets in relation to sustainability matters*).
36. When disclosing information on **metrics** for a material **sustainability matter**, the undertaking shall apply the requirements outlined in Sections 4, 5 and 6 of this [draft] ESRS and it:
- (a) shall include the information prescribed by a Disclosure Requirement if it assesses such information to be material; and
- (b) may omit the information prescribed by a datapoint of a Disclosure Requirement if it assesses such information to be not material and concludes that such information is not needed to meet the objective of the Disclosure Requirement.
37. If the undertaking omits the information prescribed by a datapoint that derives from other EU legislation listed in Appendix B of Section 2 of this [draft] ESRS, it shall explicitly state that the information in question is "not material".
38. The undertaking shall establish how it applies qualitative or quantitative criteria, including appropriate thresholds, to determine:
- (a) the information it discloses on **metrics** for a material sustainability matter; and
- (b) the information to be disclosed as entity-specific disclosures.

### 3.3. Double materiality

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39. **Double materiality** has two dimensions, namely: **impact materiality** and **financial materiality**. Unless ~~specified~~ otherwise specified, the terms “material” and “materiality” are used throughout this [draft] ESRS to refer to double materiality.
40. **Impact materiality** and **financial materiality** assessments are inter-related and the interdependencies between these two dimensions shall be considered. In general, the starting point is the assessment of impacts, although there may also be material **risks** (and opportunities) that are not related to the undertaking’s **impacts**. A sustainability impact may be financially material from inception or become financially material, when it could reasonably be expected to affect the undertaking’s financial position, financial performance, cash flows, its access to finance or cost of capital over the short-, medium- or long-term. Impacts are captured by the impact materiality perspective irrespective of whether or not they are financially material.
41. In identifying and assessing the **impacts** and **risks** in the undertaking’s **value chain** to determine their **materiality**, the undertaking shall focus on areas where they are deemed likely to arise, based on the nature of the activities, business relationships, geographies or other risk factors concerned.
42. The undertaking shall consider how it is affected by its **dependencies** (if any) on the availability of natural and social resources at appropriate prices and quality, independently of its potential **impacts** on those resources.
43. An undertaking’s principal **impacts** and **risks** are understood to be the same as the material impacts and risks identified under the **double materiality** principle and therefore reported in its **sustainability statement**.
44. The undertaking shall apply the criteria set under chapters 3.4 and 3.5 in this section of this [draft] ESRS, using appropriate quantitative and/or qualitative thresholds. Appropriate thresholds are necessary to determine which **impacts** and **risks** are identified and addressed by the undertaking as material and to determine which **sustainability matters** are material for reporting purposes. Some existing standards and frameworks use the term “most significant impacts” when referring to the threshold used to identify the impacts that are described in this [draft] ESRS as “material impacts.”

### 3.4 Impact materiality

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45. A **sustainability matter** is material from an impact perspective when it pertains to the undertaking’s material actual or potential, **impacts** on people or the environment over the short-, medium- or long-term time. Impacts include those connected with the undertaking’s own operations and upstream and downstream value chain, including through its products and services, as well as through its business relationships. **Business relationships** include those in the undertaking’s upstream and downstream **value chain** and are not limited to direct contractual relationships.
46. In this context, impacts on people or the environment include impacts in relation to environmental, social and governance matters.
47. To the extent that the undertaking adopts contents of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises in its impact management processes, its impact **materiality** assessment is informed by the due diligence<sup>3</sup> process. Due diligence is the process by which undertakings identify, prevent, mitigate and account for how they address the actual and potential impacts on the environment and people connected with their business.

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<sup>3</sup> This process is described in the international instruments of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

48. For actual negative impacts, materiality is based on the severity of the impact, while for potential negative impacts it is based on the severity and likelihood of the impact. Severity is based on:
- (a) the scale;
  - (b) scope; and
  - (c) irremediable character of the impact.

In the case of a potential negative human rights impact, the severity of the impact takes precedence over its likelihood.

### ***3.5 Financial materiality***

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49. 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.
50. The **financial materiality** assessment corresponds to the identification of information that is considered material for primary users of general-purpose financial reporting in making decisions relating to providing resources to the entity. 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 statement**.
51. A sustainability matter is material from a financial perspective if it triggers or could reasonably be expected to trigger material **financial effects** on the undertaking. This is the case when a sustainability matter generates or may generate **risks** that have a material influence, or could reasonably be expected to have a material influence, on the undertaking's development, financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium- or long-term. Risks may derive from past events or future events and may derive from dependencies on natural, human and social resources.
- The **financial materiality** of a sustainability matter is not constrained to matters that are within the control of the undertaking but includes information on material **risks** attributable to **business relationships** with other undertakings, including its subsidiaries, or **stakeholders** beyond the scope of financial control.
52. **Dependencies** on natural and social resources can be sources of financial **risks**. Dependencies may trigger effects in two possible ways:
- (a) they may influence the undertaking's ability to continue to use or obtain the resources needed in its business processes, as well as the quality and pricing of those resources; and
  - (b) they may affect the undertaking's ability to rely on relationships needed in its business processes on acceptable terms.
53. The **materiality** of **risks** is assessed based on a combination of the likelihood of occurrence and the potential magnitude of the **financial effects**.

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

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54. The undertaking's **materiality** assessment process may lead to the identification of situations in which its **actions** to address certain **impacts** or **risks** ~~related in relation~~ to a sustainability matter, might have material negative impacts, or cause material risks, in relation to one or several other **sustainability matters**. For example:



- (a) an action plan to decarbonise production that involves abandoning certain products might have material negative impacts on the undertaking's **own workforce** and result in material risks due to redundancy payments; or
  - (b) an action plan of an automotive **supplier** to focus on the supply of e-vehicles might lead to stranded assets for the production of supply parts for conventional vehicles.
55. In such situations, the undertaking shall:
- (a) mention the existence of material negative impacts or material risks together with the **actions** that generate them, with a cross-reference to the topic to which the impacts or risks relate; and
  - (b) provide a description of how the material negative impacts or material risks are addressed under the topic to which they relate.

### **3.7 Level of disaggregation**

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56. When needed for to have a proper understanding of its material **impacts** and **risks**, the undertaking shall disaggregate the reported information in a way that reflects the appropriate level at which significant variations of material impacts and/or risks materialize, such as in specific countries and/or specific sites.

## **4. Value chain**

### **4.1 Reporting undertaking and value chain**

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57. The information about the reporting undertaking provided in the **sustainability statement** shall be extended to include information on the material **impacts** and **risks** connected to the undertaking through its **business relationships** in the upstream and/or downstream **value chain** ("value chain information"). Investment and other business relationships with subsidiaries of the undertaking are as well sources of material impacts and risks, based on the results of materiality assessment. In extending the information about the reporting undertaking, the undertaking shall include material impacts and risks connected with its upstream and downstream value chain(s):
- (a) following the outcome of its **materiality** assessment; and, if applicable, of its due diligence process ; and
  - (b) in accordance with any specific requirements related to the value chain of topical sections of this [draft] ESRS.
58. The extension of the information about the reporting undertaking to include value chain information does not require information on each and every **actor in the value chain**, but only the inclusion of material **value chain** information.
59. The undertaking shall include material value chain information when this is necessary to:
- (a) allow users of **sustainability statements** to understand the undertaking's material **impacts** and **risks**; and/or
  - (b) produce a set of information that meets the qualitative characteristics of information (see Appendix B of this [draft] Section).
60. When determining at which level within its own operations and its upstream and downstream value chain a material sustainability matter arises, the undertaking shall use its assessment of **impacts** and **risks** following the **double materiality** principle (see chapter 3 of this [draft] Standard).

61. When subsidiaries, associates or joint ventures are part of the undertaking's value chain, for example as suppliers, the undertaking shall include information related to those undertakings, following paragraph 57, consistent with the approach adopted for the other **business relationships** in the value chain. In this case, when determining impact **metrics**, the data of the subsidiaries, associate or joint venture are not limited to the share of equity held, but taken into account on the basis of the impacts that are connected with the undertaking's products and services through its business relationships. ~~To illustrate this approach, consider that the company produces a final product and uses material sourced by an associate. The equity share is 30%. The undertaking buys 10.000 items of a product of the associate that is needed in order to produce the final product. The undertaking will treat this supplier in the same way as they report for any other supplier, i.e. considering the impacts connected with the products that they buy from the supplier, in this case connected with the production of 10.000 items.~~

#### **4.2 Estimation using sector averages and proxies**

62. The undertaking's ability to obtain the necessary upstream and downstream **value chain** information may vary depending on various factors, such as the undertaking's contractual arrangements, the level of control that it exercises on the operations outside the consolidation scope and its buying power. When the undertaking does not have the ability to control the activities of its upstream and/or downstream value chain and its business relationships, obtaining value chain information may be more challenging.
63. There are circumstances where the undertaking cannot collect the information about its upstream and downstream **value chain** as required by paragraph 57 after making reasonable efforts to do so. In these circumstances, the undertaking shall estimate the information to be reported about its upstream and downstream value chain, by using all reasonable and supportable information, such as sector-average data and other proxies.
64. Obtaining **value chain** information could be particularly challenging for an LSME in the case of its upstream and/or downstream value chain entities that are not in the scope of the CSRD, as LSME may have less control over their value chain and fewer resources to collect data.
65. ~~The undertaking may rely and refer to information contained in the ESRS sustainability statement of an actor in its value chain when such actor publishes mandatory ESRS sustainability statement, if that statement contains the information needed for the preparation of the undertaking's ESRS sustainability statement. When an actor in the value chain that does not prepare mandatory ESRS sustainability statement publishes sustainability information according to other standards or frameworks (such as any voluntary standard issued in the EU [VSME] or GRI Standards, or IFRS Sustainability Disclosures Standards, or EMAS), the undertaking may rely and refer to information contained in that sustainability statement report, provided that such information is subject to at least the same level of assurance as its ESRS sustainability statement. If there are clear indications that material impacts and risks are not addressed appropriately in that information, then the undertaking shall consider further work on the specific impacts and risks may need in the value chain.~~
66. With reference to **policies** and **actions**, the undertaking's reporting shall include upstream and/or downstream **value chain** information to the extent that those policies and actions involve **actors in the value chain**.
67. When the undertaking includes value chain information in its metrics, in many cases, in particular for environmental matters for which proxies are available, the undertaking may be able to comply with the reporting requirements without collecting data from the actors in its upstream and downstream value chain, for example, when calculating the undertaking's GHG Scope 3 emissions.

68. The incorporation of estimates made using sector-average data or other proxies shall not result in information that does not meet the qualitative characteristics of information (see chapter 2 and section 6.2 *Sources of estimation and outcome uncertainty* of this Section).

## **5. Time horizons**

### **5.1 Reporting period**

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69. The reporting period for the undertaking's **sustainability statement** shall be consistent with that of its financial statements.

### **5.2 Linking past, present and future**

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70. The undertaking shall establish appropriate linkages in its **sustainability statement** between retrospective and forward-looking information, when relevant, to foster a clear understanding of how historical information relates to future-oriented information.

### **5.3 Reporting progress against the base year**

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71. A base year is the historical reference date or period for which information is available and against which subsequent information can be compared over time.
72. The undertaking shall present comparative information in respect of the base year for amounts reported in the current period when reporting the developments and progress towards a target, when they are used, unless the relevant Disclosure Requirement already defines how to report progress. The undertaking may also include historical information about achieved milestones between the base year and the reporting period when this is relevant information.

### **5.4 Definition of short-, medium- and long-term for reporting purposes**

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73. When preparing its individual **sustainability statement**, the undertaking shall adopt the following time intervals as of the end of the reporting period:
- (a) for the short-term time horizon: the period adopted by the undertaking as the reporting period in its financial statements;
  - (b) for the medium-term time horizon: from the end of the short-term reporting period defined in (a) up to five years; and
  - (c) for the long-term time horizon: more than five years.
74. The undertaking shall use an additional breakdown for the long-term time horizon when **impacts** or **actions** are expected in a period longer than 5 years if necessary to provide relevant information to users of **sustainability statements**.
75. If different definitions of medium- or long-term time horizons are required for specific items of disclosure in a topical section of this [draft] ESRS, the definitions in the topical section shall prevail.
76. There may be circumstances where the use of the medium- or long-term time horizons in paragraph 72 results in non-relevant information, as the undertaking uses a different definition for (i) its processes of identification and management of material **impacts** and **risks** or (ii) the definition of its **actions**. These circumstances may be due to industry-specific characteristics, such as cash flow and business cycles, the expected duration of capital investments, the time horizons over which the users of **sustainability statements** conduct their assessments and the planning horizons typically used in the undertaking's industry for decision-making. In these circumstances, the undertaking may adopt a

different definition of medium- and/or long-term time horizons (see [draft] Section 2 Disclosure Requirement 2 (BP-2) paragraph 9).

77. References to “short-term”, “medium-term”, and “long-term” in this [draft] Standard refer to the time horizon as determined by the undertaking according to the provisions in paragraphs xx to xx.

## **6. Preparation and presentation of sustainability information**

78. This chapter provides general requirements to be applied when preparing and presenting sustainability information.

### **6.1 Presenting comparative information**

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79. The undertaking shall disclose comparative information in respect of the previous period for all quantitative **metrics** and monetary amounts disclosed in the current period. When relevant to an understanding of the current period’s **sustainability statement**, the undertaking shall also disclose comparative information for narrative sustainability disclosures.

80. When the undertaking reports comparative information that differs from the information reported in the previous period, ~~it shall disclose,~~ when this information is compatible with a possible with reasonable effort, it shall disclose:

- (a) the difference between the figure reported in the previous period and the revised comparative figure; and
- (b) the reasons for the revision of the figure.

81. ~~Sometimes, it is not possible with reasonable effort to adjust comparative information for one or more prior periods to achieve comparability with the current period. For example, data might not have been collected in the prior period(s) in a way that allows either retrospective application of a new definition of a metric or target, or retrospective restatement to correct a prior period error, and it may be impracticable to recreate the information (see Section 2 of this [draft] ESRS BP 2).~~ When it is not possible with reasonable effort to adjust comparative information for one or more prior periods, the undertaking shall disclose this fact.

82. When a topical section of this [draft] ESRS requires the undertaking to present more than one comparative period for a metric or datapoint, the requirements of that section shall prevail.

### **6.2 Sources of estimation and outcome uncertainty**

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83. When quantitative **metrics** and monetary amounts, including upstream and downstream **value chain** information (see chapter 4 of this Section), cannot be measured directly and can only be estimated, measurement uncertainty may arise.

84. ~~The~~An undertaking shall disclose information to enable users to understand the most significant uncertainties affecting the quantitative metrics and monetary amounts reported in its sustainability statement.

85. ~~The use of reasonable assumptions and estimates, including scenario analysis, is an essential part of preparing sustainability-related information and does not undermine the usefulness of that information, provided that the assumptions and estimates are accurately described and explained.~~ Even a high level of measurement uncertainty would not necessarily prevent such an assumption or estimate from providing useful information or meeting the qualitative characteristics of information (see Appendix B of this [draft] Standard).

86. Data and assumptions used in preparing the **sustainability statement** shall be consistent to the extent possible with the corresponding financial data and assumptions used in the undertaking's financial statements.
87. Some topical section of this [draft] ESRS requires the disclosure of information such as explanations about possible future events that have uncertain outcomes. In judging whether information about such possible future events is material, the undertaking shall refer to the criteria in Chapter 3 of this Section and consider:
- (a) the potential **financial effects** of the events (the possible outcome), in terms of magnitude and ~~and the related likelihood~~;
  - (b) the range of severity and likelihood of the impacts on people or the environment resulting from the possible events, taking account of the factors of severity specified in paragraph 48; ~~and~~;
  - ~~(c) the full range of possible outcomes and the likelihood of the possible outcomes within that range.~~
- ~~88. When assessing the possible outcomes, the undertaking shall consider all relevant facts and circumstances, including information about low-probability and high-impact outcomes, which, when aggregated, could become material. For example, the undertaking might be exposed to several impacts or risks, each of which could cause the same type of disruption, such as disruptions to the undertaking's **supply chain**. Information about an individual source of risk might not be material if disruption from that source is highly unlikely to occur. However, information about the aggregate risk of **supply chain** disruption from all sources might be material (see Section 2 Disclosure Requirement 2 (BP-2)).~~

### **6.3 Updating disclosures about events after the end of the reporting period**

- ~~89.88.~~ In some cases, the undertaking may receive information after the reporting period but before the management report is approved for issuance. If such information provides evidence or insights about conditions existing at period end, where possible and with reasonable effort the undertaking shall, ~~where appropriate possible with reasonable effort~~, update estimates and sustainability disclosures, in ~~the~~ light of the new information. If not possible with reasonable effort, it the undertaking shall provide narrative information describing the conditions existing at period end and the possible implications on the sustainability statement.
- ~~90. When such information provides evidence or insights about material transactions, other events and conditions that arise after the end of the reporting period, the undertaking shall, where appropriate, provide narrative information indicating the existence, nature and potential consequences of these post-year end events.~~

### **6.4 Changes in preparation or presentation of sustainability information**

- ~~91.89.~~ The definition and calculation of **metrics**, including metrics used to set **targets** and monitor progress towards them, ~~(only in case targets have been specifically set by the undertaking)~~, shall be consistent over time (that is, only if targets have been specifically set by the undertaking). The undertaking shall provide restated comparative figures, unless it is not possible with reasonable effort to do so (see Section 2 Disclosure Requirement 2 (BP-2) ), when it has:
- a. redefined or replaced a metric or target;
  - b. identified new information in relation to the estimated figures disclosed in the preceding period and the new information provides evidence of circumstances that existed in that period.

## 6.5 Reporting errors in prior periods

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- 92-90.** The undertaking shall correct material prior period errors by restating the comparative amounts for the prior period(s) disclosed, unless it is not possible with reasonable effort to do so. This requirement does not extend to reporting periods before the first year of application of **LSME** ESRS by the undertaking.
- 93-91.** Prior period errors are omissions from, and misstatements in, the undertaking's **sustainability statement** for one or more prior periods. Such errors arise from a failure to use, or **from the** misuse of, reliable information that:
- was available when the management report **which~~that~~** includes the sustainability statements for those periods was authorised for issuance; and
  - could reasonably be expected to have been obtained and considered in the preparation of sustainability disclosures included in these reports.
- 94-92.** Such **prior period** errors include: the effects **resulting from** of mathematical mistakes, mistakes in applying the definitions for **metrics**, oversights or misinterpretations of facts, and fraud.
- 95-93.** Potential errors in the current period discovered in that period are corrected before the management report is authorised for issuance. However, material errors are sometimes only discovered in a subsequent period.
- 96-94.** When it is not possible with reasonable effort to determine the effect of an error on all prior periods presented, the undertaking shall restate the comparative information to correct the error from the earliest date practicable. When correcting disclosures **for** a prior period, the undertaking shall not use hindsight either in making assumptions about what the management's intentions would have been in a prior period or in estimating the amounts disclosed in a prior period. **This** requirement applies to correction of both backward-looking and forward-looking disclosures.
- 97-95.** Corrections of errors are distinguished from changes in estimates. Estimates are to be revised as soon as additional information becomes available (see Section 2 Disclosure Requirement 2 (**BP-2**)).

## 6.6 Classified and sensitive information, and information on intellectual property, know-how or results of innovation

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- 98-96.** The undertaking is not required to disclose **classified information** or **sensitive information**, even if such information is considered material.
- 99-97.** When disclosing information about its **strategy, plans** and **actions**, where a specific piece of information corresponding to intellectual property, know-how or the results of innovation is relevant to meet the objective of a Disclosure Requirement, the undertaking may nevertheless omit that specific piece of information if it:
- is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;
  - has commercial value because it is secret; and
  - has been subject to reasonable steps by the undertaking to keep it secret.
- 100-98.** If the undertaking omits **classified information** or **sensitive information**, or a specific piece of information corresponding to intellectual property, know-how or the results of innovation because it meets the criteria established in the previous paragraph, it shall comply with the disclosure requirement in question by disclosing all other required information.

~~401.99.~~ The undertaking shall make reasonable effort to ensure that beyond the omission of the specific **classified information** or **sensitive information**, or of the specific piece of information corresponding to intellectual property, know-how or the results of innovation, the overall relevance of the disclosure in question is not impaired.

## **6.7 Matters in course of negotiation**

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~~402.100.~~ The undertaking is not required to disclose information relating to impending developments or matters in the course of negotiation, even if such information is considered material.

~~403.101.~~ This exemption could apply, in exceptional cases, where in the duly justified opinion of the members of the administrative, management and supervisory bodies, acting within the competences assigned to them by national law and having collective responsibility for that opinion, the disclosure of such information would be seriously prejudicial to the commercial position of the undertaking, provided that such omission does not prevent a fair and balanced understanding of the undertaking's development, performance, and position, and the impact of its activity.

## **7. Structure of sustainability statement**

~~404.102.~~ This chapter provides the basis for the presentation of the information about **sustainability matters** prepared in compliance with the CSRD and this [draft] ESRS (i.e., **sustainability statement**) within the undertaking's management report. Such information is presented in a dedicated section of the management report identified as the sustainability statement. Appendix F *Example of structure of ESRS sustainability statements* of this Section provides an illustrative example of sustainability report structured according to the requirements of this chapter.

### **7.1 General presentation requirement**

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~~405.103.~~ Sustainability information shall be presented:

- (a) in a way that allows a distinction between information required by disclosures in this [draft] ESRS and other information included in the management report; and
- (b) under a structure that facilitates access to and understanding of the **sustainability statement**, both in human and machine-readable formats.

### **7.2 Content and structure of the sustainability statement**

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~~406.104.~~ Except for the possibility to incorporate information by reference in section 8.1 *Incorporation by reference* of this section, the undertaking shall report all the applicable disclosures (sector-agnostic and entity-specific) required by this [draft] ESRS as per chapter 1 of this Section, within a single section of the management report.

~~407.105.~~ The undertaking shall report, in its **sustainability statement**, the disclosures pursuant to Article 8 of Regulation (EU) 2020/852 of the European Parliament and the Council<sup>4</sup> and Commission Delegated Regulations that specify the content of those disclosures. The undertaking shall ensure that these disclosures are separately identifiable within the sustainability statement. The disclosures relating to each of the environmental objectives defined in the Taxonomy Regulation shall be presented together in a clearly identifiable part of the environmental section of the sustainability statement. These disclosures are not

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<sup>4</sup> Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

subject to the provisions of ESRS, with the exception of this paragraph and the first sentence of paragraph 105 of this Standard.

~~108.~~**106.** When the undertaking includes in its individual **sustainability statement** additional disclosures stemming from (i) other legislation which requires the undertaking to disclose sustainability information, or (ii) generally accepted sustainability reporting standards and frameworks, including non-mandatory guidance and sector-specific guidance, published by other standard-setting bodies (such as technical material issued by the International Sustainability Standards Board or the Global Reporting Initiative), such disclosures shall:

- (a) be clearly identified with an appropriate reference to the related legislation, standard or framework (see Section 2 Disclosure Requirement 2 (*BP-2*), paragraph 15);
- (b) meet the requirements for qualitative characteristics of information specified in chapter 2 and Appendix B of this Section.

~~109.~~**107.** The undertaking shall structure its **sustainability statement** in four parts, in the following order: general information, environmental information (including disclosures pursuant to Article 8 of Regulation (EU) 2020/852), social information and governance information. Respecting the provision in this Section chapter 3.6 *Material impacts or risks arising from actions to address sustainability matters* of this [draft] Standard, when information provided in one part is also covering information to be reported in another part, the undertaking may refer in one part to information presented in another part, avoiding duplications. The undertaking may apply the detailed structure illustrated in Appendix F of this [draft] Section.

~~110.~~**108.** Where the undertaking develops material entity-specific disclosures, it shall report those disclosures alongside the most relevant disclosure in this [draft] ESRS.

## **8. Linkages with other parts of corporate reporting and connected information**

~~111.~~**109.** The undertaking shall provide information that enables users of its **sustainability statement** to understand the connections between different pieces of information in the statement, and the connections between the information in the sustainability statement and other information that the undertaking discloses in other parts of its corporate reporting.

### **8.1 Incorporation by reference**

~~112.~~**110.** Provided that the conditions in paragraph 109 are met, information prescribed by a Disclosure Requirement of this [draft] ESRS, including a specific datapoint prescribed by a Disclosure Requirement, may be incorporated in the **sustainability statement** by reference to:

- (a) another section of the management report;
- (b) the financial statements;
- (c) the corporate governance statement (if not part of the management report);
- (d) the remuneration report required by Directive 2007/36/EC of the European Parliament and of the Council<sup>5</sup>;

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<sup>5</sup> Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies (OJ L 184, 14.7.2007, p. 17).



- (e) the universal registration document, as referred to in Article 9 of Regulation 2017/1129<sup>6</sup>; and
- (f) public disclosures under Regulation 575/2013 of the European Parliament and of the Council (Pillar 3 disclosures)<sup>7</sup>. If the undertaking incorporates by reference information from Pillar 3 disclosures, it shall ensure that the information matches the scope of consolidation used for the **sustainability statement** by complementing the incorporated information with additional elements as necessary.

**443.111.** The undertaking may incorporate information by reference to the documents, or part of the documents, listed in paragraph 109, provided that the disclosures incorporated by reference:

- (a) constitute a separate element of information and are clearly identified in the document concerned as addressing the relevant Disclosure Requirement, or the relevant specific datapoint prescribed by a Disclosure Requirement;
- (b) are published before or at the same time as the management report;
- (c) are in the same language as the **sustainability statement**;
- (d) are subject to at least the same level of assurance as the sustainability statement; and
- (e) meet the same technical digitalisation requirements as the sustainability statement.

**444.112.** Provided that these conditions established in paragraph 109 are met, information prescribed by a Disclosure Requirement of this [draft] ESRS, including a specific datapoint prescribed by a Disclosure Requirement, may be incorporated in the **sustainability statement** by reference to the undertaking's report prepared according to EU Eco-Management and Audit Scheme (EMAS) Regulation (EU) No. 1221/2009<sup>8</sup>. In this case, the undertaking shall ensure that the information incorporated by reference is produced using the same basis for preparation of ESRS information, including scope of consolidation and treatment of **value chain** information.

**445.113.** In the preparation of its **sustainability statement** using incorporation by reference, the undertaking shall consider the overall cohesiveness of the reported information and ensure that the incorporation by reference does not impair the readability of the sustainability statement. Appendix G *Example of incorporation by reference* of this [draft] Standard is an illustrative example of incorporation by reference (See Section 2 Disclosure Requirement 2 (BP-2)).

## **8.2 Connected information and connectivity with financial statements**

**114.** The information provided in the undertaking's sustainability statements shall be coherent with what is reported in the financial statements and, when applicable, in other parts of the undertaking's corporate reporting, and –presented in a way that facilitates the understanding of the linkages that exist with the information reported in financial

<sup>6</sup> Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (OJ L 168, 30.6.2017, p. 12).

<sup>7</sup> Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

<sup>8</sup> Regulation (EC) No 1221/2009 of the European Parliament and of the Council of 25 November 2009 on the voluntary participation by organisations in a Community eco-management and audit scheme (EMAS), repealing Regulation (EC) No 761/2001 and Commission Decisions 2001/681/EC and 2006/193/EC (OJ L 342, 22.12.2009, p. 1).

- ~~statements different documents (i.e., by using appropriate cross references or explaining how the different pieces of information or assumptions used relate between them).~~
- ~~115.— In particular, as this standard follows an individual perspective, the undertaking may explain how the monetary amounts presented in its sustainability statement relate to its individual and/or consolidated financial statements. The undertaking shall describe the relationships between different pieces of information. Doing so could require connecting narrative information on governance, strategy and risk management to related **metrics**. For example, in providing connected information, the undertaking may need to explain the effect or likely effect of its strategy on its financial statements or financial plans, or explain how its strategy relates to metrics and targets used to measure performance. Furthermore, the undertaking may need to explain how its use of **natural resources** and changes within its **supply chain** could amplify, change or reduce its material **impacts** and **risks**. It may need to link this information to information about current or anticipated financial effects on its production costs, to its strategic response to mitigate such impacts or risks, and to its related investment in new assets. The undertaking may also need to link narrative information to the related metrics and targets (when disclosing on targets) and to information in the financial statements. Information that describes connections shall be clear and concise.~~
- ~~115.— When the individual **sustainability statement** includes monetary amounts or other quantitative data points that exceed a threshold of **materiality** and that are presented in the financial statements (direct connectivity between information disclosed in sustainability statement and information disclosed in financial statements), the undertaking shall include a reference to the relevant paragraph of its financial statements where the corresponding information can be found.~~
- ~~115.— The **sustainability statement** may include monetary amounts or other quantitative datapoints that exceed a threshold of materiality and that are either an aggregation of, or a part of, monetary amounts or quantitative data presented in the undertaking's financial statements (indirect connectivity between information disclosed in sustainability statement and information disclosed in financial statements). If this is the case, the undertaking shall explain how these amounts or datapoints in the sustainability statement relate to the most relevant amounts presented in the financial statements. This disclosure shall include a reference to the line item and/or to the relevant paragraphs of its financial statements where the corresponding information can be found. Where appropriate, a reconciliation may be provided, and it may be presented in a tabular form.~~
- ~~115.— In the case of information not covered by paragraphs 113 and 114, the undertaking shall explain, based on a threshold of materiality, the consistency of significant data, assumptions, and qualitative information included in its individual **sustainability statement** with the corresponding data, assumptions and qualitative information included in the financial statements. This may occur when the sustainability statement includes:~~
- ~~(e) — monetary amounts or other quantitative data linked to monetary amounts or other quantitative data presented in the financial statements; or~~
- ~~(f) — qualitative information linked to qualitative information presented in the financial statements.~~
- ~~115.— Consistency as required by paragraph 115 shall be at the level of a single datapoint and shall include a reference to the relevant line item or paragraph of notes of the financial statements. When significant data, assumptions and qualitative information are not consistent, the undertaking shall state that fact and explain the reason.~~
- ~~115.— Examples of items for which the statement in paragraph 115 is required, are:~~
- ~~(i) — when the same metric is presented as of the reporting date in financial statements and as a forecast for future periods in the **sustainability statement**; and~~

~~(j)115. when macroeconomic or business projections are used to develop **metrics** in the **sustainability statement** and they are also relevant in estimating the recoverable amount of assets, the amount of liabilities or provisions in financial statements.~~

116. Topical Sections of this [Draft] ESRS may define requirements to include reconciliations or to illustrate consistency of data and assumptions for specific Disclosure Requirements. In such cases, the requirements in these Sections shall prevail.

## **9. Transitional provisions**

### **9.1. Transitional provision related to section 1.2 LSME ESRS structure and reporting areas**

117. **[NOTE TO CONSTITUENTS: THIS TRANSITIONAL PROVISION WILL BE INCLUDED IN THE STANDARD IN CASE THE PUBLIC CONSULTATION CONFIRMS THAT EFRAG WILL ISSUE SECTOR-SPECIFIC ANNEXES TO THIS STANDARD AS BY-PRODUCT OF ITS FUTURE WORK ON SECTOR ESRS]:** The extent to which **sustainability matters** are covered by this [draft] ESRS is expected to evolve as further Disclosure Requirements are developed. Therefore, the need for entity-specific disclosures is likely to decrease over time, in particular as a result of the future adoption of sector specific standards.

118. When defining its entity-specific disclosures, the undertaking may adopt transitional measures for their preparation in the first three annual **sustainability statements** under which it shall as a priority:

- (a) introduce in its reporting those entity-specific disclosures that it reported in prior periods, if these disclosures meet or are adapted to meet the qualitative characteristics of information referred to under chapter 2 of this Section; and
- (b) complement its disclosures, prepared on the basis of the topical Sections of this [draft] ESRS, with an appropriate set of additional disclosures to cover **sustainability matters** that are material for the undertaking in its sector(s), using the available best practice and/or available frameworks or reporting standards [such as IFRS industry—based guidance and GRI Sector Standards].

### **9.2 Transitional provision related to chapter 4 Value chain**

119. For the first 3 years of the undertaking's sustainability reporting under the [draft] ESRS, in the event that not all the necessary information regarding its upstream and downstream **value chain** is available, the undertaking shall explain the efforts made to obtain the necessary information about its upstream and downstream value chain, the reasons why not all of the necessary information could not be obtained, and its plans of the undertaking to obtain such information in the future.

120. For the first 3 years of its sustainability reporting under this [draft] ESRS, in order to take account of the difficulties that undertakings may encounter in gathering information from actors throughout their **value chain**:

- (a) when disclosing information on policies, actions and targets in accordance with Section 3 of this [draft] ESRS, the undertaking may limit upstream and downstream value chain information to information available in-house, such as data already available to the undertaking and publicly available information;
- (b) when disclosing metrics, the undertaking is not required to include upstream and downstream value chain information, except for datapoints derived from other EU legislation, as listed in Section 2 Appendix B.

### **9.3 Transitional provision related to section 6.1 Presenting comparative information**

121. To ease the first-time application of this [draft] ESRS, the undertaking is not required to disclose the comparative information required by this Section chapter *6.1 Presenting comparative information* in the first year of preparation of the **sustainability statement** under this [draft] ESRS. For disclosure requirements listed in Appendix C *List of phased-in Disclosure Requirements*, this transitional provision applies with reference to the first year of mandatory application of the phased-in disclosure requirement.

### **9.4 Transitional provision: List of Disclosure Requirements that are phased-in for [draft] ESRS to year 2 or subsequent years**

122. Appendix C *List of phased-in Disclosure Requirements* in this Section sets phase-in provisions for the Disclosure Requirements or datapoints of Disclosure Requirements in in this [draft] ESRS that may be omitted or that are not applicable in the first year(s) of preparation of the **sustainability statement** under this [draft] ESRS. The phased-in provisions are only applicable to LSME that do not opt-out or cannot opt-out according to art.19 a (7) of Directive (EU) 2022/2464.

## **Appendix A: Application Requirements**

This appendix is an integral part of this [draft] ESRS and has the same authority as the other parts of the [draft] Standard.

### ***Application requirements – Entity specific disclosures***

AR 1. The entity-specific disclosures shall enable **users** to understand the undertaking's **impacts** and **risks** in relation to environmental, social or governance matters.

AR 2. When developing entity-specific disclosures, the undertaking shall ensure that:

- (a) the disclosures meet the qualitative characteristics of information as set out in chapter 2 Qualitative characteristics of information; and
- (b) its disclosures include, where applicable, all material information related to the reporting areas of governance; strategy; **impact** and **risk** management and **metrics and targets** (see Section 2 chapters 2 to 4, Section 3 DR 11 and DR 12 and topical Sections of this [draft] ESRS).

AR 3. When determining the usefulness of **metrics** for inclusion in its entity-specific disclosures, the undertaking shall consider whether:

- (a) its chosen performance metrics provide insight into:
  - i. how effective its practices are in reducing negative outcomes for people and the environment (for impacts); and/or
  - ii. the likelihood that its practices result in **financial effects** on the undertaking (for **risks**);
- (b) the measured outcomes are sufficiently reliable, meaning that they do not involve an excessive number of assumptions and unknowns that would render the metrics too arbitrary to provide a faithful representation; and
- (c) it has provided sufficient contextual information to interpret performance metrics appropriately.

AR 4. When developing its entity-specific disclosures, the undertaking shall carefully consider:

- (a) comparability between undertakings, while still ensuring relevance of the information provided, recognising that comparability may be limited for entity-specific disclosures; and
- (b) comparability over time: consistency of methodologies and disclosures is a key factor for achieving comparability over time.

(b)AR 5. The need for entity-specific disclosures is particularly important for financial undertakings subject to [draft] ESRS LSME as the sustainability matters in these sectors are very specific. These additional disclosures are may derive from stemming from sustainable finance legislation or generally accepted sustainability reporting standards and frameworks applicable to financial actors, including non-mandatory standards and guidance. EFRAG expects to issue ~~such as the future sector~~ ESRS dedicated to ~~exposure draft~~ the financial sector that will further enhance the reporting standards. ESRS and/or technical material issued by the International Sustainability Standards Board or the Global Reporting Initiative.

### 3.3 Application requirements – Double materiality

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#### **Stakeholders and their relevance to the materiality assessment process**

- AR 6. In addition to the categories of stakeholder listed in paragraph 23, common categories of **stakeholders** are: **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 7. Nature may be considered as a silent **stakeholder**. In this case, ecological data and data on the conservation of species may support the undertaking's **materiality** assessment.
- AR 8. When the undertaking has engaged with affected stakeholders, **materiality** assessment is informed by the dialogue with them. The undertaking may engage with affected **stakeholders** or their representatives (such as **employees** or trade unions), along with users of sustainability reporting and other experts, to provide inputs or feedback on its conclusions regarding its material **impacts** and **risks**.

#### **Double materiality**

AR 9. When there is a high number of actors in the value chain, ~~when~~ performing the materiality assessment, the ~~entity~~ undertaking is not expected to look at each and every of those individual actors, but may assess the value chain, in the first instance, at a more aggregated level, identifying general areas where the likelihood of material impacts and risks is greatest. For example, this could be done by main groups of supplies, depending on their operating contexts, based on the characteristics of the business model and/or based on specific activities, business relationships, geographies or other factors that give rise to heightened likelihood of adverse impacts and of financial risks (see section 2 IR - Processes to identify and assess material impacts paragraph 49 a). A more granular approach is expected to be applied in case specific sustainability issues are identified – for instance due to size/geography or nature of products/services. In this case, the undertaking is expected to focus on the specific actor(s) involved.

#### **Assessment of impact materiality**

- AR 10. In assessing **impact materiality** and determining the material matters to be reported, the undertaking shall consider the following three steps:
- ~~e.a.~~ understanding of the context in relation to its impacts including its activities, business relationships, and **stakeholders**;
  - ~~d.b.~~ identification of actual and potential impacts, through engaging with relevant **stakeholders** and experts. In this step, the undertaking may rely on scientific and analytical research on impacts on **sustainability matters**;
  - ~~e.c.~~ assessment of the materiality of its actual and potential impacts and determination of the material matters. In this step, the undertaking shall adopt thresholds to determine which of the impacts will be covered in its **sustainability statement**.

#### **Characteristics of severity**

- AR 11. The severity is determined by the following factors:
- ~~f.a.~~ scale: how grave the negative impact is for people or the environment;
  - ~~g.b.~~ scope: how widespread the negative impacts are. In the case of environmental impacts, the scope may be understood as the extent of environmental damage or a geographical perimeter. In the case of impacts on people, the scope may be understood as the number of people adversely affected; and

~~h.c.~~ irremediable character: whether and to what extent the negative impacts could be remediated, i.e., restoring the environment or affected people to their prior state.

AR 12. Any of the three characteristics (scale, scope, and irremediable character) can make a negative impact severe. In the case of a potential negative human rights impact, the severity of the impact takes precedence over its likelihood.

#### Impacts connected with the undertaking

AR 13. As an illustration:

~~i.a.~~ if the undertaking uses cobalt in its products that is mined using child labour, the negative impact (i.e., child labour) is connected with the undertaking's products through the tiers of **business relationships** in its upstream value chain. These relationships include the smelter and minerals trader and the mining enterprise that uses child labour; and

~~j.b.~~ if the undertaking provides financial loans to an enterprise for business activities that, in breach of agreed standards, result in the contamination of water and land surrounding the operations, this negative impact is connected with the undertaking through its relationship with the enterprise it provides the loans to.

#### Assessment of financial materiality

AR 14. The following are examples of how impacts and **dependencies** are sources of **risks**:

~~k.a.~~ when the undertaking's **business model** depends, on a natural resource – for example water – it is likely to be affected by changes in the quality, availability and pricing of that resource;

~~l.b.~~ when the undertaking's activities result in negative impacts, e.g., on local communities, the activities could become subject to stricter government regulation and/or the impact could trigger consequences of a reputational nature. These have negative effects on the undertaking's brand and higher recruitment costs might arise; and

~~m.c.~~ when the undertaking's business partners face material sustainability-related risks, the undertaking could be exposed to related consequences as well.

AR 15. The identification of **risks** that affect, or could reasonably be expected to affect the undertaking's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium- or long-term is the starting point for **financial materiality** assessment. In this context, the undertaking shall consider:

~~n.a.~~ the existence of **dependencies** from natural and social resources as sources of **financial effects** (see paragraph 51 of this section);

~~o-AR 16.~~ their classification as sources of risks (contributing to negative deviation in future expected cash inflows or increase in deviation in future expected cash outflows and/or negative deviation from an expected change in capitals not recognised in the financial statements).

AR 17. Once the undertaking has identified its **risks**, it shall determine which of them are material for reporting. This shall be based on a combination of (i) the likelihood of occurrence and (ii) the potential size of **financial effects** determined on the basis of appropriate thresholds. In this step it shall consider the contribution of those risks to financial effects in the short-, medium- and long-term time based on:

~~p.a.~~ **scenarios**/forecasts that are deemed likely to materialise; and

**4.b.** potential financial effects related to **sustainability matters** deriving either from situations with a below the “more likely than not” threshold or assets/liabilities not (or not yet) reflected in financial statements. This includes:

- i. potential situations that following the occurrence of future events may affect cash flow generation potential;
- ii. capitals that are not recognised as assets from an accounting and financial reporting perspective but have a significant influence on financial performance, such as natural, intellectual (organisational), human, social and relationship capitals; and
- iii. possible future events that may have an influence on the evolution of such capitals.

### **Sustainability matters to be included in the materiality assessment**

AR 18. When performing its **materiality** assessment, the undertaking shall consider the following list of **sustainability matters** covered in the topical sections of this [draft] ESRS. When, as a result of the undertaking’s materiality assessment (see Section 2 Disclosure Requirement 9 (*IR-1*)), a given sustainability matter in this list is assessed to be material, the undertaking shall report according to the corresponding Disclosure Requirements of the relevant topical sections. Using this list is not a substitute for the process of determining material matters. This list is a tool to support the undertaking’s materiality assessment. The undertaking still needs to consider its own specific circumstances when determining its material matters. The undertaking, where necessary according to paragraph 14 above, shall also develop entity-specific disclosures on material **impacts** and **risks** not covered by this [draft] ESRS as described in paragraph 15 of this Section.



[Draft] topical ESRS	Sustainability matters covered in [draft] topical ESRS		
	Topic	Sub-topic	Sub-sub-topics
[draft] ESRS E1	Climate change <sup>9</sup>	<ul style="list-style-type: none"> <li>Climate change adaptation</li> <li>Climate change mitigation</li> <li>Energy</li> </ul>	
[draft] ESRS E2	Pollution	<ul style="list-style-type: none"> <li>Pollution of air</li> <li>Pollution of water</li> <li>Pollution of soil</li> <li>Pollution of living organisms and food resources</li> <li>Substances of concern</li> <li>Substances of very high concern</li> </ul>	
[draft] ESRS E3	Water and marine resources	<ul style="list-style-type: none"> <li>Water</li> <li>Marine resources</li> </ul>	<ul style="list-style-type: none"> <li>Water consumption</li> <li>Water withdrawals</li> <li>Water discharges</li> <li>Water discharges in the oceans</li> <li>Extraction and use of marine resources</li> </ul>
[draft] ESRS E4	Biodiversity and ecosystems	<ul style="list-style-type: none"> <li>Direct impact drivers of biodiversity loss</li> </ul>	<ul style="list-style-type: none"> <li>Climate Change</li> <li>Land-use change, fresh water-use change and sea-use change</li> <li>Direct exploitation</li> <li>Invasive alien species</li> <li>Pollution</li> <li>Others</li> </ul>
		<ul style="list-style-type: none"> <li>Impacts on the state of species</li> </ul>	Examples: <ul style="list-style-type: none"> <li>Species population size</li> <li>Species global extinction risk</li> </ul>
		<ul style="list-style-type: none"> <li>Impacts on the extent and condition of ecosystems</li> </ul>	Examples: <ul style="list-style-type: none"> <li>Land degradation</li> <li>Desertification</li> <li>Soil sealing</li> </ul>
		<ul style="list-style-type: none"> <li>Impacts and dependencies on ecosystem services</li> </ul>	
[draft] ESRS E5	Circular economy	<ul style="list-style-type: none"> <li>Resources inflows, including resource use</li> <li>Resource outflows related to products and services</li> <li>Waste</li> </ul>	
[draft] ESRS S1	Own workforce	<ul style="list-style-type: none"> <li>Working conditions</li> </ul>	<ul style="list-style-type: none"> <li>Secure employment</li> <li>Working time</li> </ul>

[Draft] topical ESRS	Sustainability matters covered in [draft] topical ESRS		
	Topic	Sub-topic	Sub-sub-topics
			<ul style="list-style-type: none"> <li>• Adequate wages</li> <li>• Social dialogue</li> <li>• Freedom of association, the existence of works councils and the information, consultation and participation rights of workers</li> <li>• Collective bargaining, including rate of workers covered by collective agreements</li> <li>• Work-life balance</li> <li>• Health and safety</li> </ul>
		<ul style="list-style-type: none"> <li>• Equal treatment and opportunities for all</li> </ul>	<ul style="list-style-type: none"> <li>• Gender equality and equal pay for work of equal value</li> <li>• Training and skills development</li> <li>• Employment and inclusion of persons with disabilities</li> <li>• Measures against violence and harassment in the workplace</li> <li>• Diversity</li> </ul>
		<ul style="list-style-type: none"> <li>• Other work-related rights</li> </ul>	<ul style="list-style-type: none"> <li>• Child labour</li> <li>• Forced labour</li> <li>• Adequate housing</li> <li>• Privacy</li> </ul>
[draft] ESRS S2	Workers in the value chain	<ul style="list-style-type: none"> <li>• Working conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Secure employment</li> <li>• Working time</li> <li>• Adequate wages</li> <li>• Social dialogue</li> <li>• Freedom of association, including the existence of work councils</li> <li>• Collective bargaining</li> <li>• Work-life balance</li> <li>• Health and safety</li> </ul>
		<ul style="list-style-type: none"> <li>• Equal treatment and opportunities for all</li> </ul>	<ul style="list-style-type: none"> <li>• Gender equality and equal pay for work of equal value</li> <li>• Training and skills development</li> <li>• The employment and inclusion of persons with disabilities</li> <li>• Measures against violence and harassment in the workplace</li> <li>• Diversity</li> </ul>

<sup>9</sup> The undertaking shall include all the information prescribed in ESRS E1 irrespective of the outcome of the materiality assessment.

[Draft] topical ESRS	Sustainability matters covered in [draft] topical ESRS		
	Topic	Sub-topic	Sub-sub-topics
		<ul style="list-style-type: none"> <li>Other work-related rights</li> </ul>	<ul style="list-style-type: none"> <li>Child labour</li> <li>Forced labour</li> <li>Adequate housing</li> <li>Water and sanitation</li> <li>Privacy</li> </ul>
[draft] ESRS S3	Affected communities	<ul style="list-style-type: none"> <li>Communities' economic, social and cultural rights</li> </ul>	<ul style="list-style-type: none"> <li>Adequate housing</li> <li>Adequate food</li> <li>Water and sanitation</li> <li>Land-related impacts</li> <li>Security-related impacts</li> </ul>
		<ul style="list-style-type: none"> <li>Communities' civil and political rights</li> </ul>	<ul style="list-style-type: none"> <li>Freedom of expression</li> <li>Freedom of assembly</li> <li>Impacts on human rights defenders</li> </ul>
		<ul style="list-style-type: none"> <li>Rights of indigenous communities</li> </ul>	<ul style="list-style-type: none"> <li>Free, prior and informed consent</li> <li>Self-determination</li> <li>Cultural rights</li> </ul>
[draft] ESRS S4	Consumers and end-users	<ul style="list-style-type: none"> <li>Information-related impacts for consumers and/or end-users</li> </ul>	<ul style="list-style-type: none"> <li>Privacy</li> <li>Freedom of expression</li> <li>Access to (quality) information</li> </ul>
		<ul style="list-style-type: none"> <li>Personal safety of consumers and/or end-users</li> </ul>	<ul style="list-style-type: none"> <li>Health and safety</li> <li>Security of a person</li> <li>Protection of children</li> </ul>
		<ul style="list-style-type: none"> <li>Social inclusion of consumers and/or end-users</li> </ul>	<ul style="list-style-type: none"> <li>Non-discrimination</li> <li>Access to products and services</li> <li>Responsible marketing practices</li> </ul>
[draft] ESRS G1	Business conduct	<ul style="list-style-type: none"> <li>Corporate culture</li> <li>Protection of whistle-blowers</li> <li>Animal welfare</li> <li>Political engagement</li> <li>Management of relationships with suppliers including payment practices</li> </ul>	
		<ul style="list-style-type: none"> <li>Corruption and bribery</li> </ul>	<ul style="list-style-type: none"> <li>Prevention and detection including training</li> <li>Incidents</li> </ul>

#### **4.1 Application requirements – Reporting undertaking and value chain**

AR 19. To illustrate the approach included in paragraph 61 of this section, consider an undertaking, P, that produces chairs with wood sourced from another undertaking that is classified as an associate (A) for financial reporting. P holds an equity share in A of 30%. P buys 10 tons of wood from A to produce its chairs. P will treat A in the same way as any other supplier when considering the impacts connected with the wood purchased from A. Therefore, in this case, the impacts related to the 10 tons of wood purchased rather than estimating its impacts by using its equity share in A.

~~that the company produces a final product and uses material sourced by an associate. The equity share is 30%. The undertaking buys 10.000 items of a product of the associate that is needed in order to produce the final product. The undertaking will treat this supplier in the same way as they report for any other supplier, i.e. considering the impacts connected with the products that they buy from the supplier, in this case connected with the production of 10.000 items.~~

#### **4.2 Application requirements – Estimation using sector averages and proxies**

AR 20. When collecting **value chain** information as required by paragraph 57 of this Section is ~~impracticable~~not possible with reasonable effort, the undertaking shall estimate the information to be reported using all reasonable and supportable information. This includes, but is not limited to, internal and external information, such as data from indirect sources, sector-average data, sample analyses, market and peer groups data, other proxies or spend-based data.

AR 21. When the LSME has a large number of actors in its upstream or downstream value chain, it may not be able without unreasonable effort to collect direct data from them, when such data are either indispensable input to the materiality assessment (see paragraph 41 of this section) or information necessary in order to prepare the LSME's value chain disclosure for ESRS reporting (see paragraph 63 of this section). In this case, the LSME will use proxies or sector data under the provisions of *BP-2 – Disclosures in relation to specific circumstances*.

~~Subject to the provisions in the Disclosure Requirements of this [draft] Standard, the LSME is expected to provide explanations of its efforts, if such efforts are in place, (and of the extent of effectiveness of such efforts) to influence the practices of the actors in its upstream and downstream value chain (such as develop products that are maximally recyclable and propose to consumers or end-users) and to contribute to the elaboration of proxies or sector data.~~

AR 22.

AR 23. When extending the information about the reporting undertaking to include value chain information in accordance with paragraph xx the elements of the value chain with material impacts and, risks ~~or opportunities~~ are reported on. For instance, the undertaking may - based on the materiality assessment - consider the matters working conditions and affected communities to be material for a group of farmers, while the CO2-emissions are material in other parts of the value chain.

## **Appendix B: Qualitative characteristics of information**

This appendix is an integral part of this Section of this [draft] ESRS and has the same authority as the other parts of the [draft] Standard.

This appendix states the qualitative characteristics that the information presented in **sustainability statement** prepared according to this [draft] ESRS shall meet.

### **Relevance**

- QC 1. Sustainability information is relevant when it may make a difference in the decisions of users under a **double materiality** approach (see chapter 3 of this [draft] Standard).
- QC 2. Information may make a difference in a decision even if some users choose not to take advantage of it or are already aware of it from other sources. Sustainability information may impact decisions of users if it has predictive value, confirmatory value or both. Information has predictive value if it can be used as an input to processes employed by users to predict future outcomes. Sustainability information does not need to be a prediction or forecast to have predictive value, but rather has predictive value if employed by users in making their own predictions.
- QC 3. Information has confirmatory value if it provides feedback about (confirms or changes) previous evaluations.
- QC 4. Materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates, as assessed in the context of the undertaking's sustainability reporting (see chapter 3 of this Section).

### **Faithful representation**

- QC 5. To be useful, the information must not only represent relevant phenomena, it must also faithfully represent the substance of the phenomena that it purports to represent. Faithful representation requires information to be (i) complete, (ii) neutral and (iii) free from error.
- QC 6. A complete depiction of an impact, a risk (or an opportunity on a voluntary basis) includes all material information necessary for the users to understand that impact, risk or opportunity. This includes how the undertaking has adapted its strategy, risk management and governance in response to that impact, risk (or opportunity on a voluntary basis), as well as the **metrics** identified to set **targets** and measure performance.
- QC 7. A neutral depiction is without bias in its selection or disclosure of information. Information is neutral if it is not slanted, weighted, emphasised, de-emphasised or otherwise manipulated to make it more likely that the users will receive that information favourably or unfavourably. Both negative and positive material impacts from an **impact materiality** perspective as well as material **risks** and opportunities from a **financial materiality** perspective shall receive equal attention.. It shall be balanced, so as to cover favourable/positive and unfavourable/negative aspects. Any aspirational sustainability information, for example **targets** or plans shall cover both aspirations and factors that could prevent the undertaking from achieving these aspirations in order to have a neutral depiction.
- QC 8. Neutrality is supported by the exercise of prudence which is the exercise of caution when making judgements under conditions of uncertainty. Information shall not be netted or compensated to be neutral. The exercise of prudence means that opportunities are not overstated and risks are not understated. Equally, the exercise of prudence does not allow for the overstatement of risks (or the understatement of opportunities disclosed on a voluntary basis). The undertaking may present net information, if its addition to absolute values, if such presentation does not obscure relevant information and includes a clear explanation about the effects of the netting and the reasons for the netting.

QC 9. Information can be accurate without being perfectly precise in all respects. Accurate information implies that the undertaking has implemented adequate processes and internal controls to avoid material errors or material misstatements. As such, estimates shall be presented with a clear emphasis on their possible limitations and associated uncertainty (see chapter 6.2 of this Section). The amount of precision needed and attainable, and the factors that make information accurate, depend on the nature of the information and the nature of the matters it addresses. For example, accuracy requires that:

- (a) factual information is free from material error;
- (b) descriptions are precise;
- (c) estimates, approximations and forecasts are clearly identified as such;
- (d) no material errors have been made in selecting and applying an appropriate process for developing an estimate, approximation or forecast, and the inputs to that process are reasonable and supportable;
- (e) assertions are reasonable and based on information of sufficient quality and quantity; and
- (f) information about judgements about the future faithfully reflects both those judgements and the information on which they are based.

#### **Comparability**

QC 10. Sustainability information is comparable when it can be compared with information provided by the undertaking in previous periods and, can be compared with information provided by other undertakings, in particular those with similar activities or operating within the same industry. A point of reference for comparison can be a target, a baseline, an industry benchmark, comparable information from either other undertakings or from an internationally recognised organisation, etc.

QC 11. Consistency is related to, but is not the same as, comparability. Consistency refers to the use of the same approaches or methods for the same sustainability matter, from period to period by the undertaking and other undertakings. Consistency helps to achieve the goal of comparability.

QC 12. Comparability is not uniformity. For information to be comparable, like components shall look alike and different components shall look different. Comparability of sustainability information is not enhanced by making unlike things look alike any more than it is enhanced by making like things look different.

#### **Verifiability**

QC 13. Verifiability helps to give users confidence that information is complete, neutral and accurate. Sustainability information is verifiable if it is possible to corroborate either such information itself or the inputs used to derive it.

QC 14. Verifiability means that various knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. Sustainability information shall be provided in a way that enhances their verifiability, for example:

- (a) including information that can be corroborated by comparing it with other information available to users about the undertaking's business, about other businesses or about the external environment;
- (b) providing information about inputs and methods of calculation used to produce estimates or approximations; and
- (c) providing information reviewed and agreed by the **administrative, management and supervisory bodies** or their committees.

- QC 15. Some sustainability information will be in the form of explanations or forward-looking information. Those disclosures can be supportable by faithfully representing on a factual basis for example the strategies, plans and risk analyses of the undertaking. To help users decide whether to use such information, the undertaking shall describe the underlying assumptions and methods of producing the information, as well as other factors that provide evidence that verify that it reflects the actual plans or decisions made by the undertaking.

### **Understandability**

- QC 16. Sustainability information is understandable when it is clear, and concise. Understandable information enables any reasonable knowledgeable user to readily comprehend the information being communicated.
- QC 17. For sustainability disclosures to be concise, they need to (a) avoid generic “boilerplate” information, which is not specific to the undertaking; (b) avoid unnecessary duplication of information, including information also provided in financial statements; and (c) use clear language and well-structured sentences and paragraphs. Concise disclosures shall only include material information. Complementary information presented pursuant to paragraph shall106 be provided in a way that avoids obscuring material information.
- QC 18. Clarity might be enhanced by distinguishing information about developments in the reporting period from “standing” information that remains relatively unchanged, from one period to the next. This can be done for example, by separately describing features of the undertaking’s sustainability-related governance and risk management processes that have changed since the previous reporting period compared to those that remain unchanged.
- QC 19. The completeness, clarity and comparability of sustainability disclosures all rely on information being presented as a coherent whole. For sustainability disclosures to be coherent, they shall be presented in a way that explains the context and the relationships between the related information. Coherence also requires the undertaking to provide information in a way that allows users to relate information about its sustainability-related **impacts, risks** and opportunities (on a voluntary basis) to information in the undertaking’s financial statements.
- QC 20. If sustainability-related **risks** and opportunities (on a voluntary basis) discussed in the financial statements have implications for sustainability reporting, the undertaking shall include in the **sustainability statement** the information necessary for users to assess those implications and present appropriate links to the financial statements (see chapter 8 of this Section). The level of information, granularity and technicality shall be aligned with the needs and expectations of users. Abbreviations shall be avoided and the units of measure shall be defined and disclosed.

## **Appendix C: List of phased-in Disclosure Requirements**

This appendix is an integral part of Section 1 General requirements of this [draft] ESRS and has the same authority as the other parts of the Standard. It should be read in conjunction with Section 2 of this [draft] ESRS paragraph 16 “Use of phase-In provisions in accordance with Appendix C of Section 1”.

<b>LSME ESRS</b>	<b>Disclosure Requirement</b>	<b>Full name of the Disclosure Requirement</b>	<b>Phase-in or effective date (including the first year)</b>
Section 2	DR-5	Strategy, business model and value chain	The undertaking shall report the information prescribed by Section 2 Disclosure Requirement 5 ( <i>SBM-1</i> ) paragraph 20(b) (list of additional significant ESRS sectors) starting from the application date specified in a Commission Delegated Act to be adopted pursuant to article 29c, of Directive 2013/34/EU.
Section 2	DR-5	Material impacts, risks and opportunities and their interaction with strategy and business model	The undertaking may omit the information prescribed by Section 2 Disclosure Requirement 7 ( <i>SBM-3</i> ) paragraph 37(e) (anticipated financial effects) for the first year of preparation of its sustainability statement. The undertaking may comply with Section 2 Disclosure Requirement 7 ( <i>SBM-3</i> ) paragraph 37(e) by reporting only qualitative disclosures for the first 3 years of preparation of its sustainability statement, if it is not possible with reasonable effort to prepare quantitative disclosures.
Section 4	E1-1	Energy consumption and mix (Energy intensity based on net revenue)	The undertaking may omit the reconciliation to the relevant line item or notes in the financial statements of the net revenue amount from activities in high climate impact sectors information, required in paragraph 10 of this Disclosure Requirement for the first year of preparation of its sustainability statement.
Section 4	E1-2	Gross Scopes 1, 2, 3 and Total GHG emissions	Undertakings or groups not exceeding on their balance sheet dates the average number of 50 employees during the financial year (on a consolidated basis where applicable) may omit the datapoints on scope 3 emissions and total GHG emissions for the first year of preparation of their sustainability statement.



<b>LSME ESRS</b>	<b>Disclosure Requirement</b>	<b>Full name of the Disclosure Requirement</b>	<b>Phase-in or effective date (including the first year)</b>
Section 4	E1-2	Gross Scopes 1, 2, 3 and Total GHG emissions (GHG intensity based on net revenue)	The undertaking may omit the reconciliation to the relevant line item of financial statements required in paragraph 21 of this Disclosure Requirement for the first year of preparation of its sustainability statement.
Section 4	E1-4	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	The undertaking may omit the information prescribed by E1-4 for the first year of preparation of its sustainability statement. The undertaking may comply with E1-4 by reporting only qualitative disclosures for the first 3 years of preparation of its sustainability statement, if it is not possible with reasonable effort to prepare quantitative disclosures.
Section 3 and 4	All disclosure requirements related to Biodiversity and ecosystems	All disclosure requirements related to Biodiversity and ecosystems	Undertakings or groups not exceeding on their balance sheet dates the average number of 50 employees during the financial year (on a consolidated basis where applicable) may omit the information specified in the disclosure requirements of Section 3 and 4 related to All disclosure requirements related to Biodiversity and ecosystems for the first 2 years of preparation of their sustainability statement.
Section 4	E6	Anticipated financial effects from material environmental-related impacts and risks other than climate	The undertaking may omit the information prescribed by E6 for the first year of preparation of its sustainability statement. The undertaking may comply with E6 by reporting only qualitative disclosures, for the first 3 years of preparation of its sustainability statement.
Section 5	All disclosure requirements related to Own Workforce	All disclosure requirements related to Own Workforce	Undertakings or groups not exceeding on their balance sheet dates the average number of 50 employees during the financial year (on a consolidated basis where applicable) may omit the information specified in the disclosure requirements related to Own Workforce for the first year of preparation of their sustainability statement.
Section 5	S1-2	Characteristics of non employee workers in the undertaking's own workforce	The undertaking may omit reporting for all datapoints in this Disclosure Requirement for the first year of preparation of its sustainability statement.
Section 5	S1-3	Collective bargaining coverage	The undertaking may omit this Disclosure Requirement with regard to its own employees in non-EEA countries for the first year of preparation of its sustainability statement.
Section 5	S1-5	Social protection	The undertaking may omit the information required under this Disclosure Requirement for the first year of preparation of its sustainability statement.

<b>LSME ESRS</b>	<b>Disclosure Requirement</b>	<b>Full name of the Disclosure Requirement</b>	<b>Phase-in or effective date (including the first year)</b>
Section 5	S1-6	Training metrics	The undertaking may omit the information required under this Disclosure Requirement for the first year of preparation of its sustainability statement.
Section 5	S1-6	Training metrics	The undertaking may omit the breakdown by gender required under this Disclosure Requirement for the first two years of preparation of its sustainability statement.
Section 5	S1-7	Health and safety metrics	The undertaking may omit the data points on cases of work-related ill-health and on number of days lost to injuries, accidents, fatalities and work-related ill health for the first year of preparation of its sustainability statement.
Section 5	S1-7	Health and safety metrics	The undertaking may omit reporting on non-employees for the first year of preparation of its sustainability statement.
Section 5	S1-9	Incidents and severe human rights impacts	The undertaking may omit the data points on reconciliation of monetary amounts required in paragraphs 45(b) and 46(b) of this Disclosure Requirement for the first year of preparation of its sustainability statement.
Section 5	S1-10	Diversity metrics	The undertaking may omit the data point on percentage of employees with disabilities required in paragraph 50(b) of this Disclosure Requirement for the first year of preparation of its sustainability statement.
Sections 2 and 3	All disclosure requirements	All disclosure requirements	Undertakings or groups not exceeding on their balance sheet dates the average number of 50 employees during the financial year (on a consolidated basis where applicable) may omit the information specified in the disclosure requirements and application requirements related to Workers in the value chain, Affected communities and Consumers and end-users for the first 2 years of preparation of their sustainability statement.

## **Appendix D: Structure of ESRS sustainability statements**

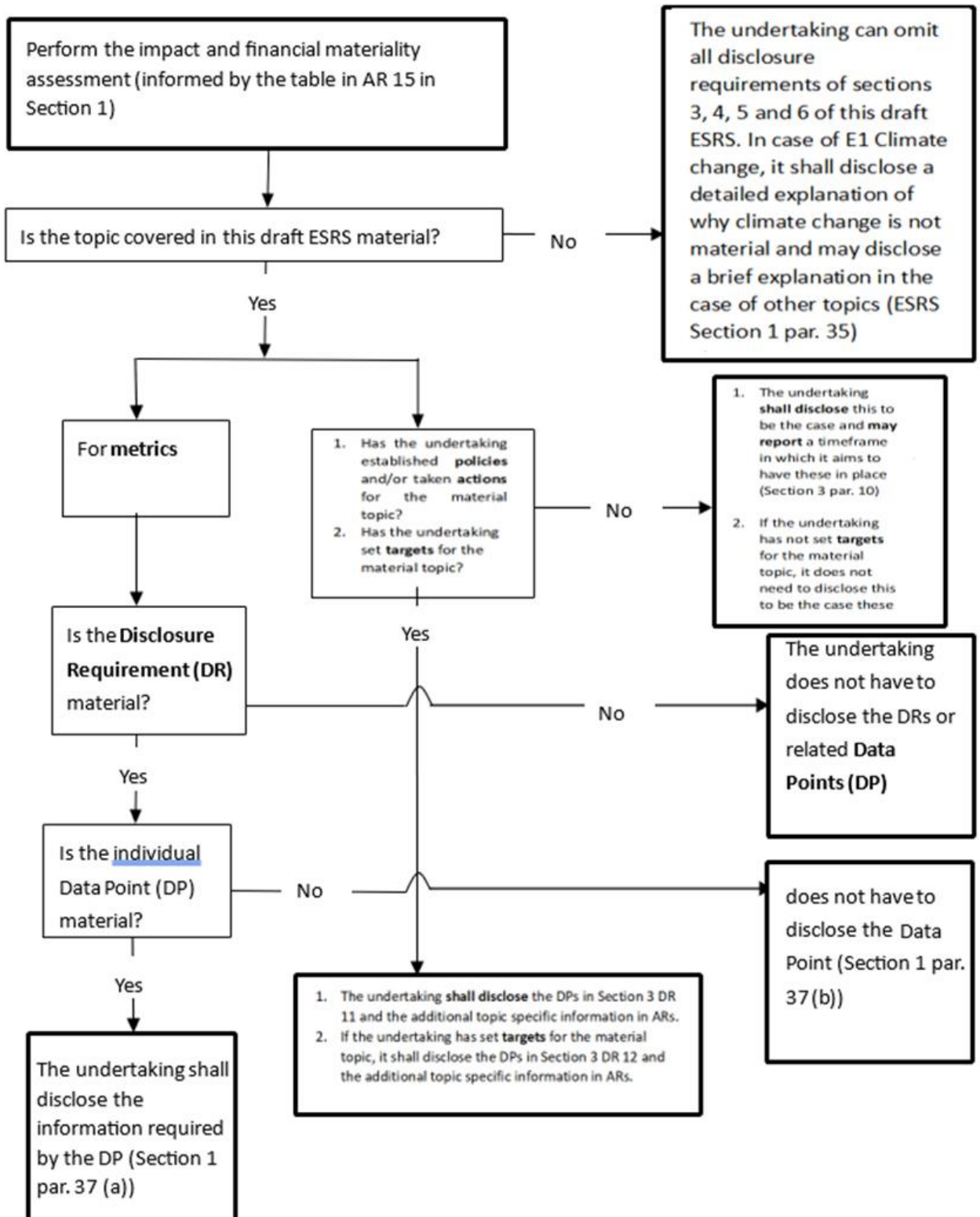
This appendix is an integral part of this [draft] LSME ESRS and has the same authority as the other parts of the Standard with respect to reporting in four parts as outlined in paragraph 115.

Part of the management report	LSME ESRS codification	Title
1. General information	Section 2	<i>General disclosures</i> , including information provided under the Application Requirements of topical ESRS listed in ESRS 2 Appendix C.
2. Environmental information	<i>Not applicable</i>	<i>Disclosures pursuant to Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation)</i>
	Sections 2, 3 and 4	<i>Climate change</i>
		<i>Pollution</i>
		<i>Water and marine resources</i>
		<i>Biodiversity and ecosystems</i>
		<i>Resource use and circular economy</i>
3. Social information		<i>Own workforce</i>
	Sections 2, 3 and 5	<i>Workers in the value chain</i>
		<i>Affected communities</i>
		<i>Consumers and end-users</i>
4. Governance information	Sections 2, 3 and 6	<i>Business conduct</i>

## **Appendix E: Flowchart for determining disclosures under LSME ESRS LSME ED**

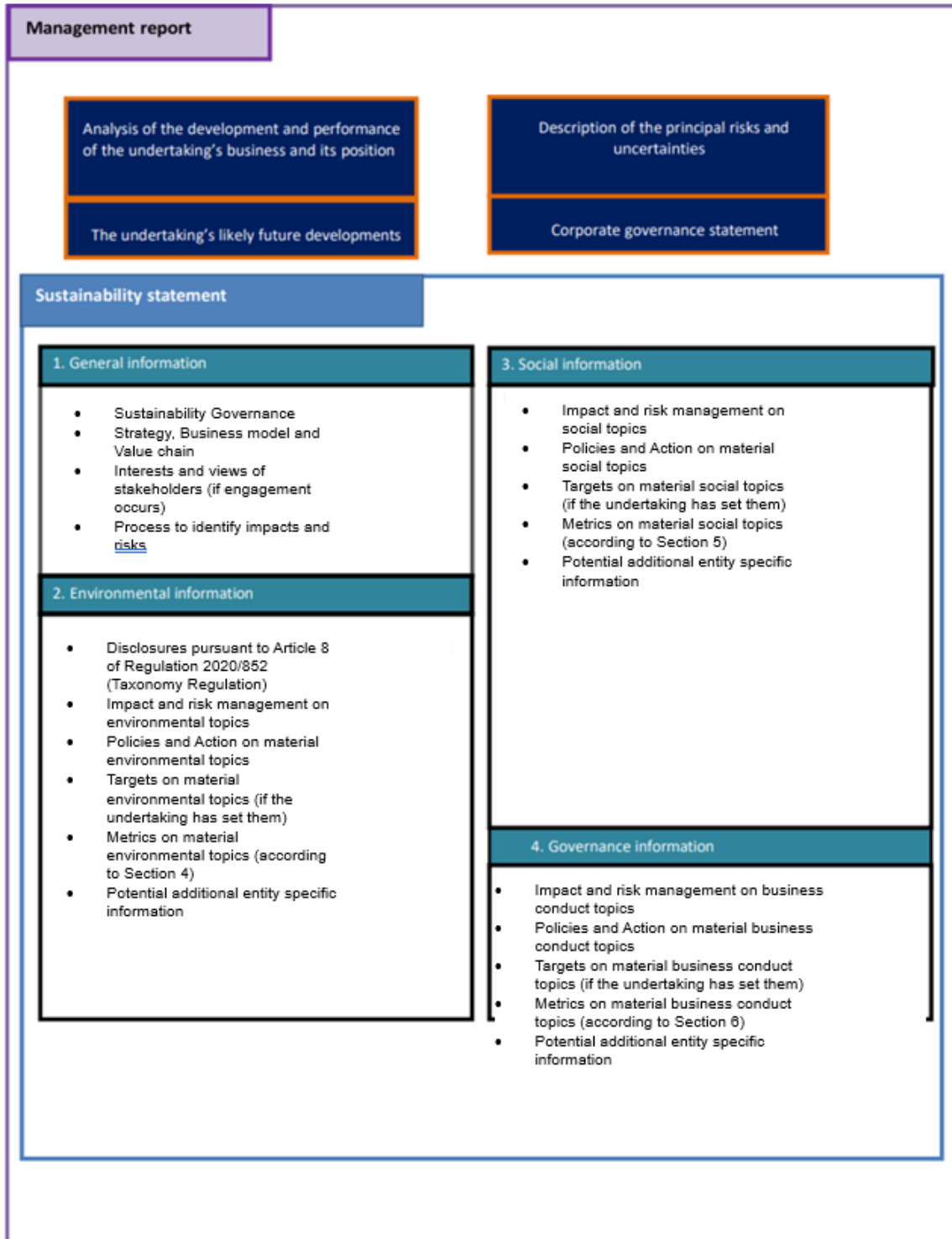
Materiality assessment is the starting point for sustainability reporting under this [draft] LSME ESRS. This appendix provides a non-binding illustration of the impact- and financial materiality assessment outlined in chapter 3 of this Section. Disclosure Requirement 9 (*IR-1 Processes to identify and assess material impacts and risks*) in section 2 of this [draft] LSME ESRS includes general disclosure requirements (DR) about the undertaking's process to identify impacts and risks and assess their materiality. Disclosure Requirement 7 (*SMB-3*) of Section 2 provides general disclosures requirements on the material impact, risks and opportunities resulting from the undertaking's materiality assessment. The undertaking can omit all disclosure requirements in a topical standard if it assessed that the topic in question is not material. In that case it may disclose a brief explanation of the conclusions of the materiality assessment for that topic but shall disclose a detailed explanation in the case of E1 climate change (Disclosure Requirement 10 (*IR-2*) in Section 2). This [draft] ESRS sets disclosure requirements, not behavioral requirements. Disclosure requirements in relation to action plans, targets, policies, scenario analysis and transition plans are proportionate because they are contingent on the undertaking having these, which may depend on the size, capacity, resources, and skills of the undertaking. Note: The flowchart below does not cover the situation in which the undertaking assesses a sustainability matter as material but it is not covered by this [draft] ESRS, in which case the undertaking shall make additional entity specific disclosures (Paragraph (32 (b) in this Section).

DRAFT



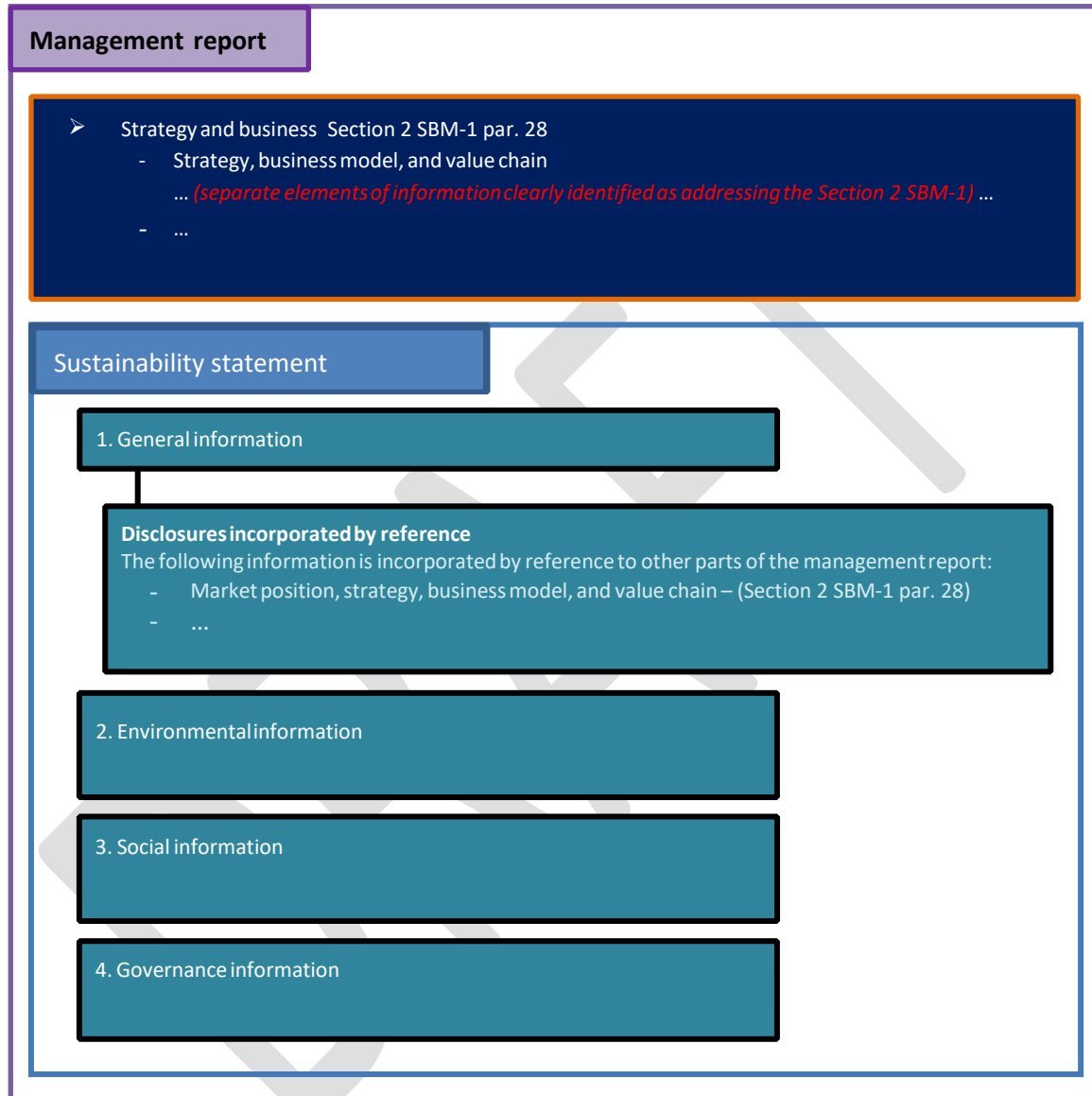
## Appendix F: Example of structure of ESRS sustainability statements

This appendix complements Section 1 of this [draft] ESRS. It provides a non-binding illustration of the structure of the sustainability statement outlined in section 7.2 of this Section. In this illustration, the undertaking has concluded that biodiversity and ecosystems, pollution, and affected communities, are not material.



## Appendix G: Example of incorporation by reference

This appendix complements Section 1 of this [draft] ESRS. It provides non-binding illustrations of incorporation by reference of another section of the management report into the sustainability statement as outlined in section 8.1 of this Section.



**Appendix H: List of Disclosure/Application Requirements in Section 2**

<b>Disclosure/Application Requirements</b>	<b>To be disclosed irrespective of materiality assessment</b>	<b>To be disclosed “if you have”</b>	<b>To be disclosed on voluntary basis</b>
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Section 2 - Disclosure Requirement 2 (BP-2) – Disclosures in relation to specific circumstances	x		
Section 2 - Disclosure Requirement 3 (GOV-1) – The role of the administrative, management and supervisory bodies	x		
Section 2 - Disclosure Requirement 4 (GOV-2) - Due diligence		x	
Section 2 - Disclosure Requirement 5 (SBM-1) – Strategy, business model and value chain	x		
Section 2 - Disclosure Requirement 6 (SBM-2) – Interests and views of stakeholders		x	
Section 2 - Disclosure Requirement 7 (SMB-3) - Material impacts and risks and their interaction with strategy and business model	x		
Section 2 - Voluntary Disclosure 8 (SBM-4) – Material opportunities			x
Section 2 - Disclosure Requirement 9 (IR-1) - Processes to identify and assess material impacts and risks	x		
Section 2 - Disclosure Requirement 10 (IR-2) – Topics covered by the undertaking’s sustainability statement	x		



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**Exposure Draft**

**DRAFT EUROPEAN SUSTAINABILITY REPORTING STANDARD**

**ESRS LSME ED – SECTION 2 GENERAL DISCLOSURES**

and

**SECTION 3 POLICIES, ACTIONS AND TARGETS**

**VERSION AFTER CHANGES AGREED AT SRB 13 AND 15 DECEMBER 2023**

*MARK-UP OF THE CHANGES BY THE SRB IN THE APPROVAL COMPARED TO  
THE VERSION APPROVED BY SR TEG ON 17 OCTOBER 2023*



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Section 2 – General disclosures and Section 3 Policies, actions and targets

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## SECTION 2 – GENERAL DISCLOSURES

### Objective

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1. This Section covers governance and strategy areas defined in Section 1 *General requirements* of this [draft] ESRS, chapter 1.2 *Reporting areas and minimum content disclosure requirements on policies, actions, targets and metrics* and it is applicable in conjunction with Section 3 “Policies, actions and targets” and the topical Sections of this [draft] ESRS.

### 1. Basis for preparation

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#### ***Disclosure Requirement 1 (BP-1) – General basis for preparation of the sustainability statements***

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2. **The undertaking shall disclose the general basis for preparation of its sustainability statement.**
3. The objective of this Disclosure Requirement is to provide an understanding of how the undertaking prepares its individual ***sustainability statement***, under art. 19a (6) of the Directive 2013/34/EU of the European Parliament and of the Council, including the upstream and downstream ***value chain*** information and, where relevant, whether the undertaking has used any of the options for omitting information referred to in point c) in the following paragraph.
4. The undertaking shall disclose the following information:
  - (a) to what extent the ***sustainability statement*** covers the undertaking’s upstream and downstream ***value chain***, including the extent of coverage of information about its subsidiaries, based on the results of the undertaking’s materiality assessment, specifying, if applicable, the related reporting scope (see [draft] Section 1 section 4.1 *Reporting undertaking and value chain*);
  - (b) whether the undertaking has used the option to omit a specific piece of information corresponding to intellectual property, know-how or the results of innovation (see [draft] Section 1 chapter 6.6 *Classified and sensitive information, and information on intellectual property, know-how or results of innovation*);
  - (c) whether the undertaking has used the exemption to not disclose information relating to impending developments or matters in the course of negotiation (see [draft] Section 1 6.7 *Matters in course of negotiation*).

#### ***Disclosure Requirement 2 (BP-2) – Disclosures in relation to specific circumstances***

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5. **The undertaking shall provide disclosures in relation to specific circumstances.**
6. The objective of this Disclosure Requirement is to provide an understanding of the effect of these specific circumstances on the preparation of the individual ***sustainability statement***.

7. The undertaking may report this information alongside the disclosures to which they refer.

#### **Time horizons**

8. When the undertaking has deviated from the medium- or long-term time horizons defined by [draft] Section 1 chapter 5.4 *Definition of short-, medium- and long-term for reporting purposes*, it shall describe:

(a) its definitions of medium- or long-term time horizons.

(b) the reasons for applying those definitions.

~~(a)~~

#### **Value chain estimation**

9. When **metrics** include upstream and/or downstream **value chain** data, including data of the subsidiaries, estimated using indirect sources, such as sector-average data or other proxies, the undertaking shall:

(a) identify the metrics; and

(b) describe the basis for preparation, including how data of the subsidiaries have been considered.

#### **Sources of estimation and outcome uncertainty**

10. In accordance with [draft] Section 1 chapter 6.2 Sources of estimation and outcome uncertainty, the undertaking shall identify the quantitative metrics and monetary amounts it has disclosed that are subject to a high level of measurement uncertainty and disclose information to enable users to understand those uncertainties (such as the description of the sources of uncertainties and the key assumptions made in the measurement). When disclosing forward-looking information, the undertaking may indicate that it considers such information to be uncertain.

#### **Changes in preparation or presentation of sustainability information**

11. When changes in the preparation and presentation of sustainability information occur compared to the previous reporting period(s), (see [draft] Section 1 chapter 6.4 *Changes in preparation or presentation in sustainability information*), the undertaking shall:

(a) explain the changes; and

(b) where possible with reasonable effort, provide restated comparative figures.

(c) where possible with reasonable effort, disclose the difference between the figure disclosed in the preceding period and the revised comparative figure.

#### **Reporting errors in prior periods**

12. When material prior period errors exist (see [draft] Section 1 chapter 6.5 *Reporting errors in prior periods*), the undertaking shall disclose:

(a) the nature of the prior period material error;

- (b) where possible with reasonable effort, the correction for each prior period included in the sustainability statement; and
- (c) if correction of the error is not possible with reasonable effort, the circumstances that led to the existence of that condition.

#### Disclosures stemming from local legislations or generally accepted sustainability reporting pronouncements

13. When the undertaking includes in its individual **sustainability statement** information stemming from other legislation which requires the undertaking to disclose sustainability information or from generally accepted sustainability reporting standards and frameworks (see [draft] Section 1 chapter 7.2 *Content and structure of the sustainability statements*), in addition to the information prescribed by [draft] ESRS, it shall disclose this fact. In case of partial application of other reporting standards or frameworks, the undertaking shall provide a precise reference to the paragraphs of the standard or framework applied.

#### Incorporation by reference

14. When the undertaking incorporates information by reference (see [draft] Section 1 chapter 8.1 *Incorporation by reference*), it shall disclose a list of the disclosure requirements of [draft] ESRS, or the specific datapoints mandated by a Disclosure Requirement, that have been incorporated by reference.

#### Use of phase-In provisions in accordance with Appendix C of Section 1

15. If an undertaking decides to apply phased-in provisions according to Section 1 Appendix C in relation to the topics biodiversity, own workforce, value chain workers, affected communities, consumers and end-users, it shall nevertheless disclose whether the respective sustainability topics have been assessed to be material as a result of the undertaking's materiality assessment. In addition, if one or more of these topics has been assessed to be material, the undertaking shall, for each material topic:
- (a) disclose the list of matters (i.e. topic, sub-topic or sub-sub-topic) in AR 15 Section 1 Appendix A that are assessed to be material and how the undertaking's **business model** and strategy take account of the impacts of the undertaking related to those matters. The undertaking may identify the matter at the level of topic, sub-topic or sub-sub-topic;
  - (b) If the undertaking has set sustainability-related targets in relation to the matters in question, it shall disclose the progress it has made towards achieving those targets, and whether its targets related to **biodiversity** and **ecosystems** are based on conclusive scientific evidence;
  - (c) briefly describe its **policies** in relation to the matters in question;
  - (d) briefly describe **actions** it has taken to identify, monitor, prevent, mitigate, remediate or bring an end to actual or potential adverse impacts related to the matters in question, and the result of such actions; and
  - (e) disclose **metrics** relevant to the matters in question.

## 2. Governance

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16. The objective of this chapter is to set disclosure requirements that enable an understanding of the governance processes, controls and procedures put in place to monitor, manage and oversee sustainability matters.

### ***Disclosure Requirement 3 (GOV-1) – The role of the administrative, management and supervisory bodies***

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17. **The undertaking shall disclose the composition of the administrative, management and supervisory bodies, their roles and responsibilities and access to expertise and skills with regard to sustainability matters.**

18. The objective of this Disclosure Requirement is to provide an understanding of:

- (a) the composition and diversity of the **administrative, management and supervisory bodies**;
- (b) the roles and responsibilities of the **administrative, management and supervisory bodies** in exercising oversight of the process to manage material **impacts** and **risks**, including management's role in these processes; and
- (c) the expertise of its administrative, management and supervisory bodies on **sustainability matters** or access to such expertise and skills.

~~19. The undertaking shall disclose describe the following information about the composition and diversity of the members of its **administrative, management and supervisory bodies**, including;~~

~~19.(a) if applicable, the number of executive and non-executive members, the representation of **employees** and other workers, and the percentage of **independent<sup>1</sup> board members**; and;~~

~~(a) the number of executive and non-executive members;~~

~~(b) where applicable, representation of **employees** and other workers;~~

~~(c) percentage by gender and other aspects of diversity that the undertaking considers. The board's gender diversity<sup>2</sup> shall be calculated as an average ratio of female to male board members; and~~

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<sup>1</sup> This information supports the needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Weighted average percentage of board members who are independent" in section 1 of Annex 2.

<sup>2</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts set out by indicator #13 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosures rules on sustainable investments (respectively "Board gender diversity") and benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Weighted average ratio of female to male board members" in section 1 and 2 of Annex 2.



- ~~(d)~~ the percentage of **independent<sup>3</sup> board members**.
- ~~The undertaking shall also disclose the following information about the composition and diversity of the members of its **administrative, management and supervisory bodies**:~~
- ~~(b)~~ the percentage by gender and other aspects of diversity that the undertaking considers. The board's gender diversity<sup>4</sup> shall be calculated as an average ratio of female to male board members.
20. The undertaking shall disclose a description of management's role in the governance processes, controls and procedures used to monitor, manage and oversee impacts and risks, including: <sup>2</sup>
- (a) whether a governance body (**administrative, management or supervisory bodies**), or an individual(s) in the undertaking's organisation (such as management level or another employee) is responsible for oversight of sustainability **impacts and risks**;
  - ~~(b)~~ if applicable, a brief description of the process for oversight of sustainability impacts and risks;
  - ~~(b)(c)~~ if dedicated controls and procedures are applied to the management of impacts and risks and, if so, a brief description of them, including how they are integrated with other internal functions;
  - ~~(e)(d)~~ a brief description of ~~if a~~ the process to inform the administrative, management and supervisory bodies, including their relevant committees, about (i) material impacts and risks and (ii) the policies, actions, targets adopted to address them and (iii) the respective results and metrics is in place, if such process is in place, ~~a brief description of it. This description may include information on how frequently those bodies are informed about sustainability matters and the frequency and the person in charge of this process;~~ and
  - ~~(e)(e)~~ If applicable, a brief description of how the administrative, management and supervisory bodies determine whether appropriate skills and expertise are available or will be developed to oversee **sustainability matters**.

#### **Disclosure Requirement 4 (GOV-2) - Due diligence**

21. **The undertaking shall disclose whether it has adopted a due diligence process with regard to sustainability matters.**
22. The objective of this Disclosure Requirement is to facilitate an understanding of the undertaking's due diligence process(es) with regard to **sustainability matters**.

<sup>3</sup> This information supports the information needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Weighted average percentage of board members who are independent" in section 1 of Annex 2.

<sup>4</sup> This information supports the needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts set out by indicator #13 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosures rules on sustainable investments (respectively "Board gender diversity") and benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Weighted average ratio of female to male board members" in section 1 and 2 of Annex 2.

23. The undertaking shall disclose whether it has adopted due diligence process(es) or not<sup>5</sup>.
24. If the undertaking has implemented such processes, it shall briefly illustrate how and where the due diligence process(es) are reflected in its sustainability statements.

### 3. Strategy

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25. This chapter sets disclosure requirements that enable an understanding of:
  - (a) the elements of the undertaking's strategy that relate to or affect **sustainability matters**, its business model(s) and its value chain;
  - (b) the outcome of the undertaking's assessment of material **impacts** and **risks** including how they inform its strategy and business model(s).

#### ***Disclosure Requirement 5 (SBM-1) – Strategy, business model and value chain***

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26. The undertaking shall disclose the elements of its strategy that relate to or impact sustainability matters, its business model and its value chain.
27. The objective of this Disclosure Requirement is to describe the key elements of the undertaking's general strategy that relate to or affect **sustainability matters**, and the key elements of the undertaking's **business model** and **value chain**, in order to provide an understanding of the undertaking's exposure to **impacts** and **risks** and where they originate.
28. The undertaking shall disclose the following information about the key elements of its general strategy that relate to or affect **sustainability matters**:
  - (a) a description of:
    - i. significant groups of products and/or services offered, including changes in the reporting period (new/removed products and/or services);
    - ii. significant markets and/or customer groups served, including changes in the reporting period (new/removed markets and/or customer groups);
    - iii. main countries of operation of the parent undertaking and of the subsidiaries that are connected with material impacts or risks; and
    - iv. where applicable and material, products and services that are banned in certain markets.
  - (b) the list of significant ESRS sectors where the undertaking or its subsidiaries operate or can-is/are or may be connected to material impacts. The list of sectors shall be consistent with the way sectors have been considered by the undertaking when performing its **materiality** assessment (which as part of the value chain also includes its subsidiaries) and with the way it discloses material sector information; potentially have a material impact in which the undertaking and, where appropriate based on the outcome of the materiality assessment, its subsidiaries are active. The list of sectors shall be consistent with the way sectors have been considered by the undertaking when

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<sup>5</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #10 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively "Lack of due diligence").

~~performing its **materiality** assessment (which as part of the value chain also includes its subsidiaries) and with the way it discloses material sector information;~~

- (c) where applicable, a statement indicating, together with the related revenues, that the undertaking is active in:
- i. the **fossil fuel** (coal, oil and gas) sector<sup>6</sup>, i.e., it derives revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council<sup>7</sup>, including a disaggregation of revenues derives from coal, from oil and from gas, as well as the revenues derived from Taxonomy-aligned economic activities related to fossil gas as required under Article 8(7)(a) of Commission Delegated Regulation 2021/2178<sup>8</sup>;
  - ii. chemicals production<sup>9</sup>, i.e., its activities fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006;
  - iii. controversial weapons<sup>10</sup> (anti-personnel mines, cluster munitions, chemical weapons and biological weapons); and/or
  - iv. the cultivation and production of tobacco<sup>11</sup>;
- (d) its sustainability-related goals, if applicable, in terms of significant groups of products and services, customer categories, geographical areas and relationships with **stakeholders**.
29. The undertaking shall disclose a description of its **business model** and **value chain**, including:
- (a) its inputs and its approach to gathering, developing and securing those inputs;

<sup>6</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts set out by indicator #4 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosures rules on sustainable investments (respectively “Exposure to companies active in the fossil fuel sector”).

<sup>7</sup> Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p. 1).

<sup>8</sup> Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation (OJ L 443, 10.12.2021, p. 9).

<sup>9</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts set out by indicator #9 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosures rules on sustainable investments (respectively “Investments in companies producing chemicals”).

<sup>10</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts set out by indicator #14 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosures rules on sustainable investments (respectively “Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)”).

<sup>11</sup> This information supports the needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1818 as set out by paragraph b) of article 12.1.

- (b) its outputs and outcomes in terms of current and expected benefits for customers, investors and other **stakeholders**;
- (c) the main features of its upstream and downstream **value chain** and the undertaking's position in its value chain; and
- (d) if applicable, the subsidiaries that are connected with material impacts and risks.

### ***Disclosure Requirement 6 (SBM-2) – Interests and views of stakeholders***

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- 30. **If the undertaking engages with stakeholders, it shall disclose how their interests and views are taken into account by the undertaking's strategy and business model.**
- 31. The objective of this Disclosure Requirement is to understand the extent to which **stakeholders'** interests and views inform the undertaking's strategy and **business model**.
- 32. If the undertaking engages with its key stakeholders, it shall disclose a summarised description of:
  - (a) its stakeholder engagement, including:
    - i. the undertaking's key **stakeholders**;
    - ii. whether engagement with them occurs and for which categories of stakeholders; and
    - iii. how its outcome is taken into account by the undertaking, where applicable, in amending its strategy and / or its business model;
  - (b) the undertaking's understanding of the interests and views of its key **stakeholders** as they relate to the undertaking's strategy and **business model**, to the extent that these were analysed during the **materiality** assessment process (see Disclosure Requirement IR-1 of this [draft] ESRS).

### ***Disclosure Requirement 7 (SMB-3) - Material impacts and risks and their interaction with strategy and business model***

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- 33. **The undertaking shall disclose its material negative impacts and risks and how they interact with its strategy and business model.**
- 34. The objective of this Disclosure Requirement is to provide an understanding of the material negative **impacts** and **risks** as they result from the undertaking's **materiality** assessment and how they originate from and trigger adaptation of the undertaking's strategy and **business model** including its resources allocation. The information to be disclosed about the management of the undertaking's material negative impacts and risks is prescribed in Section 2 of this [draft] ESRS.
- 35. The undertaking shall disclose its material negative **impacts** and **risks** resulting from its **materiality** assessment (see Disclosure Requirement IR-1 of this [draft] ESRS). The disclosure shall include the following:
  - (a) the undertaking's material negative impacts, including:

- i. a brief description of how its material impacts affect (or, in the case of potential impacts, are likely to affect) people or the environment;
    - ii. how its material impacts originate from or are connected to the undertaking's strategy and business model;
    - iii. whether the undertaking is involved with the material impacts through its activities or because of its **business relationships** (including its subsidiaries); and
    - iv. the reasonably expected time horizons of the impacts.
  - (b) ~~if the undertaking has adjusted or plans to adjust its strategy and/or business model to address a material sustainability matter, it shall describe the current or planned changes to its strategy or business model(s); the current and anticipated effects of material impacts and risks on its strategy and decision-making, including how the undertaking is responding to these effects. In this context, the undertaking shall disclose any changes it has made, or plans to make, to its strategy or business model(s) as part of its actions to address particular material impacts or risks;~~
  - (c) the **current financial effects** of the undertaking's material risks on its financial position, financial performance and cash flows and the material risks for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements;
  - (d) the **anticipated financial effects** of the undertaking's material risks on its financial position, financial performance and cash flows over the short-, medium- and long-term, including the reasonably expected time horizons for those effects. This may include how the undertaking expects its financial position, financial performance and cash flows to change over the short, medium- and long-term, given its strategy to manage risks, taking into consideration:
    - i. its investment and disposal plans (for example, capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas and asset retirements), including plans the undertaking is not contractually committed to; and
    - ii. its planned sources of funding to implement its strategy.
  - (e) changes to the material impacts and risks compared to the previous reporting period; and
  - (f) specification of those negative impacts and risks that are covered by Disclosure Requirements included in this [draft] ESRS as opposed to those covered by the undertaking using additional entity-specific disclosure.
36. The undertaking may disclose the descriptive information required in paragraph 35 alongside the disclosures provided under the corresponding topical Sections of this [draft] ESRS. If the undertaking decides to do so, it shall still present a statement of its material negative **impacts** and **risks** alongside its disclosures prepared under this chapter.
37. When disclosing information on material impacts and risks resulting from its materiality assessment, the undertaking shall apply the topic specific information in Application Requirements SBM-3, for the topics that are material.

38. In particular some information (summarised in Table of AR 16 of this Section) are related to Appendix B *List of datapoints in cross-cutting and topical sections that are required by EU law* of this Section.

#### **Voluntary Disclosure 8 (SBM-4) – Positive impacts and material opportunities**

39. The undertaking may disclose its material sustainability related positive impacts and/or its material sustainability related financial **opportunities**.
40. Regarding opportunities, the undertaking shall not report on those for which the undertaking has not put in place or does not plan to put in place concrete **actions** to pursue them, accompanied by the necessary resources.
41. When disclosing on its material positive impacts and/or material opportunities for environmental, social and business conduct sustainability matters, the undertaking shall include:
- (a) a description of them, how they originates, the sustainability matter to which they are linked and their expected time horizon;
  - (b) how it results in financial effects for the undertaking; and
  - (c) the actions that the undertaking has put or plans to put in place to pursue the opportunity, including the resources that have been mobilised.
42. Quantitative **financial effects** deriving from opportunities may be disclosed only when they meet the qualitative characteristics of information, including reliability and shall be accompanied by an illustration of the methodology for calculation and main assumptions used.

### **4. Impact and risk management**

43. This chapter sets disclosure requirements that enable an understanding of:
- (a) the processes to identify material **impacts** and **risks**; and
  - (b) the information that, as a result of its **materiality assessment**, the undertaking has included in its **sustainability statement**.

#### **4.1 Disclosures on the materiality assessment process**

##### **Disclosure Requirement 9 (IR-1) - Processes to identify and assess material impacts and risks**

44. **The undertaking shall provide a description of its processes to identify its impacts and risks and to assess which ones are material.**
45. The objective of this Disclosure Requirement is to provide an understanding of the process through which the undertaking identifies **impacts** and **risks** and assesses their **materiality**, as the basis for determining the disclosures in its sustainability reporting (see Section 1 of this

[draft] ESRS chapter 3 and its related Application Requirements, which set out requirements and principles regarding the process to identify and assess material impacts and risks based on the principle of double materiality). If the undertaking discloses on a voluntary basis positive impacts or opportunities, it shall disclose the process through which it identifies them and assesses their materiality.

46. The undertaking shall disclose the following information:
- (a) an overview of the process to identify, assess and prioritise the undertaking's potential and actual negative **impacts** in relation to sustainability matters (a list of sustainability matters is defined in Section 1 AR 15) based on their relative severity and, for potential impacts, also likelihood (see [draft] section 1, chapter 3.4 *Impact materiality*);
  - (b) an overview of the process to identify, assess and prioritise **risks** that have or may have **financial effects** (see draft Section 1 chapter 3.5 *Financial materiality*);
  - (c) the input parameters it uses (for example, data sources, the scope of operations covered and the detail used in assumptions); and
  - (d) whether and how the process has changed compared to the prior reporting period, when the process(es) was/were modified for the last time and future revision dates of the **materiality** assessment.
47. The undertaking shall include the datapoints that derive from other EU legislation set in AR AR 17 and AR 28 of this Section 2.
48. When disclosing information on the processes to identify and assess material negative impacts and risks, the undertaking shall apply the topic specifications set in *Application Requirements IR-1* (paragraphs from AR 28 to AR 44 of this Section 2).
49. Regarding the process of assessing impacts, the undertaking may include an explanation of whether and how the process:
- (a) focusses on specific areas due to heightened risk of adverse impacts;
  - (b) considers the impacts with which the undertaking is involved through its own operations or as a result of its business relationships, including its subsidiaries;
  - (c) include(s) consultation with affected **stakeholders** to understand how they may be impacted and with external experts; and
  - (d) prioritises negative impacts based on their relative severity and likelihood, (see [draft] Section 1 chapter. 3.4 *Impact materiality*) and determines which sustainability matters are material for reporting purposes, including the qualitative or quantitative thresholds and other criteria used as prescribed by Section 1 par. 3.4 *Impact materiality*.
50. Regarding the process of assessing risks, the undertaking may include a description of:
- (a) how the undertaking assesses the likelihood, magnitude, and nature of effects of the identified risk (such as the qualitative or quantitative thresholds and other criteria used as prescribed by Section 1 chapter 3.5 *Financial materiality*); and
  - (b) how the undertaking prioritises sustainability-related risks relative to other types of risks, including its use of risk-assessment tools.

51. The undertaking may address all sustainability matters in the same location or present the relevant information separately in the topical sections of the sustainability statement.

***Disclosure Requirement 10 (IR-2) – Disclosure Requirements in ESRS LSME covered by the undertaking’s sustainability statement***

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52. **The undertaking shall report on the Disclosure Requirements complied with in its sustainability statement.**
53. The objective of this Disclosure Requirement is to provide an understanding of the Disclosure Requirements included in the undertaking’s sustainability reporting and of the topics that have been omitted as not material, as a result of the **materiality** assessment.
54. The undertaking shall include a list of the Disclosure Requirements complied with in preparing the **sustainability statement**, following the outcome of the **materiality** assessment (see Section 1 of this [draft] ESRS, chapter 3), including the page numbers and/or paragraphs where the related disclosures are located in the sustainability statement. This may be presented as a content index. The undertaking shall also include a table of all the datapoints that derive from other EU legislation as listed in Appendix B of this standard, indicating where they can be found in the sustainability statement and including those that the undertaking has assessed as not material, in which case the undertaking shall indicate “Not material” in the table in accordance with Section 1 paragraph 38.
55. If the undertaking concludes that climate change is not material and therefore omits all disclosure requirements in ESRS E1 *Climate change*, it shall disclose a detailed explanation of the conclusions of its materiality assessment with regard to climate change (see Section 1 paragraph 34) including a forward-looking analysis of the conditions that could lead the undertaking to conclude that climate change is material in the future.
56. If the undertaking concludes that a topic other than climate change is not material and therefore omits all the Disclosure Requirements in Sections 3, 4, 5 and 6 of this [draft] ESRS, it may provide a brief explanation of the conclusions of its **materiality** assessment for that topic.
57. The undertaking shall provide an explanation of how it has determined the material information to be disclosed in relation to the **impacts** and **risks** that it has assessed to be material, including the use of thresholds and/or how it has implemented the criteria in Section 1 chapter 3.2 *Material matters and materiality of information*.



## **Appendix A: Application Requirements – Section 2 General disclosures**

### **1. Basis for preparation**

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#### ***Disclosure Requirement 1 (BP-1) – General basis for preparation of the sustainability statements***

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- AR 1. When describing to what extent the **sustainability statement** covers the undertaking's upstream and downstream **value chain** (see [draft] Section 1 section 4.1 *Reporting undertaking and value chain*), the undertaking may distinguish between:
- (a) the extent to which its **materiality** assessment of **impacts** and **risks** extends to its upstream and/or downstream value chain, with separate identification of how subsidiaries are treated;
  - (b) the extent to which its **policies** and **actions** extend to its value chain, with separate identification of how subsidiaries are treated; and
  - (c) the extent to which it includes upstream and/or downstream value chain data in disclosing on **metrics**, with separate identification of how subsidiaries are treated.

#### ***Disclosure Requirement 2 (BP-2) – Disclosures in relation to specific circumstances***

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- AR 2. The undertaking may disclose whether it relies on any European standards approved by the European Standardisation System (ISO/IEC or CEN/CENELEC standards), as well as the extent to which data and processes that are used for sustainability reporting purposes have been verified by an external assurance provider and found to conform to the corresponding ISO/IEC or CEN/CENELEC standard.

### **2. Governance**

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#### ***Disclosure Requirement 3 (GOV-1) – The role of the administrative, management and supervisory bodies***

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- AR 3. For undertakings with a unitary board, the percentage of independent board members corresponds to the percentage of independent non-executive board members and for undertakings with a dual board, it corresponds to the percentage of independent members of the supervisory body.
- AR 4. In describing the roles and responsibilities of the **administrative, management and supervisory bodies** with regard to **sustainability matters**, the undertaking may specify:
- (a) the aspects of sustainability over which oversight is exercised, with regard to environmental, social and governance matters the undertaking may be facing, including:
    - i. any assessment of and changes to sustainability-related aspects of the undertaking's strategy and **business model**;
    - ii. the identification and assessment of material **risks** and **impacts**;

- iii. related **policies** (and **targets**), action plans and dedicated resources; and
  - iv. sustainability reporting;
- (b) the form such oversight takes for each of the above aspects: i.e., information, consultation or decision-making; and
- (c) the way such oversight is organised and formalised, i.e., processes by which the administrative, management and supervisory bodies engage with these aspects of sustainability.
- AR 5. The description of the level of expertise or access to expertise of the **administrative, management and supervisory bodies** may be substantiated by illustrating the composition of the bodies, including members on whom these bodies rely for expertise to oversee **sustainability matters**, and how they leverage that expertise as a body. In the description, the undertaking shall consider how the expertise and skills are relevant to the undertaking's material **impacts, risks** and **opportunities** and whether the bodies and/or its members have access to other sources of expertise, such as specific experts and **training** and other educational initiatives to update and develop sustainability-related expertise within these bodies.

#### **Disclosure Requirement 4 (GOV-2) – Due diligence**

- AR 6. This disclosure requirement does not mandate any specific behavioural requirements with regard to due diligence **actions** and does not extend to or modify the role of **administrative, management and supervisory bodies** as mandated by other legislation or regulation.

### **3. Strategy**

#### **Disclosure Requirement 5 (SBM-1) - Strategy, business model and value chain**

- AR 7. To provide the information on sectors required by paragraph 30, the undertaking shall map its significant activities in accordance with ESRS sectors. If a code for a sub-sector does not exist, the caption “others” shall be used.
- AR 8. For the purposes of disclosures required in paragraph 30, a group of products and/or services offered, a group of markets and/or customer groups served, or an ESRS sector, is significant for the undertaking if it meets one or both of the following criteria:
- (a) It accounts for more than 10 per cent of the undertaking's revenue;
  - (b) it is connected with material actual impacts or material potential negative impacts of the undertaking.
- AR 9. In preparing disclosures relating to its business model and **value chain**, the undertaking shall consider:
- (a) its key **business relationships**, including with customers, and their key characteristics, its key activities, key **suppliers**, key resources, key distribution channels, and key customer segments;
  - (b) the cost structure and revenue of its business segments, in line with IFRS 8 disclosure requirements in the financial statements, where applicable;

- (c) the potential **impacts, and risks and ~~(opportunities)~~** in its significant sector(s) and their possible relationship to its own business model(s) or value chain.
- AR 10. Contextual information may be particularly relevant for users of the undertaking’s sustainability statement, to understand to what extent the reported disclosures include upstream and/or downstream value chain information. The description of the main features of the upstream and/or downstream value chain and where applicable the identification of key value chains should support an understanding of how the undertaking applies the requirements of [draft] Section 1 chapter 4 and the **materiality** assessment performed by the undertaking in line with [draft] Section 1 chapter 3. The description may provide a high-level overview of the key features of value chain entities indicating their relative contribution to the undertaking’s performance and positions and explaining how they contribute to the value creation of the undertaking.

***Disclosure Requirement 6 (SBM-2) – Interests and views of stakeholders***

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- AR 11. If the undertaking engages with stakeholders, their views and interests that are expressed as part of the undertaking’s engagement activities, also through its due diligence process if the undertaking has adopted it, may be relevant to one or more aspects of its strategy or business model. As such, they may affect the undertaking’s decisions regarding the future direction of the strategy or business model.

***Disclosure Requirement 7 (SMB-3) - Material impacts and risks and their interaction with strategy and business model***

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- AR 12. When describing where in its upstream and/or downstream **value chain**, including its subsidiaries, material **impacts and risks ~~(and opportunities)~~** are concentrated, the undertaking shall consider: geographical areas, facilities or types of assets, inputs, outputs and distribution channels.
- AR 13. This disclosure may be expressed in terms of a single impact or risk (or opportunity) or by aggregating groups of material **impacts and risks ~~(and opportunities)~~**, when this provides more relevant information and does not obscure material information.
- AR 14. When disclosing the information required under paragraph 37 of this Section on its material impacts and risks, the undertaking shall disclose the topic specific information reported in the table below.

In particular, specifying:

ID	Application Requirement	Sustainability topic	EU related Data Points
1	whether or not it has sites located in or near biodiversity-sensitive areas and whether activities related to these sites negatively affect these areas	Biodiversity	SFDR Tab. 1 KPI 7
2	whether it has identified material negative impacts with regards to land degradation, desertification or soil sealing	Biodiversity	SFDR Tab. 2 KPI 10

ID	Application Requirement	Sustainability topic	EU related Data Points
3	whether it has operations that affect threatened species	Biodiversity	SFDR Tab. 2 KPI 14.1
4	operations at significant risk of <b>incidents of forced labour</b> or compulsory labour either in terms of type of operation (such as manufacturing plant) or countries or geographic areas with operations considered at risk;	Own workforce	SFDR Tab. 3 KPI 13
5	operations at significant risk of incidents of child labour either in terms of type of operation (such as manufacturing plant) or countries or geographic areas with operations considered at risk	Own workforce	SFDR Tab. 3 KPI 12
6	any geographies (at country level or other levels) or commodities for which there is a significant risk of <b>child labour</b> , or of <b>forced labour</b> or compulsory labour, among workers in the undertaking's value chain	Workers in the value chain	SFDR Tab. 3 KPI 12 and 13

AR 15. In addition, when disclosing its material impacts and risks, the undertaking shall disclose the additional topic specific information defined in the following paragraphs:

## ENVIRONMENT

### Climate change

AR 16. When disclosing the information on material impacts and risks related to climate change, the undertaking shall explain for each climate-related risk it has identified, whether it considers the risk to be a **climate-related physical risk** or **climate-related transition risk**.

AR 17. The undertaking shall describe the resilience of its strategy and **business model** in relation to climate change. This description may include:

- a) the scope of the resilience analysis;
- b) how and when the resilience analysis has been conducted, including whether climate **scenario analysis** was used as referenced in the Disclosure Requirement related to IR-1 and the related application requirement paragraphs; and
- c) the results of the resilience analysis including the results from the use of scenario analysis.

~~AR 18. When disclosing the information on the scope of the resilience analysis, the undertaking may explain which part of its own operations and upstream and downstream **value chain** as well as which material **physical risks** and **transition risks** may have been excluded from the analysis.~~

~~AR 19. When disclosing the information on how the resilience analysis has been conducted, the undertaking may explain:~~

- ~~a) the critical assumptions about how the transition to a lower carbon and resilient economy will affect its surrounding macroeconomic trends, energy consumption and mix, and technology deployment assumptions;~~
- ~~b) the time horizons applied and their alignment with the climate and business **scenarios** considered for determining material **physical** and **transition risks**~~

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~~(paragraphs AR xx to AR xx) and setting **GHG emissions reduction targets** (reported under Disclosure Requirement E1-4); and~~

- ~~c) how the estimated **anticipated financial effects** from material **physical** and **transition risks** (as required by Disclosure Requirement E1-6) as well as the mitigation actions and resources (disclosed under Disclosure Requirement 11 (IR-3)) were considered.~~

~~AR 20. When disclosing the information on the results of the resilience analysis, the undertaking may explain:~~

- ~~a) the areas of uncertainties of the resilience analysis and to what extent the assets and business activities at risk are considered within the definition of the undertaking's strategy, investment decisions, and current and planned mitigation **actions**;~~

~~b) the ability of the undertaking to adjust or adapt its strategy and business model to climate change over the short-, medium- and long-term, including securing ongoing access to finance at an affordable cost of capital, the ability to redeploy, upgrade or decommission existing assets, shifting its products and services portfolio, or reskilling its workforce.~~

## SOCIAL

### Own workforce

~~AR 21-AR 18.~~ When disclosing the information on material **impacts** and **risks** related to its own workforce, the undertaking shall provide the following information:

- a) a brief description of the types of own workers subject to material impacts by its operations, and whether they are **employees**, individual contractors (i.e. self-employed workers), or workers provided by third party undertakings primarily engaged in employment activities;
- b) in the case of material negative impacts, whether they are widespread or systemic in contexts where the undertaking operates (for example, **child labour** or **forced** or compulsory labour in specific countries or regions), or whether they are related to individual **incidents** (for example, an industrial accident or an oil spill);
- c) any material **risks** for the undertaking arising from impacts and **dependencies** on its own workers;
- d) any material negative impacts on its **own workforce** that may arise from **transition plans** for reducing negative impacts on the environment and achieving greener and climate-neutral operations, including information on the impacts on own workforce caused by the undertaking's plans and **actions** to reduce carbon **emissions** in line with international agreements.

~~AR 22-AR 19.~~ In describing the main types of people in its **own workforce** who are or could be negatively affected, based on the **materiality** assessment, the undertaking shall disclose whether and how it has developed an understanding of how people with particular characteristics, those working in particular contexts, or those undertaking particular activities may be at greater risk of harm.

~~AR 23-AR 20.~~ The undertaking shall disclose which, if any, of its material **risks and opportunities** arising from **impacts** and **dependencies** on people in its **own workforce** relate to specific

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groups of people (for example, particular age groups, or people working in a particular factory or country) rather than to all of its own workforce (for example, a general **pay** cut, or **training** offered to all people in its own workforce).

#### *Workers in the value chain*

**AR-24-AR 21.** When disclosing the information on material impacts and risks related to workers in the value chain, the undertaking shall provide the following information:

- a) whether and how actual and potential negative impacts on **value chain workers** originate from or are connected to the undertaking's strategy and business models, and inform and contribute to adapting the undertaking's strategy and business model;
- b) the relationship between its material risks arising from impacts and **dependencies** on **value chain workers** and its strategy and business model;
- c) a brief description of the types of value chain workers subject to material negative impacts by its own operations or through its upstream and downstream value chain, including those that are particularly vulnerable to negative impacts whether due to inherent characteristics or to the particular context, such as trade unionists, migrant workers, home workers, women or young workers;
- d) in the case of material negative impacts, whether they are either (i) widespread or systemic in contexts where the undertaking operates or has sourcing or other **business relationships** (e.g., **child labour** or **forced labour** in particular commodity **supply chains** in specific countries or regions), or (ii) related to individual **incidents** (e.g., an industrial accident or an oil spill) or to specific business relationships. This includes consideration of impacts on **value chain workers** that may arise from the transition to greener and climate-neutral operations.

**AR-25-AR 22.** In describing the main types of people in its own workforce who are or could be negatively affected, based on the **materiality** assessment, the undertaking shall disclose whether and how it has developed an understanding of how people with particular characteristics, those working in particular contexts, or those undertaking particular activities may be at greater risk of harm.

**AR-26-AR 23.** The undertaking shall disclose which, if any, of its material **risks and opportunities** arising from **impacts** and **dependencies** on its value chain workers relate to specific groups of value chain workers (for example, particular age groups, workers in a particular factory or country) rather than to all of the value chain workers.

#### *Affected communities*

**AR-27-AR 24.** When disclosing the information on material impacts and risks related to affected communities, the undertaking shall provide the following information:

- a) whether and how actual and potential negative impacts on **affected communities** originate from or are connected to the undertaking's strategy and business models, and inform and contribute to adapting the undertaking's strategy and business model;
- b) the types of communities that the undertaking may consider for material impacts are:

- i. communities living or working around the undertaking's operating **site** or more remote communities affected by activities of those sites;
  - ii. communities along the undertaking's upstream/downstream value chain;
  - iii. communities at one or both endpoints of the value chain;
  - iv. communities of **indigenous peoples**;
- c) in the case of material negative impacts, whether they are widespread or systemic in contexts where the undertaking operates or has sourcing or other business relationships (for example, marginalised populations suffering impacts on their health and quality of life in a highly industrialised area), or whether they are related to individual **incidents** (e.g., a toxic **waste** spill affecting a community's access to clean drinking water) or to specific business relationships (e.g., a peaceful protest by communities against business operations that was met with a violent response from the undertaking's security services). This includes consideration of impacts on affected communities that may arise from the transition to greener and climate-neutral operations. Potential impacts include impacts associated with innovation and restructuring, closure of mines, increased mining of minerals needed for the transition to a sustainable economy and solar panel production;
- d) in describing the main types of communities who are or could be negatively affected, based on the **materiality assessment**, the undertaking shall disclose whether and how it has developed an understanding of how **affected communities** with particular characteristics or those living in particular contexts, or those undertaking particular activities may be at greater risk of harm.

**AR-28-AR 25.** The undertaking shall disclose which, if any, of its material **risks and opportunities** arising from **impacts** and **dependencies** on affected communities relate to specific groups of affected communities rather than to all affected communities.

#### *Consumer and/or end-users*

**AR-29-AR 26.** When disclosing the information on material impacts and risks related to consumer and/or end-users, the undertaking shall provide the following information:

- a) whether and how actual and potential negative **impacts** on **consumers** and/or **end-users** originate from or are connected to the undertaking's strategy and **business model**, and inform and contribute to adapting the undertaking's strategy and business model;
- b) the types of consumers and/or end-users that the undertaking may consider for material impacts are:
  - i. consumers and/or end-users of products that are inherently harmful to people and/or increase risks for chronic disease;
  - ii. consumers and/or end-users of services with potentially negatively impact on rights to privacy, personal data protection, freedom of expression and non-**discrimination**;
  - iii. consumers and/or end-users who are dependent on accurate and accessible product- or service- related information, such as manuals and product labels, to avoid potentially damaging use of a product or service;

- iv. consumers and/or end-users who are particularly vulnerable to health or privacy negative impacts or negative impacts from marketing and sales strategies, such as children or financially vulnerable individuals;
- c) in the case of material negative impacts, whether they are widespread or systemic in contexts where the undertaking operates or sells or provides its products or services (for example, state surveillance that affects the privacy of service users), or whether they are related to individual **incidents** (for example, a defect linked to a particular product) or to specific business relationships (for example, a business partner uses marketing that inappropriately targets young **consumers**);
- d) in describing the main types of **consumers** and **end-users** who are or could be negatively affected, based on the **materiality** assessment, the undertaking shall disclose whether and how it has developed an understanding of how consumers and end-users with particular characteristics or those using particular products or services may be at greater risk of harm.

~~AR 30-AR 27.~~ The undertaking shall disclose which, if any, of its material **risks and opportunities** arising from **impacts** and **dependencies** on consumers and/or end-users, relate to specific groups of consumers and/or end-users (for example, particular age groups) rather than to all consumers and/or end-users.



## 4. Impact and risk management

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### **Disclosure Requirement 9 (IR-1) – Description of the processes to identify and assess material impacts and risks**

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~~AR 31-AR 28.~~ With reference to par. 48 on the processes to identify and assess material impacts and risks, the undertaking shall disclose for material impacts and risks additional topic specific information defined in the following paragraphs.

#### **ENVIRONMENT**

##### *Climate change*

~~AR 32-AR 29.~~ When describing the process to identify and assess climate-related **impacts** and **risks** the undertaking shall cover the following:

- a) impacts on climate change, in particular, the undertaking's **GHG emissions** (as required by [draft] Section 4, Disclosure Requirement E1-3);
- b) **climate-related physical risks** (as required by [draft] Section 4, Disclosure Requirement E-1-4); and
- c) **climate-related transition risks** (as required by [draft] Section 4, Disclosure Requirement E-1-4).

~~AR 33-AR 30.~~ When disclosing the information on the processes to identify and assess climate impacts as required under AR ~~2930~~ (a), the undertaking shall explain how it has:

- a) screened its activities and plans in order to identify actual and potential future GHG emission sources and, if applicable, drivers for other climate-related impacts (e.g., **emissions** of black carbon or tropospheric ozone or **land-use change**) in own operations and along the value chain; and
- b) assessed ~~the-its~~ actual and potential impacts on climate change (i.e., its total GHG emissions) as material in line with the CSRD and SFDR requirements.

~~AR 34-AR 31.~~ When disclosing the information on the processes to identify and assess **physical risks** as required under AR 29 (b), the undertaking shall explain whether and how:

- a) it has identified climate-related hazards (see table below) over the short-, medium- and long-term and screened whether its assets and business activities may be exposed to these hazards;
- b) it has defined short-, medium- and long-term time horizons and how these definitions are linked to the expected lifetime of its assets, strategic planning horizons and capital allocation plans;
- c) it has assessed the extent to which its assets and business activities may be exposed and are sensitive to the identified climate-related hazards, taking into consideration the likelihood, magnitude and duration of the hazards as well as the geospatial coordinates (such as Nomenclature of Territorial Units of Statistics - NUTS for the EU territory) specific to the undertaking's locations and **supply chains**; and



- d) the identification of climate-related hazards and the assessment of exposure and sensitivity are informed by high **emissions** climate **scenarios**, which may, for example, be based on IPCC SSP5-8.5, relevant regional climate projections based on these emission scenarios, or NGFS (Network for Greening the Financial System) climate scenarios with high physical risk such as “Hot house world” or “Too little, too late”. For general requirements regarding climate-related **scenario analysis** see AR 22 and AR 23.

<b>Classification of climate-related hazards</b>				
(Source: Commission delegated regulation (EU) 2021/2139)				
	Temperature-related	Wind-related	Water-related	Solid mass-related
<b>Chronic</b>	Changing temperature (air, freshwater, marine water)	Changing wind patterns	Changing precipitation patterns and types (rain, hail, snow/ice)	Coastal erosion
	Heat stress		Precipitation or hydrological variability	Soil degradation
	Temperature variability		Ocean acidification	Soil erosion
	Permafrost thawing		Saline intrusion	Solifluction
			Sea level rise	
			Water stress	
<b>Acute</b>	Heat wave	Cyclones, hurricanes, typhoons	Drought	Avalanche
	Cold wave/frost	Storms (including blizzards, dust, and sandstorms)	Heavy precipitation (rain, hail, snow/ice)	Landslide
	Wildfire	Tornado	Flood (coastal, fluvial, pluvial, ground water)	Subsidence
			Glacial lake outburst	

~~AR 35-AR 32.~~ When disclosing the information on the processes to identify **climate-related transition risks** ~~and, when it reports on a voluntary basis on opportunities~~, as required by AR 29 (c), the undertaking shall explain whether and how it has:

- a) identified transition events (see the table with examples below) over the short-, medium- and long-term and screened whether its assets and business activities may be exposed to these events. In case of transition risks ~~and opportunities~~, what is considered long-term may cover more than 10 years and may be aligned with climate-related public **policy** goals;
- b) assessed the extent to which its assets and business activities may be exposed and are sensitive to the identified transition events, taking into consideration the likelihood, magnitude and duration of the transition events;
- c) informed the identification of transition events and the assessment of exposure by climate-related **scenario analysis**, considering at least a scenario consistent with the Paris Agreement and limiting climate change to 1.5°C, for example, based on scenarios

of the International Energy Agency (Net zero Emissions by 2050, Sustainable Development Scenario, etc.), or NGFS (Network for Greening the Financial System) climate scenarios. For the general requirements related to climate-related scenario analysis see paragraphs AR 22 and AR 23; and

- d) identified assets and business activities that are incompatible with or need significant efforts to be compatible with a transition to a climate-neutral economy (for example, due to significant **locked-in GHG emissions** or incompatibility with the requirements for Taxonomy-alignment under Commission Delegated Regulation (EU) 2021/2139).

Examples of climate-related transition events (examples based on TCFD classification)			
Policy and legal	Technology	Market	Reputation
Increased pricing of GHG emissions	Substitution of existing products and services with lower emissions options	Changing customer behaviour	Shifts in consumer preferences
Enhanced emissions-reporting obligations	Unsuccessful investment in new technologies	Uncertainty in market signals	Stigmatization of sector
Mandates on and regulation of existing products and services	Costs of transition to lower emissions technology	Increased cost of raw materials	Increased stakeholder concern
Mandates on and regulation of existing production processes			Negative stakeholder feedback
Exposure to litigation			

**Climate-related scenario analysis**

AR 36-AR 33. When disclosing the information required under paragraph AR 26, the undertaking shall explain if and how it has used climate-related **scenario analysis** that is commensurate to its circumstances to inform the identification and assessment of **physical** and **transition risks and opportunities (voluntary)** over the short-, medium- and long-term, including:

- a) which **scenarios** were used, their sources and alignment with state-of-the-art science;
- b) narratives, time horizons, and endpoints used with a discussion of why it believes the range of scenarios used covers its plausible risks and uncertainties;
- c) the key forces and drivers taken into consideration in each scenario and why these are relevant to the undertaking, for example, **policy** assumptions, macroeconomic trends, energy usage and mix, and technology assumptions; and
- d) key inputs and constraints of the scenarios, including their level of detail (e.g., whether the analysis of physical-related risks is based on geospatial coordinates specific to the undertaking’s locations or national- or regional-level broad data).

AR 37-AR 34. When conducting **scenario analysis**, the undertaking may consider the following guidance: TCFD Technical Supplement on “The Use of Scenario Analysis in Disclosure of

Climate Related Risks and Opportunities” (2017); TCFD “Guidance on Scenario Analysis for No-Financial Companies” (2020); ISO 14091:2021 “Adaptation to climate change – Guidelines on vulnerability impacts and risk assessment”; any other recognized industry standards such as NGFS (Network for Greening the Financial System); and EU, national, regional and local regulations.

~~AR 38-AR 35.~~ The undertaking shall briefly explain how the climate **scenarios** used are compatible with the critical climate-related assumptions made in the financial statements.

*Pollution, Water and marine resources, Biodiversity, Resource use and circular economy*

~~AR 39-AR 36.~~ The undertaking shall describe the process to identify and assess **impacts** and **risks** related to pollution and water and marine resources, including:

- a) methodologies, assumptions and tools used to screen its **site** locations and business activities in order to identify its actual and potential impacts and risks related to pollution, water and marine resources, and resource use and circular economy;
- b) ~~if relevant applicable, the processes for the undertaking's whether and how the undertaking has conducted~~ consultations, ~~and~~ in particular with affected communities.

~~AR 40-AR 37.~~ The undertaking shall describe its process to identify material impacts and risks related to biodiversity. The description of the process shall include whether and how the undertaking:

- a) identified and assessed actual and potential impacts on **biodiversity** and **ecosystems** at own **site** locations and in the upstream and downstream value chain, including assessment criteria applied;
- b) identified and assessed **dependencies** on biodiversity and ecosystems and their services at own site locations and in the upstream and downstream value chain, including assessment criteria applied, and, if this assessment includes **ecosystem services** that are disrupted or likely to be;
- c) identified and assessed **transition** and **physical risks**;
- d) considered **systemic risks**;
- e) conducted consultations with **affected communities**.

~~AR 41-AR 38.~~ The undertaking shall specifically disclose whether or not it has **sites** located in or near **biodiversity-sensitive areas** and whether activities related to these sites negatively affect these areas.

~~AR 42-AR 39.~~ The undertaking shall describe its process to identify material impacts and risks related to Resource use and circular economy (E5), including:

- a) methodologies, assumptions and tools used to screen its assets and activities in order to identify its actual and potential **impacts** and **risks**; and
- b) the process for conducting consultations and, in particular, with affected communities.

*LEAP Approach*

~~AR 43-AR 40.~~ When conducting a materiality assessment on environmental subtopics other than climate change, the undertaking may consider the four phases below, also known as the LEAP approach:

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- (a) Phase 1: locate where in the own operations and its upstream and downstream **value chain** the interface with nature takes place;
- (b) Phase 2: evaluate the environmental-related **dependencies** and impacts;
- (c) Phase 3: assess the material **risks**; and
- (d) Phase 4: prepare and report the results of the materiality assessment.

~~AR 44-AR 41.~~ The **materiality** assessment for such matters corresponds to the first three phases of this LEAP approach, the fourth phase addresses the outcome of the process.

### ***Disclosure Requirement 10 (IR-2) – Topics covered by the undertaking’s sustainability statements***

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~~AR 45-AR 42.~~ Notwithstanding the basis for the presentation of the information about **sustainability matters** included in [draft] ESRS Section 1 chapter 8 *Structure of sustainability statements*, the undertaking may disclose the list of the Disclosure Requirements complied with in preparing the **sustainability statement** (see paragraph XX) in the general information part or in other parts of the sustainability statement as it deems appropriate. The undertaking may use a content index, i.e., a tabular list of the Disclosure Requirements included in the sustainability statement, with the indication of where they are located (page/paragraphs).

## **Appendix B: List of datapoints in cross-cutting and topical section standards that derive from other EU legislation**

This appendix is an integral part of Section 2 and of draft LSME ESRS. The table below illustrates the datapoints that derive from other EU legislation.

<b>Disclosure Requirement and related datapoint</b>	<b>SFDR<sup>12</sup> reference</b>	<b>Pillar 3<sup>13</sup> reference</b>	<b>Benchmark Regulation<sup>14</sup> reference</b>	<b>EU Climate Law<sup>15</sup> reference</b>
Section 2 GOV-1 Board's gender Diversity paragraph 20 (c)	Indicator number 13 of Table #1 of Annex 1		Commission Delegated Regulation (EU) 2020/1816 <sup>16</sup> , Annex II	
Section 2 GOV-1 Percentage of board members who are independent paragraph 20 (d)			Delegated Regulation (EU) 2020/1816, Annex II	
Section 2 GOV-2 Statement on due diligence paragraph 24	Indicator number 10 Table #3 of Annex 1			
Section 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 30 (c) i	Indicators number 4 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU)	Delegated Regulation (EU) 2020/1816, Annex II	

<sup>12</sup> Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosures Regulation) (OJ L 317, 9.12.2019, p. 1).

<sup>13</sup> Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Capital Requirements Regulation "CRR") (OJ L 176, 27.6.2013, p. 1).

<sup>14</sup> Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016, p. 1).

<sup>15</sup> Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') (OJ L 243, 9.7.2021, p. 1).

<sup>16</sup> Commission Delegated Regulation (EU) 2020/1816 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published (OJ L 406, 3.12.2020, p. 1).

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<b>Disclosure Requirement and related datapoint</b>	<b>SFDR<sup>12</sup> reference</b>	<b>Pillar 3<sup>13</sup> reference</b>	<b>Benchmark Regulation<sup>14</sup> reference</b>	<b>EU Climate Law<sup>15</sup> reference</b>
		2022/2453 <sup>17</sup> Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on Social risk		
Section 2 SBM-1 Involvement in activities related to chemical production paragraph 30 (c) ii	Indicator number 9 Table #2 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II	
Section 2 SBM-1 Involvement in activities related to chemical production paragraph 30 (c) iii	Indicator number 14 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1818 <sup>18</sup> , Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II	
Section 2 SBM-1 Involvement in activities related to chemical production paragraph 30 (c) iv			Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II	
Section 3 AR 6 ID 19 Transition plan to reach climate neutrality by 2050				Regulation (EU) 2021/1119, Article 2(1)

<sup>17</sup> Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 as regards the disclosure of environmental, social and governance risks (OJ L 324, 19.12.2022, p.1.).

<sup>18</sup> Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Parisalignd Benchmarks (OJ L 406, 3.12.2020, p. 17).

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<b>Disclosure Requirement and related datapoint</b>	<b>SFDR<sup>12</sup> reference</b>	<b>Pillar 3<sup>13</sup> reference</b>	<b>Benchmark Regulation<sup>14</sup> reference</b>	<b>EU Climate Law<sup>15</sup> reference</b>
Section 3 AR 6 ID 20 Undertakings excluded from Paris-aligned Benchmarks		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 12.1 (d) to (g), and Article 12.2	
Section 3 AR 67 ID 1 GHG emission reduction targets	Indicator number 4 Table #2 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 6	
Section 4 E1-1 Energy consumption from fossil sources (paragraph 7a)	Indicator number 5 Table #1 and Indicator n. 5 Table #2 of Annex 1			

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<b>Disclosure Requirement and related datapoint</b>	<b>SFDR<sup>12</sup> reference</b>	<b>Pillar 3<sup>13</sup> reference</b>	<b>Benchmark Regulation<sup>14</sup> reference</b>	<b>EU Climate Law<sup>15</sup> reference</b>
Section 4 E1-1 Disaggregated and separated non-renewable energy production and renewable energy production in MWh (paragraph 7d)	Indicator number 5 Table #1 of Annex 1			
Section 4 E1-1 Energy intensity associated with activities in high climate impact sectors (paragraphs 8 to 10)	Indicator number 6 Table #1 of Annex 1			
Section 4 E1-2 Gross Scope 1, 2, 3 and Total GHG emissions (paragraph 11)	Indicators number 1 and 2 Table #1 of Annex 1	Article 449a; Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 5(1), 6 and 8(1)	
Section 4 E1-2 Gross Scope 1, 2, 3 and Total GHG emissions (paragraph 20 and 21)	Indicators number 3 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453	Delegated Regulation (EU) 2020/1818, Article 8(1)	

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<b>Disclosure Requirement and related datapoint</b>	<b>SFDR<sup>12</sup> reference</b>	<b>Pillar 3<sup>13</sup> reference</b>	<b>Benchmark Regulation<sup>14</sup> reference</b>	<b>EU Climate Law<sup>15</sup> reference</b>
		Template 3: Banking book – Climate change transition risk: alignment metrics		
Section 4 E1-3 GHG removals and carbon credits paragraph 22				Regulation (EU) 2021/1119, Article 2(1)
Section 4 E1-4 Exposure of the benchmark portfolio to climate-related physical risks paragraph 29			Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II	
Section 4 E1-4 Disaggregation of Monetary amounts by acute and chronic physical risk paragraph 29 (a) Section 4 E1-4 Location of significant assets at material physical risk paragraph 29 (c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.		
Section 4 E1-4 Breakdown of the carrying value of its real estate assets by energy- efficiency		Article 449a Regulation (EU) No 575/2013; Commission Implementing		

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<b>Disclosure Requirement and related datapoint</b>	<b>SFDR<sup>12</sup> reference</b>	<b>Pillar 3<sup>13</sup> reference</b>	<b>Benchmark Regulation<sup>14</sup> reference</b>	<b>EU Climate Law<sup>15</sup> reference</b>
classes paragraph 30 (c).		Regulation (EU) 2022/2453 Paragraph 34; Template 2: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral		
Section 4 E1-4 Degree of exposure of the portfolio to climate-related opportunities paragraph 33			Delegated Regulation (EU) 2020/1818, Annex II	
Section 4 E2-1 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 36 (a)	Indicator number 8 Table #1 of Annex 1 Indicator number 2 Table #2 of Annex 1 Indicator number 1 Table #2 of Annex 1 Indicator number 3 Table #2 of Annex 1			
Section 3 AR 6 ID 3 Water and marine	Indicator number 7			

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<b>Disclosure Requirement and related datapoint</b>	<b>SFDR<sup>12</sup> reference</b>	<b>Pillar 3<sup>13</sup> reference</b>	<b>Benchmark Regulation<sup>14</sup> reference</b>	<b>EU Climate Law<sup>15</sup> reference</b>
resources	Table #2 of Annex 1			
Section 3 AR 6 ID 4 Water and marine resources	Indicator number 8 Table 2 of Annex 1			
Section 3 AR 6 ID 8 Sustainable oceans and seas	Indicator number 12 Table #2 of Annex 1			
Section 4 E3-1 Total water recycled and reused paragraph 44 (c).	Indicator number 6.2 Table #2 of Annex 1			
Section 4 E3-1 Total water consumption in m3 per net revenue on own operations paragraph 45	Indicator number 6.1 Table #2 of Annex 1			
Section 2 AR 28 ID 1 sites located in or near biodiversity-sensitive areas and activities related to these sites negatively affect these areas	Indicator number 7 Table #1 of Annex 1			
Section 2 AR 28 ID 2 negative impacts with regards to land degradation, desertification or soil sealing	Indicator number 10 Table #2 of Annex 1			
Section 2 AR 28 ID 3 operations affecting threatened species	Indicator number 14 Table #2 of Annex 1			

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<b>Disclosure Requirement and related datapoint</b>	<b>SFDR<sup>12</sup> reference</b>	<b>Pillar 3<sup>13</sup> reference</b>	<b>Benchmark Regulation<sup>14</sup> reference</b>	<b>EU Climate Law<sup>15</sup> reference</b>
Section 3 AR 6 ID 5 Sustainable land / agriculture practices or policies	Indicator number 11 Table #2 of Annex 1			
Section 3 AR 6 ID 8 Sustainable oceans/ seas practices or policies	Indicator number 12 Table #2 of Annex 1			
Section 3 AR 6 ID 7 Policies to address deforestation	Indicator number 15 Table #2 of Annex 1			
Section 4 E5-2 Non-recycled waste paragraph 62	Indicator number 13 Table #2 of Annex 1			
Section 4 E5-2 Hazardous waste and radioactive waste paragraph 64	Indicator number 9 Table #1 of Annex 1			
Section 2 AR 17 ID 1 Risk of incidents of forced labour	Indicator number 13 Table #3 of Annex I			
Section 2 AR 17 ID 2 Risk of incidents of child labour	Indicator number 12 Table #3 of Annex I			
Section 3 AR 6 ID 16 Human rights policy commitments	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I			
Section 3 AR 6 ID 11 Due diligence			Delegated Regulation (EU)	

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<b>Disclosure Requirement and related datapoint</b>	<b>SFDR<sup>12</sup> reference</b>	<b>Pillar 3<sup>13</sup> reference</b>	<b>Benchmark Regulation<sup>14</sup> reference</b>	<b>EU Climate Law<sup>15</sup> reference</b>
policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8,			2020/1816, Annex II	
Section 3 AR 6 ID 15 Processes and measures for preventing trafficking in human beings	Indicator number 11 Table #3 of Annex I			
Section 3 AR 6 ID 10 Workplace accident prevention policy or management system	Indicator number 1 Table #3 of Annex I			
Section 3 AR 6 ID 9 grievance/complaints handling mechanisms	Indicator number 5 Table #3 of Annex I			
Section 5 S1-7 Number of fatalities and number and rate of work-related accidents Paragraph 35(a) and 35(b)	Indicator number 2 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II	
Section 5 S1-7 Number of days lost to injuries, accidents, fatalities or illness paragraph 35(c)	Indicator number 3 Table #3 of Annex I			
Section 5 S1-8 Unadjusted gender pay gap Paragraph 39 (a)	Indicator number 12 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II	
Section 5 S1-8 Excessive CEO pay ratio paragraph Paragraph 39 (b)	Indicator number 8 Table #3 of Annex I			

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<b>Disclosure Requirement and related datapoint</b>	<b>SFDR<sup>12</sup> reference</b>	<b>Pillar 3<sup>13</sup> reference</b>	<b>Benchmark Regulation<sup>14</sup> reference</b>	<b>EU Climate Law<sup>15</sup> reference</b>
Section 5 S1-9 Incidents of discrimination Paragraph 45 (a)	Indicator number 7 Table #3 of Annex I			
Section 3 AR 6 ID 2 and ID 13 Non-respect of UNGPs on Business and Human Rights and OECD	Indicator number 10 Table #1 and Indicator n. 14 Table #3 of Annex		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818 Art 12 (1)	
Section 2 AR 17 ID 3 Significant risk of child labour or forced labour in the value chain	Indicators number 12 and n. 13 Table #3 of Annex I			
Section 3 AR 6 ID 1 and 16 Human rights policy commitments	Indicator number 9 Table #3 and Indicator n. 11 Table #1 of Annex 1			
Section 3 AR 6 ID 14 and ID 15 Policies related to value chain workers	Indicator number 11 and n. 4 Table #3 of Annex 1			
Section 3 AR 6 ID 2 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)	
Section 3 AR 6 ID 12 Due diligence policies on issues addressed by the fundamental International Labor			Delegated Regulation (EU) 2020/1816, Annex II	

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<b>Disclosure Requirement and related datapoint</b>	<b>SFDR<sup>12</sup> reference</b>	<b>Pillar 3<sup>13</sup> reference</b>	<b>Benchmark Regulation<sup>14</sup> reference</b>	<b>EU Climate Law<sup>15</sup> reference</b>
Organisation Conventions 1 to 8				
Section 3 AR 6 ID 13 Human rights issues and incidents connected to its upstream and downstream value chain	Indicator number 14 Table #3 of Annex 1			
Section 3 AR 6 ID 1 and ID 16 Human rights policy commitments	Indicator number 9 Table #3 of Annex 1 and Indicator number 11 Table #1 of Annex 1			
Section 3 AR 6 ID 2 Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines	Indicator number 10 Table #1 Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)	
Section 3 AR 6 ID 13 Human rights issues and incidents	Indicator number 14 Table #3 of Annex 1			
Section 3 AR 6 ID 1 and ID 16 Policies related to consumers and end-users	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex 1			
Section 3 AR 6 ID 2 Non-respect of UNGPs on Business and Human Rights	Indicator number 10 Table #1 of Annex 1			

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<b>Disclosure Requirement and related datapoint</b>	<b>SFDR<sup>12</sup> reference</b>	<b>Pillar 3<sup>13</sup> reference</b>	<b>Benchmark Regulation<sup>14</sup> reference</b>	<b>EU Climate Law<sup>15</sup> reference</b>
and OECD guidelines				
Section 3 AR 6 ID 3 Human rights issues and incidents	Indicator number 14 Table #3 of Annex 1			
Section 3 AR 6 ID 18 United Nations Convention against corruption	Indicator number 15 Table #3 of Annex 1			
Section 3 AR 6 ID 17 Protection of whistle-blowers	Indicator number 6 Table #3 of Annex 1			
Section 6 G1-2 Fines for violation of anti-corruption and anti-bribery laws Paragraph 9(a)	Indicator number 17 Table #3 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II)	
Section 6 G1-2 Standards of anti-corruption and anti-bribery Paragraph 9 (b)	Indicator number 16 Table #3 of Annex 1			

## SECTION 3 – POLICIES, ACTIONS AND TARGETS

### Objective

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1. This [draft] Section sets the information required:
  - (a) in relation to policies, actions and targets to prevent, mitigate and remediate actual and potential material negative impacts and to address material risks (collectively, to “manage material sustainability matters”) for a material matter, either as this is required by Disclosure Requirements in the topical Sections of this Standard, or on an entity-specific basis;
  - (b) about the undertaking’s processes for engaging with own workers, workers in the value chain, affected communities, consumers and end-users, and their representatives about impacts and, if the undertaking has in place those processes;
  - (c) about the undertaking’s processes to remediate negative impacts and channels for own workforce, value chain workers, affected communities, consumers and end-users to raise concerns, if the undertaking has in place those processes.
2. This [draft] Section covers impact and risk management and policies, actions and targets areas defined in Section 1 General requirements of this [draft] ESRS, and it is applicable in conjunction with Section 2 “General disclosures” and the topical Sections of this [draft] ESRS.
- ~~2.3.~~ The undertaking shall apply the requirements in this Section, when it concludes that the corresponding topic is material (according to chapter 3.3 Double materiality, 3.4 Impact materiality and 3.5 Financial materiality of Section 1). Following the undertaking’s assessment of the materiality of the information according to paragraph 36 of Section 1, the sustainability statement shall include those disclosures prescribed in this Section that are assessed to be material.
- ~~3.4.~~ The requirements in this Section shall be considered when the undertaking reports on a voluntary basis on material positive impacts and/or opportunities.

### ***Disclosure Requirement 11 (IR-3) – Policies and actions in relation to sustainability matters***

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- ~~4.5.~~ **The undertaking shall disclose information on its policies adopted and actions that have been taken or that are planned to manage material sustainability matters.**
- ~~5.6.~~ The objective of this Disclosure Requirement is to set the information that shall be provided when reporting on policies and actions in relation to a material matter.
- ~~6.7.~~ For each sustainability matter that it considers material, the undertaking shall disclose:
  - (a) Policies that it has in place to prevent, mitigate and remediate actual and potential **impacts** and to address **risks**;

- (b) Key actions taken and/or planned to address material impacts and risks, and where applicable achieve the objectives of related **policies**.

~~7-8.~~ When providing disclosures on **policies**, the undertaking shall include the following information:

- a) A description of the key contents of the **policy**, including its general objectives and which material **impacts** or **risks** the policy is relating to;
- b) A description of the scope of the policy in terms of activities, **value chain**, geographies and, if relevant, affected **stakeholder groups**;
- c) The most senior level in the undertaking's organisation that is accountable for the implementation of the policy;
- d) A reference, if relevant, to the third-party standards or initiatives the undertaking commits to respect through the implementation of the policy;
- e) If relevant, a description of the consideration given to the interest of key **stakeholders** in setting the policy; and
- f) If relevant, whether and how the undertaking makes the policy available to potentially affected stakeholders, and stakeholders who need to help implement it.

~~8-9.~~ When providing disclosures on **actions**, the undertaking shall disclose the following information:

- a) the list of key actions taken in the reporting year and planned for the future, and their expected outcomes;
- b) the scope of the key actions (i.e., coverage in terms of activities, **value chain** geographies and, where applicable, affected **stakeholder** groups);
- c) the time horizons under which the undertaking intends to complete each key action;
- d) if applicable, key actions taken (along with results) to provide for and cooperate in or support the provision of **remedy** for those harmed by actual material impacts;
- e) if applicable, quantitative and qualitative information regarding the progress of actions or action plans disclosed in prior periods.

~~9-10.~~ Where the implementation of an action plan requires significant operational expenditures (Opex) and/or capital expenditures (Capex) the undertaking shall:

- a) describe the type of current and future financial and other resources allocated to the action plan, including if applicable, the relevant terms of sustainable finance instruments, such as green bonds, social bonds and green loans, the environmental or social objectives, and whether the ability to implement the actions or action plan depends on specific preconditions, e.g., granting of financial support or public policy and market developments;
- b) provide the amount of current financial resources and explain how they relate to the most relevant amounts presented in the financial statements; and
- c) provide the amount of future financial resources.

- ~~40.11.~~ The corresponding disclosures related to policies and actions shall be located alongside disclosures prescribed by the relevant topical sections. When a single policy or same actions address several interconnected sustainability matters, the undertaking may disclose the required information in its reporting under one topical section and cross reference to it in its reporting under other topical section.
- ~~44.12.~~ When disclosing information on policies and actions in relation to a material sustainability, subject to paragraphs 33 and 34 of Section 1 of this [draft] ESRS, the undertaking shall apply the additional topical requirements set in Application Requirements IR-3 (AR XX to AR XX).
- ~~42.13.~~ In particular, for policies and actions in relation to a material matter, the undertaking shall include the datapoints derived from EU legislation (summarised in Table of AR 51).
- ~~43.14.~~ If the undertaking has not adopted **policies** and/or **actions** with reference to the specific material **sustainability matter** concerned, it shall state this to be the case. It may also disclose the timeline for implementing them, if it has such plans.

#### ***Disclosure Requirement 12 (IR-4) – Targets in relation to sustainability matters***

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- ~~44.15.~~ **If the undertaking has set sustainability-related targets, it shall disclose information about these targets.**
- ~~45.16.~~ The objective of this Disclosure Requirement is to provide an understanding on how the undertaking has set measurable time-oriented **targets** to monitor progresses overtime and track effectiveness of its actions in relation to material sustainability impacts and risks, if such targets have been implemented.
- ~~46.17.~~ If the undertaking has implemented targets with regards to each material sustainability matter, it shall disclose the following:
- a) the relationships of the target to the relevant **policy** objectives;
  - b) the defined level of ambition (quantitative and qualitative depending on the nature of the target) to be achieved, including, where applicable, whether the target is absolute or relative and in which unit it is measured;
  - c) the scope of the target (operations, upstream and/or downstream **value chain**, subsidiaries, geographical boundaries or activities);
  - d) if applicable, the baseline value and base year from which progress is measured;
  - e) the timeframe to achieve the target;
  - f) the methodologies and significant assumptions used to define targets, including where applicable, the selected **scenario**, data sources, alignment with science-based methodologies, and national, EU or international policy goals;
  - g) any changes in targets or underlying methodologies and assumptions adopted within the defined time horizon together with an explanation of the rationale for those changes and their effect on comparability;
  - h) the overall progress towards the defined target.

~~17.18.~~ When disclosing the information according to paragraph 66, the undertaking shall consider publicly claimed targets, or targets communicated to investors or lenders.

~~18.19.~~ The targets may cover the undertaking's own operations and/or the **value chain**.

~~19.20.~~ When disclosing the information required by paragraph 67, the undertaking shall apply the requirements set in the topic-specific Application Requirements IR 4.

~~20.21.~~ In particular, the undertaking shall include the datapoints deriving from EU legislation specified in AR 87.

⋮

## **Appendix A: Application Requirements – Section 3 Policies, Actions and Targets**

### **Disclosure Requirement 11 (IR-3) – Policies and actions in relation to sustainability matters**

- AR 1. In disclosing the information on **policies** and **actions**, the undertaking may include such a disclosure in a centralised section or divide it and present the relevant disclosure in each sustainability topical section.
- AR 2. A single **policy** may apply to several material sustainability matters, including matters addressed by more than one topical section of this [draft] ESRS. For example, if a single policy covers both an environmental matter and a social matter, the undertaking may report on the policy in the environmental section of its **sustainability statement**. In this case, it should include in the social section a cross-reference to the environmental section where the policy is reported. Equally, a policy may be reported in the social section with a cross-reference to the environmental section.
- AR 3. SMEs and undertakings with less resources may have few (or no) policies formalised in written documents, but this does not necessarily mean they do not have policies to report on.

If the undertaking has not formalised a policy but has implemented actions or defined targets through which the undertaking seeks to address material impacts and risks, it discloses them as actions and/or targets.

As an illustration:

- a) if the undertaking has implemented actions for employee management (i.e., to ensure equal treatment or a health and safety management system), but has not formalised a policy, it describes the actions undertaken to address the related material impacts and risks. Furthermore, the undertaking, if applicable, discloses which organisational level has been assigned responsibility for implementing these actions or action plans (i.e., department, management, top management, etc.)
  - b) if the undertaking has defined targets in relation to material impacts or risks (i.e., to reduce emissions, water consumption, etc.), but has not formalised a policy, it describes these targets and, if applicable, the department or person which is in charge to measure and report progress against these targets.
- AR 4. Key **actions** are those actions that materially contribute to achieving the undertakings objectives in addressing material **impacts** and **risks**. For reasons of understandability, key actions may be aggregated where appropriate.
- AR 5. Information on resource allocation may be presented in the form of a table and broken down between capital expenditure and operating expenditure, and across the relevant time horizons, and between resources applied in the current reporting year and resources the planned allocation of resources over specific time horizons.
- AR 6. When disclosing the information required under paragraphs 3 and 4 of this Section on a material sustainability topic, as a result of its **materiality** assessment, the undertaking shall disclose additional topic specific information as reported in the table below.

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Section 2 – General disclosures and Section 3 Policies, actions and targets

ID	Application Requirement	Sustainability topic	Policies – P Actions – A	EU related Data Points
1	For own workforce, value chain workers, affected communities and consumers and end-users, the undertaking shall describe those processes and mechanisms to monitor compliance with the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational enterprises.	Own workforce Workers in the value chain Affected communities Consumers and end-users	P	SFDR Tab. 1 KPI 11
2	For affected communities and consumers and end-users, the undertaking shall disclose whether and how its policies are aligned with relevant internationally recognised instruments, including United Nations (UN) Guiding Principles on Business and Human Rights. The undertaking shall also disclose the extent to which cases of non-respect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises that involve affected communities and consumers and end-users have been reported in its downstream value chain and, if applicable, an indication of the nature of such cases;	Affected communities Consumers and end-users	P	SFDR Tab. 1 KPI 10 Benchmark Reg. section 1 and 2 of Annex 2
3	The undertaking shall disclose if it has adopted policies related to water management	water and marine resources	P	SFDR Tab. 2 KPI 7
4	If at least one of the sites of the undertaking is located in an area of high-water stress and it is not covered by a policy, the undertaking shall state this to be the case and provide reasons for not having adopted such a policy. The undertaking may disclose a timeframe in which it aims to adopt such a policy.	water and marine resources	P	SFDR Tab. 2 KPI 8
5	The undertaking shall disclose whether it has adopted sustainable land / agriculture practices or policies	biodiversity and ecosystems	P	SFDR Tab. 2 KPI 11
6	The undertaking shall specifically disclose whether it has adopted a biodiversity and ecosystem protection policy covering operational sites owned, leased, or managed in or near a biodiversity sensitive area;	biodiversity and ecosystems	P	SFDR Tab. 2 KPI 14.2
7	The undertaking shall disclose whether it has adopted policies to address deforestation	biodiversity and ecosystems	P	SFDR Tab. 2 KPI 15
8	The undertaking shall disclose whether it has adopted policies or practices related to sustainable oceans and seas	water and marine resources biodiversity and ecosystems	P	SFDR Tab. 2 KPI 12

ID	Application Requirement	Sustainability topic	Policies – P Actions – A	EU related Data Points
9	The undertaking shall disclose whether or not it has a grievance/complaints handling mechanism related to employee matters <sup>19</sup>	own workforce	P	SFDR Tab. 3 KPI 5
10	The undertaking shall state whether it has a workplace accident prevention policy or management system.	own workforce	P	SFDR Tab. 3 KPI 1
11	The undertaking shall disclose whether and how its policies with regard to its own workforce are aligned with relevant internationally recognised instruments, including the UN Guiding Principles on Business and Human Rights	own workforce	P	Benchmark Reg. section 1 and 2 of Annex 2
12	The undertaking shall disclose whether and how its policies with regard to value chain workers are aligned with internationally recognised instruments relevant to value chain workers, including the United Nations (UN) Guiding Principles on Business and Human Rights. The undertaking shall also disclose the extent to which cases of non-respect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises that involve value chain workers have been reported in its upstream and downstream value chain and, if applicable, an indication of the nature of such cases	workers in the value chain	P	SFDR Tab. 1 KPI 10  Benchmark Reg. section 1 and 2 of Annex 2
13	For value chain workers, affected communities and consumers and end-users, the undertaking shall disclose whether severe human rights issues and incidents connected to its upstream and downstream value chain have been reported and, if applicable, disclose these.	Workers in the value chain  Affected communities  Consumers and end-users	A	SFDR Tab. 3, KPI 14
14	The undertaking shall also state whether it has a supplier code of conduct	workers in the value chain	P	SFDR Tab. 3 KPI 4
15	The undertaking shall state whether its policies in relation to own workforce and value chain workers explicitly address trafficking in human beings, forced labour or compulsory labour and child labour	own workforce  workers in the value chain	P	SFDR Tab. 3 KPI 11
16	The undertaking shall describe its human rights policy commitments	own workforce  workers in the value chain  affected communities	P	SFDR Tab. 3 KPI 9

<sup>19</sup> The information regarding Processes to remediate negative impacts and channels for own workforce to raise concerns has to be reported only once by the undertaking.

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ID	Application Requirement	Sustainability topic	Policies – P Actions – A	EU related Data Points
		consumers and end-users		
17	Where the undertaking has no policies on the protection of whistle-blowers, it shall state this and whether it has plans to implement them and the timetable for implementation	business conduct	P	SFDR Tab. 3 KPI 6
18	Where the undertaking has no policies on anti-corruption or anti-bribery consistent with the United Nations Convention against Corruption, it shall state this and whether it has plans to implement them and the timetable for implementation	business conduct	P	SFDR Tab. 3 KPI 15
19	The undertaking shall disclose its transition plan for climate change mitigation	Climate change	A	Climate Law Benchmark Reg.
20	If the undertaking has set a transition plan, it shall disclose whether or not it is excluded from the EU Paris-aligned Benchmarks	Climate change	A	EBA Pillar 3 Benchmark Reg.

AR 7. With reference to paragraph 3 of this Section and in addition to the information required in the table of AR. 6, the undertaking shall on a material sustainability topic, as a result of its materiality assessment, disclose additional topic specific information as defined in the following paragraphs.

In particular:

## **ENVIRONMENT**

### ***Policies and Actions for Climate change***

AR 8. The undertaking shall indicate whether and how its **policies** address the following areas:

- (a) **climate change mitigation**;
- (b) **climate change adaptation**;
- (c) energy efficiency;
- (d) **renewable energy** deployment; and
- (e) other.

#### *Guidance / Additional information for Policies on Climate change*

AR 9. **Policies** related to **climate change mitigation** address the management of the undertaking's **GHG emissions**, GHG removals and **transition risks** over different time horizons, in its own operations and/or in the upstream and downstream **value chain**.

AR 10. **Policies** related to **climate change adaptation** address the management of the undertaking's physical climate risks and climate change adaptation-related **transition risks**.

#### *Actions for Climate change*

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- AR 11. When listing **key actions** taken in the reporting year and planned for the future, the undertaking shall present the **climate change mitigation** actions by decarbonisation lever including the nature-based solutions (i.e., energy efficiency, electrification, fuel switching, use of renewable energy, products change, and supply-chain decarbonisation);
- AR 12. When describing the outcome of the actions for climate change mitigation, the undertaking shall include the achieved and expected GHG emission reductions.
- AR 13. When disclosing its **climate change adaptation** and **mitigation actions**, the undertaking shall relate significant monetary amounts of CapEx and OpEx required to implement the actions to:
- the relevant line items or notes in the financial statements;
  - the key performance indicators required under Commission Delegated Regulation (EU) 2020/852; and
  - if applicable, the CapEx plan required by Commission Delegated regulation (EU) 2021/2178.
- AR 14. When disclosing the information on resources, if applicable, the undertaking shall only disclose the significant OpEx and CapEx amounts required for the implementation of the **actions** related to climate change, as the purpose of this information is to demonstrate the credibility of its actions rather than to reconcile the disclosed amounts to the financial statements. The disclosed CapEx and OpEx amounts shall be the additions made to both tangible and intangible assets during the current financial year as well as the planned additions for future periods of implementing the actions. The disclosed amounts shall only be the incremental financial investments directly contributing to the achievement of the undertaking's **targets**.
- AR 15. The amounts of OpEx and CapEx required for the implementation of the **actions** related to climate change shall be consistent with the key performance indicators (CapEx and OpEx key performance indicators) and, if applicable, the CapEx plan required by Commission Delegated Regulation (EU) 2021/2178. The undertaking shall explain any potential differences between the significant OpEx and CapEx amounts disclosed under this Standard and the key performance indicators disclosed under Commission Delegated Regulation (EU) 2021/2178 due to, for instance, the disclosure of non-eligible economic activities as defined in that delegated regulation. The undertaking may structure its actions by economic activity to compare its OpEx and CapEx, and if applicable its OpEx and/or CapEx plans to its Taxonomy-aligned key performance indicators.
- AR 16. If the undertaking has set a transition plan for climate change mitigation, it shall include:
- on **GHG emission reduction targets** (as required by Disclosure Requirement E1-4), an explanation of how the undertaking's targets are compatible with the limiting of global warming to 1.5°C in line with the Paris Agreement;
  - for undertakings with economic activities that are covered by delegated regulations on climate adaptation or mitigation under the Taxonomy Regulation, an explanation of any objective or plans (CapEX, CapEx plans, OpEx) that the undertaking has for aligning its economic activities (revenues, CapEx, OpEx) with the criteria established in those delegated regulations; and

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- (c) if applicable, a disclosure of significant CapEx amounts invested during the reporting period related to coal, oil and gas-related economic activities.

### ***Policies and Actions for Pollution***

AR 17. When describing its policies on pollution, the undertaking shall indicate whether and how its **policies** address the following areas, where material:

- (a) mitigating negative **impacts** related to **pollution** of air, water and **soil** including prevention and control;
- (b) substituting and minimising the use of **substances of concern** and phasing out **substances of very high concern**, in particular for non-essential societal use and in **consumer** products; and
- (c) avoiding **incidents** and emergency situations, and if and when they occur, controlling and limiting their impact on the people and the environment.

AR 18. When describing its **policies** on pollution, the undertaking shall consider including information on the **pollutant(s)** or **substance(s)** covered.

### ***Guidance / Additional information for Policies on Pollution***

AR 19. When disclosing information on policies related to pollution, the undertaking may include contextual information on the relations between its policies implemented and how they may contribute to the EU Action Plan “Towards a Zero Pollution for Air, Water and Soil” with for instance elements on:

- (a) how it is or may be affected by the **targets** and measures of the EU Action Plan and the revision of existing directives (e.g., the Industrial Emissions Directive);
- (b) how it intends to reduce its **pollution** footprint to contribute to these targets.

### ***Policies and Actions for Water and marine resources***

AR 20. When disclosing the information on **policies** related to water and marine resources, the undertaking shall indicate, where material, whether and how its **policies** address:

- a) water management including:
  - i. the use and sourcing of **water and marine resources** in its own operations;
  - ii. water treatment as a step towards more sustainable sourcing of water; and
  - iii. the prevention and abatement of water **pollution** resulting from its activities.
- b) product and service design in view of addressing water-related issues and the preservation of marine resources; and
- c) commitment to reduce material **water consumption** in **areas at water risk** in its own operations and along the upstream and downstream **value chain**.

### ***Actions for Water and marine resources***

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AR 21. When disclosing information on **actions** related to water and marine resources, the undertaking shall specify actions and resources in relation to **areas at water risk**, including **areas of high-water stress**.

*Guidance / Additional information for Actions on Water and marine resources*

AR 22. In case of collective action or action plans involving other **stakeholders**, the undertaking may provide information on those specific collective actions and related parties involved.

***Policies and Actions for Biodiversity and ecosystems***

*Guidance / Additional information for Policies on Biodiversity and ecosystems*

AR 23. When disclosing the information on **policies** related to **biodiversity** and **ecosystems**, the undertaking may disclose that the policy allows the undertaking to:

- (a) avoid its negative impacts on **biodiversity** and **ecosystems** in its own operations and related upstream and downstream **value chain**;
- (b) reduce and minimise its negative impacts on biodiversity and ecosystems in its operations and throughout the upstream and downstream value chain that cannot be avoided;
- (c) restore and rehabilitate degraded ecosystems or restore cleared ecosystems following exposure to impacts that cannot be completely avoided and/or minimised; and
- (d) mitigate its material **biodiversity loss** drivers.

AR 24. When disclosing **policies** related to social consequences of **biodiversity** and **ecosystems**, the undertaking may notably refer to the Nagoya Protocol<sup>40</sup> and the Convention for Biological Diversity (CBD)<sup>41</sup>.

*Actions for Biodiversity and ecosystems*

AR 25. When disclosing the information on **actions** related to **biodiversity** and **ecosystems**, the undertaking:

- a) shall disclose whether it used **biodiversity** offsets in its action plans and a description of the offsets used, including area, type, the quality criteria applied and the standards that the biodiversity offsets comply with; and
- b) shall describe whether and how it has incorporated nature-based solutions into biodiversity and **ecosystems**-related actions;

*Guidance / Additional information for Actions on Biodiversity and ecosystems*

AR 26. In addition, when disclosing the information on actions related to biodiversity and ecosystems, the undertaking may disclose how it has applied the mitigation hierarchy with regard to its actions (avoidance, minimisation, restoration/rehabilitation, and compensation or offsets).

AR 27. The undertaking may disclose whether it considers an “avoidance” action plan. An avoidance action plan prevents damages before they take place. An example of avoidance is altering the **biodiversity** and ecosystem footprint of a project to avoid destruction of natural **habitat** on the **site** and/or establishing set-asides where priority biodiversity values are present and will be conserved.

## ***Policies and Actions for Resource use and circular economy***

### *Policies for Resource use and circular economy*

AR 28. When disclosing the information on **policies** related to resource use and **circular economy**, the undertaking shall indicate, where material, whether and how its policies address the following matters:

- a) transitioning away from use of virgin resources, including relative increases in use of secondary (recycled) resources;
- b) sustainable sourcing and use of renewable resources.

### *Guidance / Additional information for Policies on Resource use and circular economy*

AR 29. When disclosing the information on **policies** related to resource use and circular economy, the undertaking shall consider whether and how its policies address:

- a) the **waste hierarchy**: (a) prevention; (b) preparing for re-use; (c) **recycling**; (d) other **recovery**, e.g., energy recovery; and (e) disposal. In this context, the **waste** treatment cannot be considered as a recovery;
- b) the prioritisation of the avoidance or minimisation waste (Re-use, Repair, Refurbish, Remanufacture and Repurpose) over waste treatment strategies (Recycling). The concepts of eco-design<sup>20</sup>, waste as a resource or post-**consumer** waste (at the end of a consumer-product lifecycle), should also be taken in consideration.

### *Guidance / Additional information for Actions on Resource use and circular economy*

AR 30. When disclosing the information on **actions** related to **resource use** and **circular economy**, the undertaking may specify whether and how an action and resources cover:

- a) Higher levels of resource efficiency in use of technical and biological materials and water, particularly in relation to critical raw materials and rare earths as listed in the Raw Materials Information System;
- b) higher rates of use of secondary raw materials (recyclates);
- c) application of circular design, leading to increased product **durability** and optimization of use, and higher rates of: Reuse, Repair, Refurbishing, Remanufacture and Repurposing and Recycling.
- d) Application of circular business practices such as (i) value retention **actions** (maintenance, repair, refurbishing, remanufacturing, component harvesting, upgrading and reverse logistics, closed loop systems, second-hand retailing), (ii) value maximisation actions (product-service systems, collaborative and sharing economy business models), (iii) end-of-life actions (recycling, upcycling, extended producer responsibility), and (iv) systems efficiency actions (industrial symbiosis);
- e) Actions taken to prevent **waste** generation in the undertaking's upstream and downstream value chain; and
- f) Optimisation of **waste management** in line with the **waste hierarchy**.

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<sup>20</sup> As established by the Directive 2009/125/EC

## **SOCIAL**

### ***Policies related to own workforce***

AR 31. When describing its **policies on own workforce**, the undertaking shall disclose, for those matters that are material, its general approach to:

- a) engagement with people in its **own workforce** (refer to AR 32 to AR 33); and
- b) measures to provide and/or enable **remedy** for human rights impacts (refer to AR 41 to AR 43).

AR 32. If the undertaking has adopted specific policies aimed at the elimination of discrimination, it shall disclose this. In addition, it may disclose which grounds for discrimination are covered (racial and ethnic origin, colour, sex, sexual orientation, gender identity, disability, age, religion, political opinion, national extraction or social origin, other forms of discrimination covered by EU regulation and national law).

### ***Processes for engaging with own workforce and workers' representatives about impacts***

AR 33. If the undertaking engages with its own workforce, when disclosing information under AR 31 a), the undertaking shall disclose:

- a) its general processes for engaging where relevant with people in its own workforce and their representatives about actual and potential material impacts on them;
- b) whether and how the perspectives of its **own workforce** inform its decisions or activities aimed at managing the actual and potential material impacts on them. This shall include, where relevant, an explanation of:
  - i. whether engagement occurs directly with the undertaking's own workforce or workers' representatives;
  - ii. the stage(s) at which engagement occurs, the type of engagement and frequency of the engagement;
  - iii. where applicable, any agreements that the undertaking has with **workers' representatives** related to the respect of human rights of its own workforce.

AR 34. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with its own workforce, it may disclose a timeframe in which it aims to have such a process to be in place.

### ***Guidance on "Processes for engaging with own workforce and workers' representatives about impacts"***

AR 35. When preparing the disclosures described in AR 31 b), the following illustrations may be considered:

- (a) examples of stages at which engagement occurs are i) determining the approach to mitigation and ii) evaluating the effectiveness of mitigation;
- (b) for type of engagement, these could be participation, consultation and/or information; and
- (c) for the frequency of the engagement, information may be provided on whether engagement occurs on a regular basis, at certain points in a project or business process,

for example, when a new harvest season begins or a new production line is opened), as well as whether it occurs in response to legal requirements and/or in response to **stakeholder** requests and whether the result of the engagement is being integrated into the undertaking's decision-making processes.

- AR 36. To illustrate how the perspectives of its **own workforce** have informed specific decisions or activities, the undertaking may provide examples from the current reporting period.
- AR 37. Where the undertaking has agreements with national, European or international trade unions or works councils related to the rights of people its own workforce, this can be disclosed to illustrate how the agreement enables the undertaking to gain insight into the perspectives of such people.
- AR 38. The undertaking may provide examples from the reporting period to illustrate how the perspectives of its **own workforce** and **workers' representatives** have informed specific decisions or activities of the undertaking.
- AR 39. The undertaking shall consider the following aspects when fulfilling this Disclosure Requirement:
- (a) the type of engagement (for example, information, consultation or participation) and its frequency (for example, ongoing, quarterly, annually);
  - (b) how feedback is recorded and integrated into decision-making, and how people in the workforce are informed about the way in which their feedback has influenced decisions;
  - (c) whether engagement activities take place at the organisational level or at a lower level, such as at the site or project level, and in the latter case, how information from engagement activities is centralised;
  - (d) the resources (for example, financial or human resources) allocated to engagement; and
  - (e) how it engages with people in its workforce and workers' representatives on the impacts on its own workforce that may arise from reducing carbon emissions and transitioning to greener and climate-neutral operations, in particular restructuring, employment loss or creation, training and up/reskilling, gender and social equity, and health and safety.
- AR 40. The undertaking may also disclose the following information in relation to paragraph AR 31 on diversity:
- (a) how it engages with at-risk or persons in vulnerable situations (for example whether it takes specific approaches and gives special attention to potential barriers);
  - (b) how it takes into account potential barriers to engagement with people in its workforce (for example, language and cultural differences, gender and power imbalances, divisions within a community or group);
  - (c) how it provides people in its workforce with information that is understandable and accessible through appropriate communication channels;
  - (d) any conflicting interests that have arisen among its workforce and how the undertaking has resolved these conflicting interests; and
  - (e) how it seeks to respect the human rights of all stakeholders engaged, for example, their rights to privacy, freedom of expression, and peaceful assembly and protest.

AR 41. The undertaking may also report information about the effectiveness of processes for engaging with its **own workforce** from previous reporting periods. This applies in cases where the undertaking has assessed the effectiveness of these processes or derived lessons during the current reporting period. Processes used to track the effectiveness can include internal or external auditing or verification, impact assessments, measurement systems, **stakeholder** feedback, **grievance mechanisms**, external performance ratings, and benchmarking.

*Processes to remediate negative impacts and channels for own workforce to raise concerns*

AR 42. If the undertaking has in place processes to provide for or cooperate in the remediation of negative impacts on people in its own workforce that the undertaking is connected with, as well as channels available to its own workforce to raise concerns and have them addressed, when disclosing information under AR 30 (b) it shall disclose:

- a) its approach to and processes for providing or contributing to remedy where it is connected with a material negative impact on people in its own workforce, including whether and how the undertaking assesses that remedy provided is effective;
- b) any channels it has in place for its **own workforce** to raise their concerns or needs.

AR 43. The undertaking may disclose whether and how it assesses that people in its **own workforce**, are aware of, and trust, these structures or processes as a way to raise their concerns or needs and have them addressed. In addition, the undertaking shall disclose whether the undertaking has policies in place regarding the protection of individuals that use them against retaliation.

AR 44. If the undertaking cannot disclose the above required information because it has not implemented those processes, it may disclose a timeframe in which it aims to have such processes to be in place.

*Guidance on “Processes to remediate negative impacts and channels for own workforce to raise concerns”:*

AR 45. In fulfilling the requirements set out in AR 42 to AR 44, the undertaking may be guided by the content of the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct focused on **remediation** and **grievance mechanisms**.

AR 46. Channels for raising concerns or needs include **grievance mechanisms**, hotlines, trade unions (where people in the workforce are unionised), works councils, dialogue processes or other means through which the undertaking’s own workforce or **workers’ representatives** can raise concerns about impacts or explain needs that they would like the undertaking to address. This could include both channels provided by the undertaking directly and channels provided by the entities where their own workforce is working, in addition to any other mechanisms an undertaking may use to gain insight into the management of impacts on its own workforce, such as compliance audits. Where the undertaking is relying solely on information about the existence of such channels provided by its **business relationships** to answer this requirement, it may state that.

AR 47. These channels could be provided by an industry wide initiative in which the undertaking takes part of, or by other third-party mechanisms such as the ones operated by the government or NGOs. The undertaking may disclose whether these are accessible to all of

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its own workforce (or **workers' representatives** or, in their absence, individuals or organisations acting on their behalf or who are otherwise in a position to be aware of negative impacts).

- AR 48. The undertaking may disclose its processes through which it supports or requires the availability of such channels in the workplace of its own workforce, in the workplace of value chain workers, by its business partners for affected communities and consumers and end-users.
- AR 49. In explaining whether and how the undertaking knows that people in its **own workforce** are aware of and trust any of these channels, the undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of the people concerned. Examples of sources of information are surveys of people in the undertaking's workforce that have used such channels and their levels of satisfaction with the process and outcomes. To illustrate the usage level of such channels, the undertaking may disclose the number of complaints received from consumers and/or end-users during the reporting period.
- AR 50. The undertaking may disclose how it tracks and monitors issues raised and addressed, and, how it ensures the effectiveness of the channels, including through the involvement of **stakeholders** who are intended **users**.
- AR 51. In describing the effectiveness of channels for its **own workforce** and **workers' representatives** to raise concerns, the undertaking may be guided by the following questions, based on the "effectiveness criteria for non-judicial **grievance mechanisms**", as laid out in the UN Guiding Principles on Business and Human Rights, in particular principle 31. The considerations below may be applied to individual channels or to a collective system of channels:
- (a) do the channels have legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust?
  - (b) are the channels known and accessible to **stakeholders**?
  - (c) do the channels have clear and known procedures, with indicative timeframes?
  - (d) do the channels ensure reasonable access for stakeholders to sources of information, advice and expertise?
  - (e) do the channels offer transparency by providing sufficient information both to complainants and, where applicable, to meet any public interest?
  - (f) do outcomes achieved through the channels accord with internationally recognised human rights?
  - (g) does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future impacts? and
  - (h) does the undertaking focus on dialogue with complainants as the means to reach agreed solutions, rather than seeking to unilaterally determine the outcome?
- AR 52. The undertaking shall consider whether and how people in its own workforce that may be affected and their **workers' representatives** are able to access channels at the level of the undertaking they are employed by, or contracted to work for, in relation to each material impact. Relevant channels may include hotlines, trade unions (where people in the workforce

are unionised) or works councils, or other ***grievance mechanisms*** operated by the relevant undertaking or by a third party.

### ***Actions on material impacts on own workforce***

AR 53. When disclosing information on actions on material **impacts** related to **own workforce**, the undertaking shall describe:

- a. **actions** taken, planned or underway to prevent or mitigate material negative impacts on its own workforce;
- b. processes through which it identifies what **action** is needed and appropriate in response to a particular actual or potential negative **impact** on its **own workforce**.

#### *Guidance / Additional information for Actions on own workforce*

AR 54. The undertaking may disclose whether and how it ensures that its own practices do not cause or contribute to material negative impacts on **own workforce**, including, where relevant, its practices in relation to procurement, sales and data use. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.

#### *Guidance / Additional information for Policies related to value chain workers*

AR 55. When describing its **policies** on **value chain workers**, the undertaking shall consider focusing on those matters that are material in relation to, as well as its general approach to:

- a. engagement with value chain workers (refer to AR 54 to AR 55); and
- b. measures to provide and/or enable **remedy** for human rights impacts (refer to AR 58 to AR 60).

#### *Processes for engaging with value chain workers about impacts*

AR 56. If the undertaking engages with value chain workers and their representatives, when disclosing information under AR 53 (a), the undertaking shall disclose:

- a. its general processes for engaging where relevant with workers in the value chain and their representatives about actual and potential material impacts on them;
- b. whether and how the perspectives of **value chain workers** inform its decisions or activities aimed at managing the actual and potential material impacts on them. This shall include, where relevant, an explanation of:
  - i. whether engagement occurs with value chain workers or their **legitimate representatives** directly, or with **credible proxies** that have insight into their situation;
  - ii. the stage(s) at which engagement occurs, the type of engagement and frequency of the engagement;
  - iii. where applicable, any agreements that the undertaking has with global union federations related to the respect of human rights of workers in the value chain, including their right to bargain collectively.

AR 57. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with value chain workers, it may disclose a timeframe in which it aims to have such a process to be in place.

*Guidance on “Processes for engaging with value chain workers about impacts”:*

AR 58. When preparing the disclosures described in AR 54 b), the following illustrations may be considered:

- (a) examples of stages at which engagement occurs are i) determining the approach to mitigation and ii) evaluating the effectiveness of mitigation;
- (b) for type of engagement, these could be participation, consultation and/or information; and
- (c) for the frequency of the engagement, information may be provided on whether engagement occurs on a regular basis, at certain points in a project or business process, for example, when a new harvest season begins or a new production line is opened), as well as whether it occurs in response to legal requirements and/or in response to **stakeholder** requests and whether the result of the engagement is being integrated into the undertaking's decision-making processes.

AR 59. To illustrate how the perspectives of **value chain workers** have informed specific decisions or activities, the undertaking may provide examples from the current reporting period.

*Processes to remediate negative impacts and channels for value chain workers to raise concerns*

AR 60. If the undertaking has in place processes to provide for or cooperate in the remediation of negative impacts on value chain workers that the undertaking is connected with, as well as channels available to value chain workers to raise concerns and have them addressed, when disclosing information under AR 53 (b) it shall report:

- a) its approach to and processes for providing or contributing to **remedy** where it is connected with a material negative impact on **value chain workers**, including whether and how the undertaking assesses that remedy provided is effective;
- b) any channels it has in place for **value chain workers** to raise their concerns or needs.

AR 61. The undertaking may disclose whether and how it assesses that **value chain workers** are aware of, and trust, these structures or processes as a way to raise their concerns or needs and have them addressed. In addition, the undertaking shall disclose whether the undertaking has policies in place regarding the protection of individuals that use them against retaliation.

AR 62. If the undertaking cannot disclose the above required information because it has not implemented those processes, it may disclose a timeframe in which it aims to have such processes to be in place.

*Guidance on “Processes to remediate negative impacts and channels for value chain workers to raise concerns”:*

AR 63. In fulfilling the requirements set out in AR 60 to AR 62, the undertaking may be guided by the content of the UN Guiding Principles on Business and Human Rights and the OECD Due

Diligence Guidance for Responsible Business Conduct focused on **remediation** and **grievance mechanisms**.

- AR 64. Channels for raising concerns or needs include **grievance mechanisms**, hotlines, trade unions (where workers are unionised), dialogue processes or other means through which the **value chain** workers or their **legitimate representatives** can raise concerns about impacts or explain needs that they would like the undertaking to address. This could include both channels provided by the undertaking directly and channels provided by the entities where value chain workers are working, in addition to any other mechanisms an undertaking may use to gain insight into the management of impacts on workers, such as compliance audits. Where the undertaking is relying solely on information about the existence of such channels provided by its **business relationships** to answer this requirement, it may state that.
- AR 65. These channels could be provided by an industry wide initiative in which the undertaking takes part of, or by other third-party mechanisms such as the ones operated by the government or NGOs. The undertaking may disclose whether these are accessible to all workers who may be potentially or actually materially impacted by the undertaking, or individuals or organisations acting on their behalf or who are otherwise in a position to be aware of negative impacts.
- AR 66. The undertaking may disclose its processes through which it supports or requires the availability of such channels in the workplace of value chain workers.
- AR 67. In disclosing whether and how the undertaking knows that **value chain workers** are aware of and trust any of these channels, the undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of the people concerned. Examples of sources of information are surveys of value chain workers that have used such channels and their levels of satisfaction with the process and outcomes.
- AR 68. The undertaking may disclose how it tracks and monitors issues raised and addressed, and, how it ensures the effectiveness of the channels, including through the involvement of **stakeholders** who are intended **users**.
- AR 69. In describing the effectiveness of channels for **value chain workers** to raise concerns, the undertaking may be guided by the following questions, based on the “effectiveness criteria for non-judicial **grievance mechanisms**”, as laid out in the UN Guiding Principles on Business and Human Rights, in particular principle 31. The considerations below may be applied to individual channels or to a collective system of channels:
- (a) do the channels have legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust?
  - (b) are the channels known and accessible to **stakeholders**?
  - (c) do the channels have clear and known procedures, with indicative timeframes?
  - (d) do the channels ensure reasonable access for stakeholders to sources of information, advice and expertise?
  - (e) do the channels offer transparency by providing sufficient information both to complainants and, where applicable, to meet any public interest?
  - (f) do outcomes achieved through the channels accord with internationally recognised human rights?

- (g) does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future impacts?
- (h) does the undertaking focus on dialogue with complainants as the means to reach agreed solutions, rather than seeking to unilaterally determine the outcome?

AR 68. To provide greater insight into the information covered in this Disclosure Requirement regarding workers in the value chain, the undertaking may explain whether and how **value chain** workers that may be affected are able to access channels at the level of the undertaking they are employed by, or contracted to work for, in relation to each material impact.

AR 69. In relation to the protection of individuals that use the mechanisms against retaliation, the undertaking may describe whether it treats grievances confidentially and with respect to the rights of privacy and data protection; and whether the mechanisms can be used anonymously (for example, through representation by a third party).

#### ***Actions on material impacts on value chain workers***

AR 70. When disclosing information on actions on material **impacts** related to **value chain workers**, the undertaking shall describe:

- a. actions taken, planned or underway to prevent or mitigate material negative impacts on **value chain workers**;
- b. the processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on **value chain workers**;

AR 71. The undertaking shall disclose whether and how it takes action to avoid causing or contributing to material negative impacts on **value chain** workers through its own practices, including, where relevant, in relation to procurement, sales and data use. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.

#### ***Policies related to affected communities***

AR 72. The undertaking shall disclose any particular **policy** provisions for preventing and addressing impacts on **indigenous peoples**.

#### ***Guidance / Additional information for Policies related to affected communities***

AR 73. When describing its **policies** on **affected communities**, the undertaking shall consider focusing on those matters that are material in relation to, as well as its general approach to:

- a. engagement with affected communities (refer to AR 72 to AR 74); and
- b. measures to provide and/or enable **remedy** for human rights impacts (refer to AR 79 to AR 81).

#### ***Processes for engaging with affected communities***

AR 74. If the undertaking engages with affected communities and their representatives, when disclosing information under AR 73 (a), the undertaking shall disclose:

- a. its general processes for engaging where relevant with affected communities and their representatives about actual and potential material impacts on them;

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- b. whether and how the perspectives of **affected communities** inform its decisions or activities aimed at managing the actual and potential material impacts on them. This shall include, where relevant, an explanation of:
  - i. whether engagement occurs with affected communities or their **legitimate representatives** directly, or with **credible proxies** that have insight into their situation;
  - ii. the stage(s) at which engagement occurs, the type of engagement and frequency of the engagement;

AR 75. Where affected communities are **indigenous peoples**, the undertaking shall also disclose how it takes into account and ensures respect of their particular rights in its **stakeholder engagement** approach, including their right to **free, prior and informed consent** with regard to their cultural, intellectual, religious and spiritual property; activities affecting their lands and territories; and legislative or administrative measures that affect them. In particular, where engagement occurs with indigenous peoples, the undertaking shall also disclose whether and how **indigenous peoples** have been consulted on the mode and parameters of the engagement (for example, in designing the agenda, nature, and timeliness of the engagement).

AR 76. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with affected communities, it may disclose a timeframe in which it aims to have such a process to be in place.

*Guidance on “Processes for engaging with affected communities”:*

AR 77. When preparing the disclosures described in AR 74 b), the following illustrations may be considered:

- (a) examples of stages at which engagement occurs are i) determining the approach to mitigation and ii) evaluating the effectiveness of mitigation;
- (b) for type of engagement, these could be participation, consultation and/or information; and
- (c) for the frequency of the engagement, information may be provided on whether engagement occurs on a regular basis, at certain points in a project or business process, for example, when a new harvest season begins or a new production line is opened), as well as whether it occurs in response to legal requirements and/or in response to **stakeholder** requests and whether the result of the engagement is being integrated into the undertaking's decision-making processes.

AR 78. To illustrate how the perspectives of **affected communities** have informed specific decisions or activities, the undertaking may provide examples from the current reporting period.

AR 79. The undertaking shall consider how the engagement includes a good faith negotiation with affected **indigenous peoples** to obtain their **free, prior and informed consent** where the undertaking affects the lands, territories or resources that indigenous peoples customarily own, occupy or otherwise use; or relocates them from land or territories subject to traditional ownership or under customary use or occupation; or affects or exploits their cultural, intellectual, religious and spiritual property.

AR 80. Explanations of how the undertaking takes into account and ensures respect of the particular right of **indigenous peoples** to **free, prior and informed consent**, may include information

about processes to consult with indigenous peoples to obtain their free prior and informed consent.

*Processes to remediate negative impacts and channels for affected communities to raise concerns*

- AR 81. If the undertaking has in place processes to provide for or cooperate in the remediation of negative impacts on affected communities that the undertaking is connected with, as well as channels available to them to raise concerns and have them addressed, when disclosing information under AR 70 (b) it shall disclose:
- a) its approach to and processes for providing or contributing to **remedy** where it is connected with a material negative **impact** on affected communities, including whether and how the undertaking assesses that remedy provided is effective;
  - b) any channels it has in place for **affected communities** to raise their concerns or needs.
- AR 82. The undertaking may disclose whether and how it assesses that **affected communities** are aware of, and trust, these structures or processes as a way to raise their concerns or needs and have them addressed. In addition, the undertaking shall disclose whether the undertaking has policies in place regarding the protection of individuals that use them against retaliation.
- AR 83. If the undertaking cannot disclose the above required information because it has not implemented those processes, it may disclose a timeframe in which it aims to have such processes to be in place.

*Guidance on “Processes to remediate negative impacts and channels for affected communities to raise concerns”:*

- AR 84. In fulfilling the requirements set out in AR 81 to AR 83, the undertaking may be guided by the content of the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct focused on **remediation** and **grievance mechanisms**.
- AR 85. Channels for raising concerns or needs include **grievance mechanisms**, hotlines, dialogue processes or other means through which affected communities or their legitimate representatives can raise concerns about impacts or explain needs that they would like the undertaking to address. This could include both channels provided by the undertaking directly, in addition to any other mechanisms an undertaking may use to gain insight into the management of impacts on communities, such as compliance audits. Where the undertaking is relying solely on information about the existence of such channels provided by its **business relationships** to answer this requirement, it may state that.
- AR 86. To provide greater insight into the information covered in this Disclosure Requirement regarding affected communities, the undertaking may provide insight into whether and how communities that may be affected are able to access channels at the level of the undertaking they are affected by, in relation to each material impact. Relevant insights include information on whether affected communities can access channels in a language they understand, and whether they have been consulted in the design of such channels.
- AR 87. Channels could be provided by an industry wide initiative in which the undertaking takes part of, or by other third party mechanisms such as the ones operated by the government or NGOs. The undertaking may disclose whether these are accessible to all affected

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communities who may be potentially or actually materially impacted by the undertaking, or individuals or organisations acting on their behalf or who are otherwise in a position to be aware of negative impacts.

- AR 88. The undertaking may disclose its processes through which it supports the availability of such channels by its business relationships.
- AR 89. In relation to the protection of individuals that use the mechanisms against retaliation, the undertaking may describe whether it treats grievances confidentially and with respect to the rights of privacy and data protection; and whether the mechanisms can be used anonymously (for example, through representation by a third party).
- AR 90. When disclosing processes related to providing and enabling **remedy** for **indigenous peoples**, relevant information includes whether and how the undertaking has considered their customs, traditions, rules and legal systems.
- AR 91. In disclosing whether and how the undertaking knows that **affected communities** are aware of and trust any of these channels, the undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of the people concerned. Examples of sources of information are surveys of community members that have used such channels and their levels of satisfaction with the process and outcomes.
- AR 92. The undertaking may disclose how it tracks and monitors issues raised and addressed, and, how it ensures the effectiveness of the channels, including through the involvement of **stakeholders** who are intended **users** of those channels.
- AR 93. In describing the effectiveness of channels for **affected communities** to raise concerns, the undertaking may be guided by the following questions, based on the “effectiveness criteria for non-judicial **grievance mechanisms**”, as laid out in the UN Guiding Principles on Business and Human Rights, in particular principle 31. The considerations below may be applied to individual channels or to a collective system of channels:
- (a) do the channels have legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust?
  - (b) are the channels known and accessible to **stakeholders**?
  - (c) do the channels have clear and known procedures, with indicative timeframes?
  - (d) do the channels ensure reasonable access for stakeholders to sources of information, advice and expertise?
  - (e) do the channels offer transparency by providing sufficient information both to complainants and, where applicable, to meet any public interest?
  - (f) do outcomes achieved through the channels accord with internationally recognised human rights?
  - (g) does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future impacts?
  - (h) does the undertaking focus on dialogue with complainants as the means to reach agreed solutions, rather than seeking to unilaterally determine the outcome?

### ***Actions on material impacts on affected communities***

- AR 94. When disclosing information on **actions** on material impacts related to **affected communities**, the undertaking shall describe:
- a. actions taken, planned or underway to prevent or mitigate material negative **impacts** on affected communities;
  - b. the processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on affected communities.
- AR 95. The undertaking shall disclose whether and how it takes action to avoid causing or contributing to material negative impacts on **affected communities** through its own practices, including, where relevant, in relation to planning, land acquisition and exploitation, finance, extraction or production of raw materials, use of natural resources, and management of environmental impacts. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.

### ***Guidance / Additional information for Policies related to consumers and end-users***

- AR 96. When describing its **policies** on **consumers** and **end-users**, the undertaking shall consider focusing on those matters that are material in relation to, as well as its general approach to:
- a. engagement with consumers and/or end-users (refer to AR 97 and AR 98); and
  - b. measures to provide and/or enable **remedy** for human rights impacts (refer to AR 102 to AR 104).

### ***Processes for engaging with consumers and end-users***

- AR 97. If the undertaking engages with **consumers and end-users**, when disclosing information under AR 96 (a), the undertaking shall disclose:
- a. its general processes for engaging where relevant with consumers and end-users and their representatives about actual and potential material impacts on them;
  - b. whether and how the perspectives of its **consumers and end-users** inform its decisions or activities aimed at managing the actual and potential material impacts on them. This shall include, where relevant, an explanation of:
    - i. whether engagement occurs with affected consumers and end-users or their **legitimate representatives** directly, or with **credible proxies** that have insight into their situation;
    - ii. the stage(s) at which engagement occurs, the type of engagement and frequency of the engagement;
- AR 98. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with consumers and end-users, it may disclose a timeframe in which it aims to have such a process to be in place.

### ***Guidance on “Processes for engaging with consumers and end-users”:***

- AR 99. When preparing the disclosures described in AR 96 b), the following illustrations may be considered:

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- (a) examples of stages at which engagement occurs are i) determining the approach to mitigation and ii) evaluating the effectiveness of mitigation;
- (b) for type of engagement, these could be participation, consultation and/or information; and
- (c) for the frequency of the engagement, information may be provided on whether engagement occurs on a regular basis, at certain points in a project or business process, for example, when a new harvest season begins or a new production line is opened), as well as whether it occurs in response to legal requirements and/or in response to **stakeholder** requests and whether the result of the engagement is being integrated into the undertaking's decision-making processes.

AR 100. To illustrate how the perspectives of **consumers** and **end-users** have informed specific decisions or activities, the undertaking may provide examples from the current reporting period.

AR 101. **Credible proxies** who have knowledge of the interests, experiences or perspectives of **consumers** and **end-users** could include national consumer protection bodies for some consumers.

*Processes to remediate negative impacts and channels for consumers and end-users to raise concerns*

AR 102. If the undertaking has in place processes to provide for or cooperate in the remediation of negative impacts on consumers and end-users, that the undertaking is connected with, as well as channels available to them to raise concerns and have them addressed, when disclosing information under AR 95 (b) it shall disclose:

- a) its approach to and processes for providing or contributing to **remedy** where it is connected with a material negative impact on **consumers** and **end-users**, including whether and how the undertaking assesses that remedy provided is effective;
- b) any channels it has in place for **consumers and end-users** to raise their concerns or needs.

AR 103. The undertaking may disclose whether and how it assesses that **consumers** and/or **end-users** are aware of and trust these structures or processes as a way to raise their concerns or needs and have them addressed. In addition, the undertaking shall disclose whether the undertaking has policies in place regarding the protection of individuals that use them against retaliation.

AR 104. If the undertaking cannot disclose the above required information because it has not implemented those processes, it may disclose a timeframe in which it aims to have such processes to be in place.

*Guidance on “Processes to remediate negative impacts and channels for consumers and end-users to raise concerns”:*

AR 105. In fulfilling the requirements set out in AR 101 to AR 103, the undertaking may be guided by the content of the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct focused on **remediation** and **grievance mechanisms**.

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- AR 106. Channels for raising concerns or needs include ***grievance mechanisms***, hotlines, dialogue processes or other means through which consumers and end-users or their legitimate representatives can raise concerns about impacts or explain needs that they would like the undertaking to address. This could include channels provided by the undertaking directly and is to be disclosed in addition to any other mechanisms an undertaking may use to gain insight into the management of impacts on consumers and/or end-users, such as compliance audits. Where the undertaking is relying solely on information about the existence of such channels provided by its ***business relationships*** to answer this requirement, it may state that.
- AR 107. These channels could be provided by an industry wide initiative in which the undertaking takes part of, or by other third party mechanisms such as the ones operated by the government or NGOs. The undertaking may disclose whether these are accessible to all consumers and/or end-users who may be potentially or actually materially impacted by the undertaking, or individuals or organisations acting on their behalf or who are otherwise in a position to be aware of negative impacts.
- AR 108. The undertaking may disclose its processes through which it supports or requires the availability of such channels by its business relationships for consumers and end-users.
- AR 109. In disclosing whether and how the undertaking knows that ***consumers*** and/or ***end-users*** are aware of and trust any of these channels, the undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of the people concerned. Examples of sources of information are surveys of consumers and/or end-users that have used such channels and their levels of satisfaction with the process and outcomes. To illustrate the usage level of such channels, the undertaking may disclose the number of complaints received from consumers and/or end-users during the reporting period.
- AR 110. The undertaking may disclose how it tracks and monitors issues raised and addressed, and, how it ensures the effectiveness of the channels, including through the involvement of ***stakeholders*** who are intended ***users***.
- AR 111. In describing the effectiveness of channels for ***consumers*** and/or ***end-users*** to raise concerns, the undertaking may be guided by the following questions, based on the “effectiveness criteria for non-judicial ***grievance mechanisms***”, as laid out in the UN Guiding Principles on Business and Human Rights, in particular principle 31. The considerations below may be applied to individual channels or to a collective system of channels:
- (a) do the channels have legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust?
  - (b) are the channels known and accessible to ***stakeholders***?
  - (c) do the channels have clear and known procedures, with indicative timeframes?
  - (d) do the channels ensure reasonable access for stakeholders to sources of information, advice and expertise?
  - (e) do the channels offer transparency by providing sufficient information both to complainants and, where applicable, to meet any public interest?
  - (f) do outcomes achieved through the channels accord with internationally recognised human rights?

- (g) does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future impacts?
  - (h) does the undertaking focus on dialogue with complainants as the means to reach agreed solutions, rather than seeking to unilaterally determine the outcome?
- AR 112. To provide greater insight into the information covered in this Disclosure Requirement regarding **consumers** and **end-users**, the undertaking may provide insight into whether and how consumers and/or end-users that may be affected are able to access channels at the level of the undertaking they are affected by, in relation to each material impact.
- AR 113. In relation to the protection of individuals that use the mechanisms against retaliation, the undertaking may describe whether it treats grievances confidentially and with respect to the rights of privacy and data protection; and whether the mechanisms can be used anonymously (for example, through representation by a third party).

### ***Actions on material impacts on consumers and end-users***

- AR 114. When disclosing information on actions on material impacts related to consumers and end-users, the undertaking shall describe:
- a. **actions** taken, planned or underway to prevent, mitigate or remediate material negative impacts on **consumers** and/or **end-users**;
  - b. the processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on consumers and/or end-users;
- AR 115. The undertaking shall disclose whether and how it takes action to avoid causing or contributing to material negative impacts on **consumers** and/or **end-users** through its own practices, including, where relevant, in relation to marketing, sales and data use. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.

**BUSINESS CONDUCT*****Policies for Business conduct***

AR 116. When disclosing the information on **policies** related to business conduct, the undertaking shall disclose:

- a) The role of the **administrative, management and supervisory bodies** related to business conduct; and
- b) The expertise of the administrative, management and supervisory bodies on business conduct matters;
- c) Whether it has policies on anti-**corruption** or anti-**bribery**;
- d) Where the undertaking has no policies, it shall state this and whether it has plans to implement them and the timetable for implementation;
- e) Whether it has policies on the protection of whistle-blowers;
- f) Where applicable, whether the undertaking has in place policies with respect to animal welfare.

***Disclosure Requirement 12 (IR-4) – Targets in relation to sustainability matters***

AR 117. If the undertaking has targets on GHG emission reduction, it shall disclose, if material, the information reported in the table below:

ID	Application Requirement	Sustainability topic	Targets - T	EU Data Points
1	The undertaking shall disclose its GHG emission reduction targets for scope 1, 2 and 3	climate change	T	SFDR Tab. 2 KPI 4  Climate benchmark regulation, Art. 6

AR 118. When disclosing **targets** related to the prevention or mitigation of environmental impacts, the undertaking may prioritise targets related to the reduction of the impacts in absolute terms rather than in relative terms. When targets address the prevention or mitigation of social impacts, they may be specified in terms of the effects on human rights, welfare or positive outcomes for affected **stakeholders**.

AR 119. The information on progress made towards achieving the targets may be presented in a comprehensive table, including information on the baseline and target value, milestones, and achieved performance over the prior periods.

AR 120. When disclosing on targets related to environmental matters, the undertaking shall identify those that are science-based.

AR 121. If the undertaking has targets it may disclose additional topic specific information defined in the following paragraphs,.

**ENVIRONMENT**

*Guidance / Additional information for Targets on Climate change*

AR 122. Regarding **GHG emission reduction targets** for scope 1, 2, and 3, the undertaking may disclose:

- a) GHG emission reduction targets in absolute value (either in tonnes of CO<sub>2</sub>eq or as a percentage of the **emissions** of a base year) and, where relevant, in intensity value;
- b) GHG emission reduction targets for **Scope 1, 2, and 3 GHG emissions**, either separately or combined. The undertaking shall specify, in case of combined **GHG emission reduction targets**, which GHG emission Scopes (1, 2 and/or 3) are covered by the target;
- c) the current base year and baseline value of the target, and from 2030 onwards, update the base year for its GHG emission reduction targets after every five-year period thereafter;

- d) whether the GHG emission reduction targets are science-based and compatible with limiting global warming to 1.5°C, including information on which framework or methodology has been used to determine these targets including whether they are derived using a sectoral decarbonisation pathway and what the underlying climate and **policy scenarios** are and whether they have been externally assured;
  - e) the expected **decarbonisation levers** and their overall quantitative contributions to achieve the GHG emission reduction targets (e.g., energy or material efficiency and consumption reduction, fuel switching, use of **renewable energy**, phase out or substitution of product and process).
- AR 123. When setting climate change science-based targets or disclosing them, the undertaking may consider indications contained in resources like the Science Based Targets initiative (SBTi) for Small and Medium-Sized Enterprises (SMEs) by CDP, the United Nations Global Compact, the World Resources Institute, WWF; publication issued by WWF and BCG (2020), and *Beyond Science-Based Targets: A Blueprint for Corporate Action on Climate and Nature*.
- AR 124. When disclosing the information related to GHG **emission reduction targets**, the undertaking may specify the share of the target related to each respective **GHG emission Scope (1, 2 or 3)**. The undertaking may specify the method used to calculate Scope 2 GHG **emissions** included in the target (i.e., either the location-based or market-based method). If the boundary of the GHG **emission reduction target** diverges from that of the GHG **emissions**, the undertaking may disclose the respective percentage of Scope 1, 2, 3 and total GHG emissions covered by the target.
- AR 125. When disclosing the information on base year and baseline value:
- (a) the undertaking may briefly explain how it has ensured that the baseline value against which the progress towards the target is measured is representative in terms of the activities covered and the influences from external factors (e.g., temperature anomalies in a certain year influencing the amount of energy consumption and related GHG emissions). This can be done by the normalisation of the baseline value, e.g., by using a baseline value that is derived from a 3-year average if this increases the representativeness and allows a more faithful representation;
  - (b) the baseline value and base year shall not be changed unless significant changes in either the target or reporting boundary occur. In such a case, the undertaking may explain how the new baseline value affects the new target, its achievement and presentation of progress over time. To foster comparability, when setting new **targets**, the undertaking may select a recent base year that does not precede the first reporting year of the new target period by longer than 3 years. For example, for 2030 as the target year and a target period between 2025 and 2030, the base year shall be selected from the period between 2022 and 2025;
  - (c) when presenting climate-related targets, the undertaking may disclose the progress in meeting these targets made before its current base year.
- AR 126. The undertaking may present the information over the target period with reference to a sector-specific, if available, or a cross-sector emission pathway compatible with limiting global warming to 1.5°C. For this purpose, the undertaking may calculate a 1.5°C aligned reference target value for Scope 1 and 2 (and, if applicable, a separate one for Scope 3) against which



its own **GHG emission reduction targets** or interim targets in the respective Scopes can be compared.

- AR 127. The reference target value may be calculated by multiplying the GHG emissions in the base year with either a sector-specific (sectorial decarbonisation methodology) or cross-sector (contraction methodology) **emission reduction** factor. These emission reduction factors can be derived from different sources. The undertaking should ensure that the source used is based on an emission reduction pathway compatible with limiting global warming to 1.5°C.
- AR 128. The **emission reduction** factors are subject to further development. Consequently, undertakings are encouraged to only use updated publicly available information.

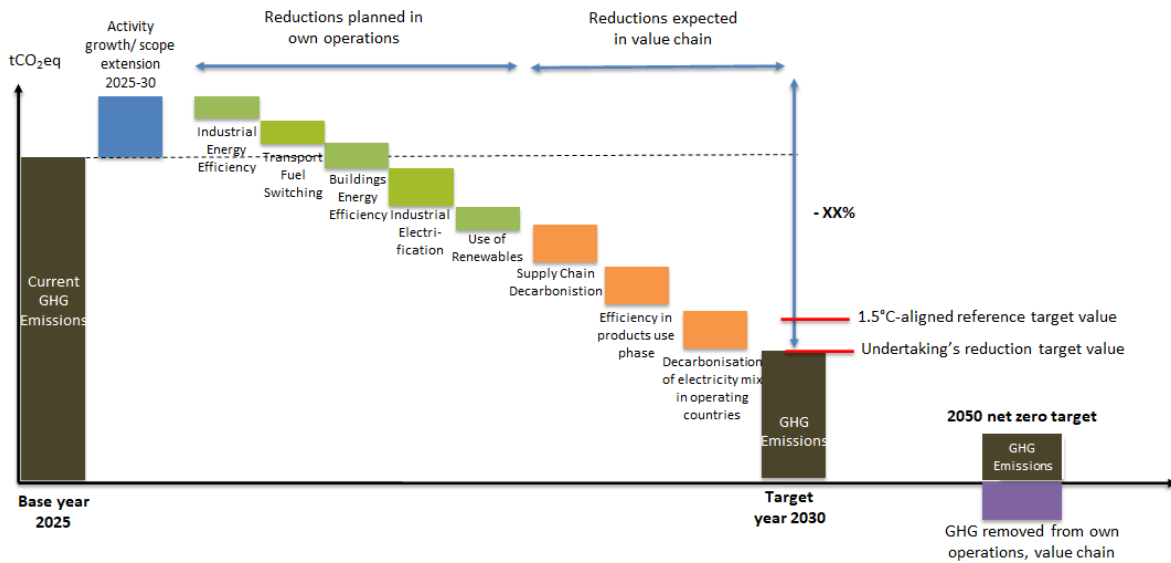
	2030	2050
Cross-sector (ACA) reductions pathway based on the year 2020 as the reference year	-42%	-90%

Source: based on Pathways to Net-zero –SBTi Technical Summary (Version 1.0, October 2021)

- AR 129. The reference target value is dependent on the base year and baseline **emissions** of the undertaking’s GHG **emission reduction** target. As a result, the reference target value for undertakings with a recent base year or from higher baseline emissions may be less challenging to achieve than it will be for undertakings that already have taken ambitious past **actions** to reduce GHG emissions. Therefore, undertakings that have in the past achieved GHG emissions reductions compatible with either a 1.5°C-aligned cross-sector or sector-specific pathway, may adjust their baseline emissions accordingly to determine the reference target value. Accordingly, if the undertaking is adjusting the baseline emissions to determine the reference target value, it shall not consider GHG emission reductions that precede the year 2020 and it should provide appropriate evidence of its past achieved GHG emission reduction.
- AR 130. When disclosing the information related to expected decarbonisation levers the undertaking may explain:
- (a) by reference to its **climate change mitigation actions**, the **decarbonisation levers** and their estimated quantitative contributions to the achievement of its GHG **emission reduction targets** broken down by each Scope (1, 2 and 3);
  - (b) whether it plans to adopt new technologies and the role of these to achieve its GHG emission reduction targets; and

(c) whether and how it has considered a diverse range of climate **scenarios**, at least including a climate scenario compatible with limiting global warming to 1.5°C, to detect relevant environmental-, societal-, technology-, market- and policy-related developments and determine its decarbonisation levers.

AR 131. The undertaking may present its GHG **emission reduction targets** together with its **climate change mitigation actions** (see paragraph AR 20) as a table or graphical pathway showing developments over time. The following figure and table provide examples combining targets and decarbonisation levers:



	Base year (e.g., 2025)	2030 target	2035 target	...	Up to 2050 target
GHG emissions (ktCO <sub>2</sub> eq)	100	60	40		
Energy efficiency and consumption reduction	-	-10	-4		
Material efficiency and consumption reduction	-	-5	-		
Fuel switching	-	-2	-		

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Electrification	-	-	-10		
Use of renewable energy	-	-10	-3		
Phase out or substitution of product change	-	-8	-		
Phase out or substitution of process change	-	-5	-3		
Other	-	-			

*Guidance / Additional information for Targets on Pollution*

- AR 132. When disclosing information on targets that are related to pollution, the undertaking may specify whether and how its targets relate to the prevention and control of air pollutants and respective **specific loads, emissions** to water and respective specific loads, **pollution to soil** and respective specific loads, and **substances of concern** and **substances of very high concern**.
- AR 133. If the undertaking refers to **ecological thresholds** when setting **targets**, it may refer to the guidance provided by the Science-Based Targets Initiative for Nature (SBTN) in its interim guidance (Initial Guidance for Business, September 2020, or any other guidance with a scientifically acknowledged methodology that allows setting of science-based targets by identifying ecological thresholds and, if applicable, entity-specific allocations. Ecological thresholds can be local, national and/or global.
- AR 134. The undertaking may specify whether the **target** addresses shortcomings related to the Substantial Contribution criteria for Pollution Prevention and Control as defined in delegated acts adopted pursuant to Article 14(2) of Regulation (EU) 2020/852. Where the Do No Significant Harm (DNSH) criteria for Pollution Prevention and Control as defined in delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), and Article 15(2) of Regulation (EU) 2020/852 are not met, the undertaking may specify whether the target addresses shortcomings related those DNSH criteria.

*Guidance / Additional information for Targets on Water and marine resources*

- AR 135. When disclosing information on **targets** that are related to water and marine resources, the undertaking may indicate whether and how its targets relate to:

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- a) the management of material **impacts and, risks and ~~(opportunities)~~**-related to **areas at water risk**, including improvement of the water quality;
- b) the responsible management of **marine resources** impacts and, risks and ~~(opportunities)~~—including the nature and quantity of marine resources-related commodities (such as gravels, deep-sea minerals, seafood) used by the undertaking; and
- c) the reduction of **water consumption**, including an explanation of how those targets relate to areas at water risk, including areas of high water-stress.

AR 136. If the undertaking refers to **ecological thresholds** when setting **targets**, it may refer to the guidance provided by the Science-Based Targets Initiative for Nature (SBTN) in its interim guidance (Initial Guidance for Business, September 2020). It may also refer to any other guidance with a scientifically acknowledged methodology that enables the setting of science-based targets by identifying ecological thresholds and, if applicable, organisation-specific allocations. Ecological thresholds can be local, national and/or global.

AR 137. The undertaking may provide **targets** related to:

- (a) the reduction of **water withdrawals**; and
- (b) the reduction of **water discharges**.

AR 138. If the undertaking provides **targets** on withdrawals, it may include **water withdrawal** from polluted **soils** and aquifers, and water withdrawn and treated for **remediation** purposes.

AR 139. If the undertaking provides **targets** on **discharges**, it may include **water discharges** to **groundwater** such as reinjection to aquifers, or water returning to a groundwater source via a soakaway or a swale.

#### *Guidance / Additional information for Targets on Biodiversity and ecosystems*

AR 140. When disclosing information on **targets** that are related to **biodiversity** and **ecosystems**, the undertaking may specify whether and how these targets are related to:

- a) contribution to direct impact drivers on biodiversity loss;
- b) **impacts** on the state of species (i.e., species population size, species global extinction risk);
- c) impacts on the extent and condition of **ecosystems** including through **land degradation, desertification** and **soilsealing**;
- d) impacts and dependencies on ecosystem services.

AR 141. When disclosing information on targets that are related to biodiversity and ecosystems, the undertaking may specify:

- a) whether **ecological thresholds** and allocations of impacts to the undertaking were applied when setting **targets**;

- b) whether the targets are informed by, and / or aligned with the Kunming-Montreal Global Biodiversity Framework, relevant aspects of the EU Biodiversity Strategy for 2030 and other **biodiversity** and **ecosystem**-related national **policies** and legislation;
- c) the geographical scope of the targets, if relevant;
- d) whether or not the undertaking used biodiversity offsets; and
- e) to which of the layers of the mitigation hierarchy the target can be allocated (i.e., avoidance, minimisation, restoration and rehabilitation, compensation or offsets).

AR 142. The targets related to material impacts may be presented in a table as illustrated below:

Type of target according to mitigation hierarchy	Baseline value and base year	Target value and geographical scope			Connected policy or legislation if relevant
		2025	2030	Up to 2050	
Avoidance					
Minimisation					
Rehabilitation and restoration					
Compensation or offsets					

The **targets** related to aspects listed in paragraph AR 122 of this section, may be presented in a table as illustrated below:

Type of target according to sustainability matter	Baseline value and base year	Target value and geographical scope			Connected policy or legislation if relevant
		2025	2030	Up to 2050	

AR 143. Measurable **targets** related to **biodiversity** and **ecosystems** may be expressed as:

- (a) size and location of all **habitat** areas protected or restored, whether directly or indirectly controlled by the undertaking, and whether the success of the restoration measure was or is approved by independent external professionals;
- (b) recreated surfaces (environments in which management initiatives are implemented so as to create a habitat on a **site** where it did not exist initially); or
- (c) number or percentage of projects / sites whose ecological integrity was improved (e.g., installation of fish passes, wildlife corridors).

*Guidance / Additional information for Targets on Resource use and circular economy*

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- AR 144. When disclosing information on targets that are related to resource use and circular economy, the undertaking may specify:
- whether and how its **targets** relate to **resource inflows** and **resource outflows**, including **waste** and products and materials;
  - which layer of the **waste hierarchy** the target relates;
  - whether **ecological thresholds** and entity-specific allocations were taken into consideration when setting **targets**.
- AR 145. If the undertaking refers to **ecological thresholds** to set **targets**, it may refer to the guidance provided by the Science-Based Targets Initiative for Nature (SBTN) in its interim guidance (Initial Guidance for Business, September 2020) or any other guidance with a scientifically acknowledged methodology that allows to set science-based targets by identifying ecological thresholds and, if applicable, organisation-specific allocations. Ecological thresholds can be local, national and/or global.
- AR 146. When providing information on **targets** related to resource use and circular economy, the undertaking may prioritise targets in absolute value.

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### *Guidance / Additional information for Targets on Own workforce*

- AR 147. When disclosing information on **targets** that are related to **own workforce**, the undertaking may disclose a summarised description of the time-bound and outcome-oriented targets it may have set related to:
- reducing negative impacts on its own workforce; and/or
  - advancing positive impacts on its own workforce; and/or
  - managing material risks ~~and opportunities~~ related to its own workforce.
- AR 148. The undertaking may disclose the process for setting the **targets**, including whether and how the undertaking engaged directly with its own workforce or **workers' representatives** in:
- setting any such targets;
  - tracking the undertaking's performance against them; and
  - identifying any lessons or improvements as a result of the undertaking's performance.

### *Guidance / Additional information for Targets on Value chain workers*

- AR 149. When disclosing information on **targets** that are related to **value chain workers**, the undertaking may disclose a summarised description of the time-bound and outcome-oriented targets it may have set related to:
- reducing negative impacts on value chain workers; and/or
  - advancing positive impacts on value chain workers; and/or
  - managing material risks ~~and opportunities~~ related to value chain workers.

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- AR 150. The undertaking may disclose the process for setting the **targets**, including whether and how the undertaking engaged directly with workers in the value chain, their legitimate representatives, or with **credible proxies** that have insight into their situation in:
- setting any such targets;
  - tracking the undertaking's performance against them; and
  - identifying any lessons or improvements as a result of the undertaking's performance.

*Guidance / Additional information for Targets on Affected communities*

- AR 151. When disclosing information on **targets** that are related to **affected communities**, the undertaking may disclose a summarised description of the time-bound and outcome-oriented targets it may have set related to:
- reducing negative impacts on affected communities; and/or
  - advancing positive impacts on affected communities; and/or
  - managing material risks ~~and opportunities~~-related to affected communities.

- AR 152. The undertaking may disclose the process for setting the **targets**, including whether and how the undertaking engaged directly with affected communities, their legitimate representatives, or with **credible proxies** that have insight into their situation in:
- setting any such targets;
  - tracking the undertaking's performance against them; and
  - identifying, any, lessons or improvements as a result of the undertaking's performance.

*Guidance / Additional information for Targets on Consumers and end-users*

- AR 153. When disclosing information on **targets** that are related to **consumers** and **end-users**, the undertaking may disclose a summarised description of the time-bound and outcome-oriented targets it may have set related to:
- reducing negative impacts on consumers and/or end-users; and/or
  - advancing positive impacts on consumers and/or end-users; and/or
  - managing material risks ~~and opportunities~~-related to consumers and/or end-users.

- AR 154. The undertaking may disclose the process for setting the **targets**, including whether and how the undertaking engaged directly with **consumers** and/or **end-users**, their legitimate representatives, or with **credible proxies** that have insight into their situation in:
- setting any such targets;
  - tracking the undertaking's performance against them; and

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- c) identifying, if any, lessons or improvements as a result of the undertaking's performance.





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**Exposure Draft**

**DRAFT EUROPEAN SUSTAINABILITY REPORTING STANDARD**

**ESRS LSME ED – SECTION 4 ENVIRONMENT**

**VERSION AFTER CHANGES AGREED AT SRB 13 AND 15 DECEMBER 2023**

*CHANGE AGREED BY THE EFRAG SRB IN THE APPROVAL - MARK-UP  
COMPARED TO THE VERSION APPROVED BY SR TEG ON 17 OCTOBER 2023*

**DISCLAIMER**

Section 4 Environmental Disclosures set out in paragraphs xx to xx and Appendix A: *Application Requirements*. Appendix A has the same authority as the main body of this section. Each Disclosure Requirement is stated in a bold paragraph, followed by a paragraph that illustrates the objective of the disclosures. This section also uses terms defined in other sections and should be read in the context of its objective.

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## Objective

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1. The objective of the Environmental Disclosures in this [draft] Standard is to enable users of sustainability statements to understand:
  - (a) how the undertaking, actually or potentially, negatively impacts the following environmental topics:
    - i. climate change (E1),
    - ii. pollution of air, water and soil (E2),
    - iii. water and marine resources (E3),
    - iv. biodiversity and ecosystems (E4)
    - v. resource use and circular economy (E5);
  - (b) the plans and capacity of the undertaking to adapt its strategy and business model(s) in line with the transition to a sustainable economy and international environmental agreements, goals and initiatives, including, but not limited to:
    - i. the Paris Agreement (or an updated international agreement on climate change) and the objective of limiting global warming to 1.5°C (E1);
    - ii. the alignment with the European Green Deal's ambitions for prevention, control and elimination of pollution and the objective of creating a toxic-free environment with zero pollution in support of the EU Action Plan "Towards a Zero Pollution for Air, Water and Soil" (E2);
    - iii. the alignment with the European Green Deal's ambitions for clean water and the sustainability of the blue economy and fisheries sectors considering the EU Water Framework Directive and the EU Marine Strategy Framework Directive and the EU Maritime Spatial Planning Directive (E3);
    - iv. the Kunming-Montreal Global Biodiversity Framework and its goals and targets, the EU Biodiversity Strategy for 2030, the Directive 2009/147/EC of the European Parliament and of the Council and Council Directive 92/43/EEC (EU Birds and Habitats Directives), the Directive 2008/56/EC of the European Parliament and of the Council (Marine Strategy Framework Directive) (E4);
    - v. the alignment with circular economy principles, including but not limited to minimising waste, maintaining the value of products, materials and other resources at their highest value and enhancing their efficient use in production and consumption, -based on the EU Circular Economy Action Plan, the Waste Framework directive and the EU industrial strategy (E5).
  - (c) any actions taken by the undertaking, and the result of such actions to prevent, mitigate or remediate potential negative impacts on the environmental topics, including:
    - i. to reduce GHG emissions and increase energy efficiency (E1);
    - ii. to prevent, control and reduce pollution of air, water and soil (E2);
    - iii. to reduce water consumption and to protect water and marine resources (E3);
    - iv. to protect and restore biodiversity and ecosystems (E4); and
    - v. to prevent and decrease resource depletion, increase resource efficiency and help decoupling the economic growth from the use of materials (E5).
  - (d) the nature, type and extent of the undertaking's material risks arising from the undertaking's impacts and dependencies on the environmental topics, and how the undertaking manages them; and

- (e) the financial effects on the undertaking over the short-, medium- and long-term of material risks arising from the undertaking's impacts and dependencies on the environment.
2. This [draft] Section 4 covers Disclosure Requirements related to the following sustainability matters as per AR15, Appendix A, Section 1 of this standard.
  3. The objectives in par. 1 and the metrics disclosure requirements under section 4 E1 to E5 shall be read in conjunction with Section 2 and 3 of this [draft], General Disclosures.
  4. The undertaking shall apply the requirements in this Section, when it concludes that the corresponding topic is material (according to chapter 3.3 Double materiality, 3.4 Impact materiality and 3.5 Financial materiality of Section 1). Following the undertaking's assessment of the materiality of the information according to paragraph 36 of Section 1, the sustainability statement shall include those disclosures prescribed in this Section that are assessed to be material. Individual datapoints may be omitted when the corresponding information is not material and the undertaking concludes that such information is not needed to meet the objective of the Disclosure Requirement.
  5. The Disclosure Requirements under E1 to E5 of this Section of the [draft] Standard take into account the requirements of related EU legislation and regulation (i.e., EU Climate Law, Regulation (EU) 2019/2088 (SFDR), Regulation (EU) 2020/852 (the EU Taxonomy), Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), and EBA Pillar 3 ESG risk disclosure requirements).

# Climate CHANGE (E1)

## Disclosure Requirements – Climate Change (E1)

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### ***Disclosure Requirement E1-1– Energy consumption and mix***

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6. **The undertaking shall provide information on its energy consumption and mix.**
7. The objective of this Disclosure Requirement is to provide an understanding of the undertaking's total energy consumption in absolute value, improvement in energy efficiency, exposure to coal, oil and gas-related activities, and the share of **renewable energy** in its overall energy mix.
8. The disclosure required by paragraph 5 shall include the total energy consumption in MWh related to own operations disaggregated by:
  - (a) Total energy consumption from fossil sources<sup>1</sup>;
  - (b) Total energy consumption from nuclear sources;
  - (c) total energy consumption from renewable sources; and
  - (d) In addition, where applicable, the undertaking shall disaggregate and disclose separately its **non-renewable energy** production and **renewable energy** production in MWh.<sup>2</sup>

### ***Energy intensity based on net revenue<sup>3</sup>***

9. The undertaking shall provide information on the energy intensity (total energy consumption per net revenue) associated with activities in **high climate impact sectors**. The disclosure on energy intensity shall only be derived from the total energy consumption and net revenue from activities in **high climate impact sectors**.
10. The undertaking shall specify the **high climate impact sectors** that are used to determine the energy intensity required by paragraph 8.
11. The undertaking shall disclose the reconciliation to the relevant line item or notes in the financial statements of the net revenue amount from activities in **high climate impact sectors** (the denominator in the calculation of the energy intensity required by paragraph 8). If it is not possible to provide a reconciliation after making reasonable efforts to do so, the undertaking shall provide an explanation of where in the financial statements the net revenue amount from activities in high climate impact sectors can be found.

### ***Disclosure Requirement E1-2– Gross Scopes 1, 2, 3 and Total GHG emissions***

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12. The undertaking shall disclose in metric tonnes of CO<sub>2</sub>eq its<sup>4</sup>:

<sup>1</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting a mandatory indicator related to principal adverse impacts as set out by indicator #5 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively “Share of non-renewable energy consumption and production”). The breakdown serves as a reference for an additional indicator related to principal adverse impacts as set out by indicator #5 in Table 2 of the same Annex (respectively “Breakdown of energy consumption by type of non-renewable sources of energy”)

<sup>2</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting a mandatory indicator related to principal adverse impacts as set out by indicator #5 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively “Share of non-renewable energy consumption and production”)

<sup>3</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting a mandatory indicator related to principal adverse impacts as set out by indicator #6 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively “Energy consumption intensity per high impact climate sector”).

<sup>4</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting a mandatory indicator related to principal adverse impacts as set out by indicators #1 and #2 in Table 1 of Annex 1

- (a) gross Scope 1 GHG emissions;
  - (b) gross Scope 2 GHG emissions;
  - (c) gross Scope 3 GHG emissions; and
  - (d) total GHG emissions.
13. The objective of the Disclosure Requirement in paragraph 12 in respect of:
- (a) gross **Scope 1 GHG emissions** as required by paragraph 12 (a) is to provide an understanding of the direct impacts of the undertaking on climate change and the proportion of its total GHG emissions that are regulated under emission trading schemes.
  - (b) gross **Scope 2 GHG emissions** as required by paragraph 12(b) is to provide an understanding of the indirect impacts on climate change caused by the undertaking's consumed energy whether externally purchased or acquired.
  - (c) gross **Scope 3 GHG emissions** as required by paragraph 12(c) is to provide an understanding of the GHG emissions that occur in the undertaking's upstream and downstream value chain beyond its Scope 1 and 2 GHG emissions. For many undertakings, Scope 3 GHG emissions may be the main component of the GHG inventory and are an important driver of the undertaking's **transition risks**.
  - (d) total GHG **emissions** as required by paragraph 12(d) is to provide an overall understanding of the undertaking's GHG emissions and whether they occur from its own operations or the upstream and downstream value chain. This disclosure is a prerequisite for measuring progress towards reducing GHG emissions in accordance with the undertaking's climate-related **targets** and EU policy **goals**.
14. The information from this Disclosure Requirement is also needed to understand the undertaking's climate-related **transition risks**.
15. When disclosing the information on **GHG emissions** required under paragraph 12, the undertaking shall refer to [draft] LSME ESRS section 1 Reporting undertaking and value chain. In principle, the data on GHG emissions of its associates or joint ventures that are part of the undertaking's upstream and downstream value chain (Section 1 par. XX) are not limited to the share of equity held. For its associates, joint ventures, unconsolidated subsidiaries (investment entities) and contractual arrangements that are joint arrangements not structured through an entity (i.e., jointly controlled operations and assets), the undertaking shall include the GHG emissions reflecting the extent of the undertaking's **operational control** over them.
16. In case of significant changes in the definition of what constitutes the reporting undertaking and its upstream and downstream **value chain**, the undertaking shall disclose these changes and explain their effect on the year-to-year comparability of its reported GHG **emissions** (i.e., the effect on the comparability of current versus previous reporting period GHG emissions).
17. The disclosure on gross **Scope 1 GHG emissions** required by paragraph 12 (a) shall include:
- (a) the gross Scope 1 GHG emissions in metric tonnes of CO<sub>2</sub>eq; and
  - (b) ~~if applicable,~~ the percentage of Scope 1 GHG emissions from regulated emission trading schemes, ~~if applicable~~.
18. The disclosure on gross **Scope 2 GHG emissions** required by paragraph 12 (b) shall include:
- (a) the gross location-based Scope 2 GHG emissions in metric tonnes of CO<sub>2</sub>eq; and
  - (b) ~~where-if~~ applicable, the gross market-based Scope 2 GHG emissions in metric tonnes of CO<sub>2</sub>eq.

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of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively "GHG emissions" and "Carbon footprint"). This information is aligned with the Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), Articles 5 (1), 6 and 8 (1).



19. The disclosure of gross **Scope 3 GHG emissions** required by paragraph 12(c) shall include GHG emissions in metric tonnes of CO<sub>2</sub>eq from each significant **Scope 3 category** (i.e., each Scope 3 category that is a priority for the undertaking).
20. The disclosure of total **GHG emissions** required by paragraph 12(d) shall be the sum of **Scope 1, 2 and 3 GHG emissions** required by paragraphs 12(a) to 12(c). The total GHG emissions shall be disclosed with a disaggregation that makes a distinction of:
  - (a) the total GHG emissions derived from the underlying Scope 2 GHG emissions being measured using the location-based method; and
  - (b) if applicable, the total GHG emissions derived from the underlying Scope 2 GHG emissions being measured-quantified using the market-based method.

### **GHG Intensity based on net revenue<sup>5</sup>**

21. The undertaking shall disclose its GHG **emissions** intensity. It shall provide the total GHG emissions in metric tonnes of CO<sub>2</sub>eq (required by paragraph 12(d)) per net revenue.
  22. The undertaking shall disclose the reconciliation to the relevant line item or notes in the financial statements of the net revenue amounts (the denominator in the calculation of the GHG **emissions** intensity required by paragraph 21). If it is not possible to provide a reconciliation after making reasonable efforts to do so, the undertaking shall provide an explanation of where in the financial statements net revenue amounts can be found.
- 22-23. Small and non-complex credit institutions (see Section 1 par. 2b)) may replace net revenue with a different financial indicator, until a sectoral standard is established.

### **Disclosure Requirement E1-3 – GHG removals and GHG mitigation projects financed through carbon credits**

#### 23-24. If applicable, the undertaking shall disclose:

- (a) GHG removals and storage in metric tonnes of CO<sub>2</sub>eq resulting from projects it may have developed in its own operations; and
- (b) the amount of GHG emission reductions or removals from climate change mitigation projects outside its value chain it has financed through any purchase of carbon credits.

#### 24-25. The objective of this Disclosure Requirement is:

- (a) to provide an understanding of the undertaking's **actions** to permanently remove GHG from the atmosphere).
- (b) to provide an understanding of the extent and quality of **carbon credits** the undertaking has purchased or intends to purchase from the voluntary market, potentially for supporting its GHG neutrality claims (as stated in paragraph 26).

#### 25-26. The disclosure on **GHG removals and storage** required by paragraph 22 (a) shall include, if applicable:

- (a) the total amount of GHG removals and storage in metric tonnes of CO<sub>2</sub>eq, broken down by removal activity; and
- (b) the calculation assumptions, methodologies and frameworks applied by the undertaking.

#### 26-27. The disclosure on **carbon credits** required by paragraph 22 (b) shall include, if applicable, the total amount of carbon credits outside the undertaking's **value chain** in metric tonnes of

<sup>5</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting a mandatory indicator related to principal adverse impacts as set out by indicator #3 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively "GHG intensity of investee companies"). This information is aligned with the Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), Article 8 (1).

CO<sub>2</sub>e<sub>q</sub> that are verified against recognised quality standards and cancelled in the reporting period.

**27-28.** In the case where the undertaking may have made public claims of GHG neutrality that involve the use of **carbon credits**, it shall explain:

- (a) Whether and how these claims are accompanied by GHG **emission reduction targets** as required by Section 2 DR 12 (IR-4);
- (b) Whether and how these claims and the reliance on carbon credits neither impede nor reduce the achievement of its GHG emission reduction targets<sup>6</sup>, or, if applicable, its net zero target; and
- (c) The credibility and integrity of the carbon credits used, including by reference to recognised quality standards.

### ***Disclosure Requirement E1-4– Anticipated financial effects from material physical and transition risks and potential climate-related opportunities***

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**28-29.** The undertaking shall disclose its:

- (a) anticipated financial effects from material *physical risks*;
- (b) anticipated financial effects from material *transition risks*.

**29-30.** The information required by paragraph 27 is in addition to the information on the current **financial effects** required under [draft] ESRS Section 2 SBM-3 para 37 (d). The objective of this Disclosure Requirement related to **anticipated financial effects** due to material **physical risks** and **transition risks** is to provide an understanding of how these risks have (or could reasonably be expected to have) a material influence on the undertaking's financial position, financial performance and cash flows, over the short-, medium- and long-term. If the undertaking uses **scenario analysis** to conduct resilience analysis, the results of such analysis should inform the assessment of anticipated financial effects from material physical and transition risks

**30-31.** The disclosure of **anticipated financial effects** from material **physical risks** required by paragraph 27 (a) shall include<sup>7</sup>:

- (a) the monetary amount and proportion (percentage) of assets at material physical risk over the short-, medium- and long-term before considering **climate change adaptation actions**; with the monetary amounts of these assets disaggregated by acute and chronic physical risk<sup>8</sup>;
- (b) the proportion of assets at material physical risk addressed by the **climate change adaptation actions**, only if such actions are implemented;
- (c) the location of significant assets at material physical risk<sup>9</sup>; and
- (d) the monetary amount and proportion (percentage) of net revenue from its business activities at material physical risk over the short-, medium- and long-term.

**31-32.** The disclosure of **anticipated financial effects** from material transition risks required by paragraph 27 (b) shall include:

- (a) the monetary amount and proportion (percentage) of assets at material transition risk over the short-, medium- and long-term before considering **climate mitigation actions**;

<sup>6</sup> This information is aligned with the Regulation (EU) 2021/1119 of the European Parliament and of the Council (EU Climate Law), Article 2 (1).

<sup>7</sup> This information is aligned with the Commission Delegated Regulation (EU) 2020/1816 (Climate Benchmark Regulation), Annex II.

<sup>8</sup> This disclosure requirement is consistent with the requirements included in EBA Pillar 3 ITS - [Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk](#).

<sup>9</sup> This disclosure requirement is consistent with the requirements included in EBA Pillar 3 ITS - [Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk](#)

- (b) the proportion of assets at material transition risk addressed by the **climate change mitigation actions**, only if such actions are implemented;
- (c) a breakdown of the carrying value of its real estate assets by energy-efficiency classes<sup>10</sup>;
- (d) if applicable, liabilities that may have to be recognised in financial statements over the short-, medium- and long-term; and
- (e) the monetary amount and proportion (percentage) of net revenue from its business activities at material transition risk over the short-, medium- and long-term including, where relevant, the net revenue from the undertaking's customers operating in coal, oil and gas-related activities. The undertaking may use ranges instead of a single amount.

~~32-33.~~ The undertaking shall disclose ~~reconciliations to the which~~ relevant line items or notes in the financial statements ~~are affected by of the following: significant amounts of the assets and net revenue at material physical risk (as required by paragraph 29) and by significant amounts of the assets, liabilities, and net revenue at material transition risk (as required by paragraph 30).~~

~~(a) significant amounts of the assets and net revenue at material physical risk (as required by paragraph 29).~~

~~(b) significant amounts of the assets, liabilities, and net revenue at material transition risk (as required by paragraph 30).~~

~~33-34.~~ The undertaking may disclose its potential to pursue material climate-related **opportunities**, to enable an understanding of how the undertaking may financially benefit from material climate-related opportunities. This disclosure is complementary to the key performance indicators to be disclosed in accordance with Commission Delegated Regulation (EU) 2021/2178.

~~34-35.~~ For the disclosure of potential to pursue climate-related **opportunities**, the undertaking may consider<sup>11</sup>:

- (a) its expected cost savings from **climate change mitigation** and adaptation **actions**; and
- (b) the potential market size or expected changes to net revenue from low-carbon products and services or adaptation solutions to which the undertaking has or may have access.

<sup>10</sup> This disclosure requirement is consistent with the requirements included in EBA Pillar 3 ITS - [Template 2: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral](#)

<sup>11</sup> This information is aligned with the Commission Delegated Regulation (EU) 2020/1816 (Climate Benchmark Regulation), Annex II.

## Pollution (E2)

### Disclosure Requirements – Pollution (E2)

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#### ***Disclosure Requirement E2-1– Pollution of air, water and soil***

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**35.36.** The undertaking shall disclose the pollutants that it emits through its own operations, as well as the microplastics it generates or uses.

**36.37.** The objective of this Disclosure Requirement is to provide an understanding of the undertaking's **emissions** to air, water and **soil** in its own operations and of its generation and use of microplastics.

**37.38.** The undertaking shall disclose the amounts of:

- (a) each pollutant emitted to air, water and soil listed in Annex II of Regulation (EC) No 166/2006 of the European Parliament and of the Council<sup>12</sup> (European Pollutant Release and Transfer Register “E-PRTR Regulation”) for which the applicable threshold value at facility level is exceeded, emitted to air, water and soil, with the exception of emissions of **GHGs** which are disclosed in accordance with ESRS[draft] LSME EDESRS E1 Climate Change<sup>13</sup>;
- (b) microplastics generated or used by the undertaking.

**38.39.** The undertaking shall put its disclosure into context and describe:

- (a) the changes over time,
- (b) the measurement methodologies; and
- (c) the process(es) to collect data for **pollution**-related accounting and reporting, including the type of data needed and the information sources.

#### ***Disclosure Requirement E2-2 – Substances of concern and substances of very high concern***

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**39.40.** The undertaking shall disclose information on the production, use, distribution, commercialisation and import/export of substances of concern and substances of very high concern on their own, in mixtures or in articles.

**40.41.** The objective of this Disclosure Requirement is to enable an understanding of the impact of the undertaking on health and the environment through **substances of concern** and through **substances of very high concern** on their own. It is also to enable an understanding of the undertaking's material risks ~~and opportunities (voluntary)~~, including exposure to those substances and risks arising from changes in regulations.

**41.42.** The disclosure required by paragraph 38 shall include the total amounts of **substances of concern** that are generated or used during the production or that are procured, and the total amounts of substances of concern that leave its facilities as emissions, as products, or as part of products or services split into main hazard classes of substances of concern.

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<sup>12</sup> Regulation (EC) No 166/2006 of the European Parliament and of the Council of 18 January 2006 concerning the establishment of a European Pollutant Release and Transfer Register and amending Council Directives 91/689/EEC and 96/61/EC (OJ L 033 4.2.2006, p. 1)

<sup>13</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #2 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively “Emissions of air pollutants”); by indicator #8 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively “Emissions to water”); by indicator #1 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively “Emissions of inorganic pollutants”); by indicator #3 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively “Emissions of ozone-depleting substances”).

**42.43.** The undertaking shall present separately the information for the total amount of **substances of very high concern**.

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# Water and Marine Resources (E3)

## Disclosure Requirements-Water and Marine Resources (E3)

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### *Disclosure Requirement E3-1 – Water consumption*

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~~43.44.~~ The undertaking shall disclose information on its water consumption performance related to its material impacts and, risks, and opportunities (if the undertaking reports on opportunities on a voluntary basis).

44.45. The objective of this Disclosure Requirement is to provide an understanding of the undertaking's water consumption.

45.46. The disclosure required by paragraph 45 relates to own operations and shall include:

- (a) total water consumption in m<sup>3</sup>;
- (b) total water consumption in m<sup>3</sup> in areas at material water risk, including **areas of high-water stress**;
- (c) total water recycled and reused in m<sup>3</sup>; <sup>14</sup>
- (d) total water stored and changes in storage in m<sup>3</sup>;
- (e) any contextual information necessary regarding points (a) and (d), including the water basins' water quality and quantity, how the data have been compiled, such as any standards, methodologies, and assumptions used, including whether the information is calculated, estimated, modelled, or sourced from direct measurements, and the approach taken for this, such as of the use of any sector-specific sectors.

47. The undertaking shall provide information on its **water intensity**: total **water consumption** in its own operations in m<sup>3</sup> per million EUR net revenue<sup>15</sup>.

~~46.48.~~ Small and non-complex credit institutions (see Section 1 par. 2b)) may replace net revenue with a different financial indicator, until a sectoral standard is established.

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14 This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #6.2 in Table 2 of Annex 1 of the related Delegated Regulation regarding disclosure rules on sustainable investments (respectively "Water usage and recycling", 2. Weighted average percentage of water recycled and reused by investee companies).

15 This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #6.1 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively "Water usage and recycling", 1. Average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenue of investee companies).

# Biodiversity and ecosystems (E4)

## Disclosure Requirements-Biodiversity and ecosystems (E4)

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### *Disclosure Requirement E4-1 – Impact metrics related to biodiversity and ecosystems change*

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**47.49.** The undertaking shall report metrics related to its material impacts on *biodiversity* and *ecosystems*.

**48.50.** The objective of this Disclosure Requirement is to enable an understanding of the performance of the undertaking against impacts identified as material in the *materiality assessment* on *biodiversity* and *ecosystems* change.

**49.51.** If the undertaking has identified owned, leased or managed *sites* located in or near *biodiversity-sensitive areas* which are negatively affected (see [draft] Section 2 AR 27) by the activity of those sites, the undertaking shall disclose the number and area (in hectares) of sites in or near these protected areas or key *biodiversity* areas.

**50.52.** If the undertaking has identified material impacts with regards to land-use change, or impacts on the extent and condition of *ecosystems*, it may also disclose their land-use based on a Life Cycle Assessment.

**51.53.** If the undertaking has concluded that it directly contributes to the *impact drivers* of *land-use change*, *water*-use change and/ or sea-use change, the undertaking shall report relevant *metrics*. The undertaking shall consider its own operations and may disclose metrics that measure:

- (a) the conversion over time (e.g., 1 or 5 years) of land cover (e.g., *deforestation* or mining);
- (b) changes over time (e.g., 1 or 5 years) in the management of the ecosystem (e.g., through the intensification of agricultural management, or the application of better management practices or forestry harvesting);
- (c) changes in the spatial configuration of the landscape (e.g., fragmentation of *habitats*, changes in ecosystem connectivity);
- (d) changes in ecosystem structural connectivity (e.g., habitat permeability based on physical features and arrangements of habitat patches); and
- (e) the functional connectivity (e.g., how well genes or individuals move through land, freshwater and seascape).

**52.54.** The undertaking may disclose additional *metrics* related to the introduction of *invasive alien species* or the *ecosystem* condition and extent.

# Resource use and Circular economy (E5)

## Disclosure Requirements- Resource use and Circular Economy (E5)

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### Disclosure Requirement E5-1 – Resource inflows

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~~53.55.~~ The undertaking shall disclose information on its resource inflows related to its material impacts and, risks ~~and opportunities (opportunities are voluntary)~~ in the undertaking's own operations and along the value chain.

~~54.56.~~ The objective of this Disclosure Requirement is to enable an understanding of the impacts and risks originating from the resource use in the undertaking's own operations and value chain.

~~55.57.~~ When an undertaking assesses that resource inflows is a material sustainability matter, it shall disclose a description of its impacts and risks originating from resource inflows used in the undertaking's own operations and along its upstream value chain.

~~58.~~ When resource inflows is a material sustainability matter, the undertaking shall disclose for its own operations: ~~When an undertaking assesses that resource inflows is a material sustainability matter, it shall disclose a description of its material resource inflows, as well as:~~

~~(a) the percentage of its expenditure on resource inflows to own operations that are considered material; the percentage of its expenditure on material inflows;~~

~~(b) the percentage of biological materials that are sustainability certified as well as information on the certification scheme, and; the percentage of the resources that are sustainability certified, and;~~

~~(c) the percentage of resources that are from secondary material (recycled or reused) used as inflow.~~

~~59.~~ The undertaking shall provide information on the methodologies used to calculate the data. It shall specify whether the data is sourced from direct measurement or estimations, and disclose the key assumptions used.

~~56.~~ the following information about the materials used in its own operations to manufacture the undertaking's products and services during the reporting period, in tonnes or kilogrammes:

~~(a) the overall total weight of products and technical and biological materials used during the reporting period;~~

~~(b) the percentage of biological materials that are sustainability certified as well as information on the certification scheme, and;~~

~~(c) the percentage of secondary materials (recycled or reused) used as inflow.~~

~~57.~~ The undertaking shall provide information on the methodologies used to calculate the data. It shall specify whether the data is sourced from direct measurement or estimations, and disclose the key assumptions used.

~~58.~~ The disclosure required by paragraph 52 shall include a description of its **resource inflows** where material: products (including **packaging**) and materials (specifying critical raw materials and rare earths), water and property, plant and equipment used in the undertaking's own operations and along its upstream value chain.

### Disclosure Requirement E5-2 – Resource outflows

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~~59.60.~~ The undertaking shall disclose information on its material resource outflows, including waste, related to its material impacts, and risks ~~and opportunities (opportunities are voluntary)~~.

~~60.61.~~ The objective of this Disclosure Requirements is to understand of how the undertaking contributes to **circular economy** through its product and material design in line with **circular**



**economy** principles, as well as the undertaking's waste reduction and **waste management** strategy.

### **Products and materials**

**61-62.** The undertaking shall provide a description of the key products and materials that come out of the undertaking's production process that are designed along circular economy principles.

**62-63.** The undertaking shall disclose the percentage of its products and services that are designed to be:

- (a) repairable and reused; and
- (b) recycled.

### **Waste**

**63-64.** The undertaking shall disclose the total amount of waste generated in its own operations, as well as the percentage of non-recycled waste (by weight and on a wet basis)<sup>16</sup>.

**64-65.** The undertaking shall disclose the total amount of hazardous waste by:

- (a) type of hazardous, waste; and
- (b) waste treatment type, in particular:
  - i. incineration;
  - ii. landfilling; and
  - iii. other disposal operations.

**65-66.** The undertaking shall also disclose the total amount of radioactive waste generated by the undertaking, where radioactive waste is defined in Article 3(7) of Council Directive 2011/70/Euratom<sup>17</sup>.

**66-67.** The undertaking shall provide contextual information, including information on the methodologies used to calculate the data and in particular the criteria and assumptions used to determine and classify products designed along circular principles.

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<sup>16</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #13 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively "Non-recycled waste ratio").

<sup>17</sup> Council Directive 2011/70/Euratom of 19 July 2011 establishing a Community framework for the responsible and safe management of spent fuel and radioactive waste (OJ L 199, 2.8.2011, p. 48). This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by indicator #9 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Hazardous waste and radioactive waste ratio").

# Anticipated financial effects from material environmental-related matters other than climate (E6)

## ***Disclosure Requirement E6 – Anticipated financial effects from material environmental-related matters other than climate***

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**67-68.** The undertaking shall disclose its anticipated financial effects of material impacts and risks related to pollution, water and marine resources, biodiversity and ecosystems and circular economy, when the respective matter is material.

**68-69.** The information required by paragraph 63 is in addition to the information on current financial effects on the entity's financial position, financial performance and cash flows for the reporting period required under Section 2 SBM-3 paragraph 37 (d).

**69-70.** The objective of this Disclosure Requirement is to provide an understanding of:

- (a) **anticipated financial effects** due to material risks arising from impacts and **dependencies** related to pollution, water and marine resources, biodiversity and ecosystems and circular economy, and how these risks have (or could reasonably be expected to have) a material influence on the undertaking's financial position, financial performance and cash flows over the short-, medium- and long-term; and
- (b) on a voluntary basis, anticipated financial effects due to material opportunities related to pollution, water and marine resources, biodiversity and ecosystems and circular economy.

**70-71.** The disclosure required by paragraph 64 shall include:

- (a) a quantification of the **anticipated financial effects** in monetary terms, or where not possible without undue cost or effort, qualitative information ~~(for opportunities, such quantification is not required)~~. The quantification of the anticipated financial effects in monetary terms may be a single amount or a range;
- (b) a description of the effects considered, the related impacts and **dependencies** to which they relate and the time horizons in which they are likely to materialise; and
- (c) the critical assumptions used to quantify the **anticipated financial effects**, as well as the sources and level of uncertainty attached to those assumptions.

**71-72.** For anticipated financial effects arising from material physical and transition risks, the undertaking shall refer to Disclosure Requirement E1-4 of this section.

**72-73.** For anticipated financial effects arising from material climate-related opportunities, the undertaking shall refer to Disclosure Requirement E1-4 of this section.

## Appendix A: Application Requirements

This Appendix is an integral part of this section of this [draft] Standard. It supports the application of the requirements set for in paragraphs 1 to 74 and has the same authority as the other parts of this [draft] Standard.

### Application Requirements-Climate Change E1

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#### ***Disclosure Requirement E1-1 – Energy consumption and mix***

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##### *Calculation guidance*

- AR 1. When preparing the information on energy consumption required under paragraph XX, the undertaking shall:
- (a) only report energy consumed from processes owned or controlled by the undertaking applying the same perimeter applied for reporting GHG Scopes 1 and 2 emissions;
  - (b) exclude feedstocks and fuels that are not combusted for energy purposes. The undertaking that consumes fuel as feedstocks can disclose information on this consumption separately from the required disclosures;
  - (c) ensure all quantitative energy-related information is reported in either Mega-Watt-hours (MWh) in Lower Heating Value or net calorific value. If raw data of energy-related information is only available in energy units other than MWh (such as Giga-Joules (GJ) or British Thermal Units (Btu)), in volume units (such as cubic feet or gallons) or in mass units (such as kilograms or pounds), they shall be converted to MWh using suitable conversion factors (see for example Annex II of the Fifth Assessment IPCC report). Conversion factors for fuels shall be made transparent and applied in a consistent manner;
  - (d) ensure all quantitative energy-related information is reported as final energy consumption, referring to the amount of energy the undertaking actually consumes using for example the table in Annex IV of Directive 2012/27 of the European Parliament and of the Council<sup>18</sup> on energy efficiency;
  - (e) avoid double counting fuel consumption when disclosing self-generated energy consumption. If the undertaking generates electricity from either a non-renewable or renewable fuel source and then consumes the generated electricity, the energy consumption shall be counted only once under fuel consumption;
  - (f) not offset energy consumption even if on **site** generated energy is sold to and used by a third party;
  - (g) not count energy that is sourced from within the organisational boundary under “purchased or acquired” energy;
  - (h) account for steam, heat or cooling received as “waste energy” from a third party’s industrial processes under “purchased or acquired” energy;
  - (i) account for renewable hydrogen<sup>19</sup> as a renewable fuel. Hydrogen that is not completely derived from renewable sources shall be included under “fuel consumption from other non-renewable sources”; and

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<sup>18</sup> Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC (OJL 315, 14.11.2012, p. 1).

<sup>19</sup> Compliant with the requirements in delegated acts for hydrogen from renewable sources: Commission delegated regulation of 10 February 2023 supplementing Directive (EU) 2018/2001 of the European Parliament and of the Council by establishing a Union methodology setting out

- (j) adopt a conservative approach when splitting the electricity, steam, heat or cooling between renewable and non-renewable sources based on the approach applied to calculate market-based Scope 2 GHG emissions. The undertaking shall only consider these energy consumptions as deriving from renewable sources if the origin of the purchased energy is clearly defined in the contractual arrangements with its **suppliers** (renewable power purchasing agreement, standardised green electricity tariff, market instruments like Guarantee of Origin from renewable sources in Europe<sup>20</sup> or similar instruments like Renewable Energy Certificates in the US and Canada, etc.).

AR 2. The information on Energy consumption and mix may be presented using the following tabular format.

Energy consumption and mix	Comparative	Year N
(1) Fossil energy consumption (MWh)		
(2) Consumption from nuclear sources (MWh)		
(3) Consumption from renewable sources (MWh)		
<b>Total energy consumption (MWh)</b> (calculated as the sum of lines 1, 2 and 3)		

~~AR 3. The total energy consumption with a distinction between fossil, nuclear and renewable energy consumption may be presented graphically in the **sustainability statement** showing developments over time (e.g., through a pie or bar chart).~~

### **Energy intensity based on net revenue**

#### *Calculation guidance*

~~AR 4.~~ ~~AR 3.~~ When preparing the information on energy intensity required under paragraph 37, the undertaking shall:

- (a) calculate the energy intensity ratio using the following formula:
 
$$\frac{\text{Total energy consumption from activities in high climate impact sectors (MWh)}}{\text{Net revenue from activities in high climate impact sectors (Monetary unit)}}$$
- (b) express the total energy consumption in MWh and the net revenue in monetary units (e.g., Euros);
- (c) the numerator and denominator shall only consist of the proportion of the total final energy consumption (in the numerator) and net revenue (in the denominator) that are attributable to activities in **high climate impact sectors**. In effect, there should be consistency in the scope of both the numerator and denominator;

detailed rules for the production of renewable liquid and gaseous transport fuels of non- biological origin; and Commission delegated regulation of 10 February 2023 supplementing Directive (EU) 2018/2001 of the European Parliament and of the Council by establishing a minimum threshold for greenhouse gas emissions savings of recycled carbon fuels and by specifying a methodology for assessing greenhouse gas emissions savings from renewable liquid and gaseous transport fuels of non-biological origin and from recycled carbon fuel.

<sup>20</sup> Based on Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources.

- (d) calculate the total energy consumption in line with the requirement in paragraph 10;
- (e) calculate the net revenue in line with the accounting standards requirements applicable for the financial statements, i.e., IFRS 15 *Revenue from Contracts with Customers* or local GAAP requirements.

**AR 5-AR 4.** The quantitative information may be presented in the following table.

Energy intensity per net revenue	Comparative	N	% N / N-1
Total energy consumption from activities in high climate impact sectors per net revenue from activities in high climate impact sectors (MWh/Monetary unit)			

*Connectivity of energy intensity based on net revenue with financial reporting information*

**AR 6-AR 5.** The reconciliation of net revenue from activities in **high climate impact sectors** to the relevant financial statements line item or disclosure (as required by paragraph 40) may be presented either:

- (a) by a cross-reference to the related line item or disclosure in the financial statements; or
- (b) If the net revenue cannot be directly cross-referenced to a line item or disclosure in the financial statements, by a quantitative reconciliation using the below tabular format.

Net revenue from activities in high climate impact sectors used to calculate energy intensity	
Net revenue (other)	
Total net revenue (Financial statements)	

### ***Disclosure Requirements E1-2 – Gross Scopes 1, 2, 3 and Total GHG emissions***

#### *Calculation guidance*

**AR 7-AR 6.** When preparing the information for reporting GHG **emissions** as required by paragraph 41, the undertaking shall:

- (a) consider the principles, requirements and guidance provided by the GHG Protocol Corporate Standard (version 2004). The undertaking may consider Commission Recommendation (EU) 2021/2279<sup>21</sup> or the requirements stipulated by ISO 14064-1:2018. If the undertaking already applies the GHG accounting methodology of ISO 1:2018, it shall nevertheless comply with the requirements of this standard (e.g., regarding reporting boundaries and the disclosure of market-based Scope 2 GHG emissions);
- (b) disclose the methodologies, significant assumptions and emissions factors used to calculate or measure GHG emissions accompanied by the reasons why they were chosen, and provide a reference or link to any calculation tools used;
- (c) include emissions of CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, and NF<sub>3</sub>. Additional GHG may be considered when significant; and
- (d) use the most recent **Global Warming Potential (GWP)** values published by the IPCC based on a 100-year time horizon to calculate CO<sub>2</sub>eq emissions of non-CO<sub>2</sub> gases.

<sup>21</sup> Commission Recommendation (EU) 2021/2279 of 15 December 2021 on the use of the Environmental Footprint methods to measure and communicate the life cycle environmental performance of products and organisations (OJ L 471, 30.12.2021, p.1).

**AR 8-AR 7.** In line with Section 1 chapter 3.7, the undertaking shall disaggregate information on its GHG emissions as appropriate. For example, the undertaking may disaggregate its Scope 1, 2, 3, or total GHG **emissions** by country, operating segments, economic activity, subsidiary, GHG category (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, NF<sub>3</sub>, and other GHG considered by the undertaking) or source type (stationary combustion, mobile combustion, process emissions and fugitive emissions).

**AR 9-AR 8.** An undertaking might have a different reporting period from some or all of the entities in its value chain. In such circumstances, the undertaking is permitted to measure its GHG emissions in accordance with paragraph XX using information for reporting periods that are different from its own reporting period if that information is obtained from entities in its value chain with reporting periods that are different from the undertaking's reporting period, on the condition that:

- (a) the undertaking uses the most recent data available from those entities in its value chain to measure and disclose its greenhouse gas emissions;
- (b) the length of the reporting period is the same; and
- (c) the undertaking discloses the effects of significant events and changes in circumstances (relevant to its GHG emissions) that occur between the reporting dates of the entities in its value chain and the date of the undertaking's general purpose financial statements.

**AR 10-AR 9.** When preparing the information on gross **Scope 1 GHG emissions** required under paragraph 26(a), the undertaking shall:

- (a) calculate or measure GHG emissions from stationary combustion, mobile combustion, process emissions and fugitive emissions; and use suitable activity data that include the non-renewable fuel consumption;
- (b) use suitable and consistent emission factors;
- (c) disclose biogenic emissions of CO<sub>2</sub> from the combustion or biodegradation of biomass separately from the Scope 1 GHG emissions, but include emissions of other types of GHG (in particular CH<sub>4</sub> and N<sub>2</sub>O);
- (d) not include any removals, or any purchased, sold or transferred **carbon credits** or GHG allowances in the calculation of Scope 1 GHG emissions;
- (e) for activities reporting under the EU ETS, report on Scope 1 emissions following the EU ETS methodology. The EU ETS methodology may also be applied to activities in geographies and sectors that are not covered by the EU ETS;

**AR 11-AR 10.** When preparing the information on the percentage of Scope 1 GHG **emissions** from regulated emission trading schemes required under paragraph 26(b), the undertaking shall:

- (a) consider GHG emissions from the **installations** it operates that are subject to regulated Emission Trading Schemes (ETS), including the EU-ETS, national ETS and non-EU ETS, if applicable;
- (b) only include emissions of CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, and NF<sub>3</sub>;
- (c) ensure the same accounting period for gross Scope 1 GHG emissions and GHG emissions regulated under the ETS; and
- (d) calculate the share by using the following formula:

$$\frac{\text{GHG emissions in (t CO}_2\text{eq) from EU ETS installations} + \text{national ETS installations} + \text{nonEU ETS installations}}{\text{Scope 1 GHG emissions (t CO}_2\text{eq)}}$$

**AR 12-AR 11.** When preparing the information on gross Scope 2 GHG **emissions** required under paragraph 27, the undertaking shall:

- (a) consider the principles and requirements of the GHG Protocol Scope 2 Guidance (version 2015, in particular the Scope 2 quality criteria in chapter 7.1 relating to contractual instruments). It may also consider Commission Recommendation (EU)

2021/2279 or the relevant requirements for the quantification of **indirect GHG emissions** from imported energy in EN ISO 14064-1:2018;

- (b) include purchased or acquired electricity, steam, heat, and cooling consumed by the undertaking;
- (c) avoid double counting of GHG emissions reported under Scope 1 or 3;
- (d) apply the location-based, and, if applicable, market-based methods to calculate Scope 2 GHG emissions and provide information on the share and types of contractual instruments. Location-based method quantifies Scope 2 GHG emissions based on average energy generation emission factors for defined locations, including local, subnational, or national boundaries (GHG Protocol, “Scope 2 Guidance”, Glossary, 2015). Market-based method quantifies Scope 2 GHG emissions based on GHG emissions emitted by the generators from which the reporting entity contractually purchases electricity bundled with instruments, or unbundled instruments on their own (GHG Protocol, “Scope 2 Guidance”, Glossary, 2015); in this case, the undertaking may disclose the share of market-based scope 2 GHG emissions linked to purchased electricity bundled with instruments such as Guarantee of Origins or Renewable Energy Certificates. The undertaking shall provide information about the share and types of contractual instruments used for the sale and purchase of energy bundled with attributes about the energy generation or for unbundled energy attribute claims.
- (e) disclose biogenic emissions of CO<sub>2</sub> from the combustion or biodegradation of biomass separately from the Scope 2 GHG emissions but include emissions of other types of GHG (particularly CH<sub>4</sub> and N<sub>2</sub>O). In case the emission factors applied do not separate the percentage of biomass or biogenic CO<sub>2</sub>, the undertaking shall disclose this. In case GHG emissions other than CO<sub>2</sub> (particularly CH<sub>4</sub> and N<sub>2</sub>O) are not available for, or excluded from, location-based grid average emissions factors or with the market-based method information, the undertaking shall disclose this; and
- (f) not include any removals, or any purchased, sold or transferred **carbon credits** or GHG allowances in the calculation of Scope 2 GHG emissions.

~~AR 13-AR 12.~~ When preparing the information on gross Scope 3 GHG **emissions** required under paragraph 30, the undertaking shall:

- (a) consider the principles and provisions of the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011); and it may consider Commission Recommendation (EU) 2021/2279 or the relevant requirements for the quantification of **indirect GHG emissions** from EN ISO 14064-1:2018;
- (b) if it is a financial institution, consider the GHG Accounting and Reporting Standard for the Financial Industry from the Partnership for Carbon Accounting Financial (PCAF), specifically part A “Financed Emissions” (version December 2022);
- (c) screen its total Scope 3 GHG emissions based on the 15 Scope 3 categories identified by the GHG Protocol Corporate Standard and GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011) using appropriate estimates. Alternatively, it may screen its **indirect GHG emissions** based on the categories provided by EN ISO 14064-1:2018 clause 5.2.4 (excluding indirect GHG emissions from imported energy);
- (d) identify and disclose its significant Scope 3 categories based on the magnitude of their estimated GHG emissions and other criteria provided by GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011, p. 61 and 65-68) or ISO 14064-1:2018 Annex H.3.2, such as financial spend, influence, related **transition risks** and **opportunities** or **stakeholder** views;
- (e) calculate or estimate GHG emissions in significant Scope 3 categories using suitable emissions factors;
- (f) update Scope 3 GHG emissions in each significant category every year on the basis of current activity data; update the full Scope 3 GHG inventory at least every 3 years or on the occurrence of a significant event or a significant change in circumstances

(a significant event or significant change in circumstances can, for example, relate to changes in the undertaking’s activities or structure, changes in the activities or structure of its upstream and downstream value chain(s), a change in calculation methodology or in the discovery of errors);

- (g) disclose the extent to which the undertaking’s Scope 3 GHG emissions are measured using inputs from specific activities within the entity’s upstream and downstream value chain, and disclose the percentage of emissions calculated using primary data obtained from **suppliers** or other **value chain** partners;
- (h) for each significant Scope 3 GHG category, disclose the reporting boundaries considered, the calculation methods for estimating the GHG emissions as well as if and which calculation tools were applied. The Scope 3 categories should be consistent with the GHGP and include:
  - i. indirect Scope 3 GHG emissions from the consolidated accounting group (the parent and its subsidiaries),
  - ii. indirect Scope 3 GHG emissions from associates, joint ventures, and unconsolidated subsidiaries for which the undertaking has the ability to control the operational activities and relationships (i.e., operational control),
  - iii. Scope 1, 2 and 3 GHG emissions from associates, joint ventures, unconsolidated subsidiaries (investment entities) and joint arrangements for which the undertaking does not have **operational control** and when these entities are part of the undertaking’s upstream and downstream value chain.
- (i) disclose a list of Scope 3 GHG emissions categories included in;
- (j) disclose biogenic emissions of CO<sub>2</sub> from the combustion or biodegradation of biomass that occur in its upstream and downstream **value chain** separately from the gross Scope 3 GHG emissions, and include emissions of other types of GHG (such as CH<sub>4</sub> and N<sub>2</sub>O), and emissions of CO<sub>2</sub> that occur in the life cycle of biomass other than from combustion or biodegradation (such as GHG emissions from processing or transporting biomass) in the calculation of Scope 3 GHG emissions;
- (k) not include any removals, or any purchased, sold or transferred **carbon credits** or GHG allowances in the calculation of Scope 3 GHG emissions;

**AR 14.AR 13.** When preparing the information on the total GHG **emissions** required under paragraph 49, the undertaking shall:

- (a) apply the following formulas to calculate the total GHG emissions:

$$\begin{aligned}
 &\text{Total GHG emissions}_{\text{location-based}} \text{ (t CO}_2\text{eq)} \\
 &= \text{Gross Scope 1} + \text{Gross Scope 2}_{\text{location-based}} + \text{Gross Scope 3 Total} \\
 &\text{Total GHG emissions}_{\text{market-based}} \text{ (t CO}_2\text{eq)} \\
 &= \text{Gross Scope 1} + \text{Gross Scope 2}_{\text{market-based}} + \text{Gross Scope 3}
 \end{aligned}$$

- (b) disclose total GHG emissions with a distinction between emissions derived from the location-based and market-based methods applied while measuring the underlying Scope 2 GHG emissions.



~~AR 15~~ AR 14. The undertaking shall disclose its total GHG **emissions** disaggregated by Scopes 1 and 2 and significant Scope 3 in accordance with the table below.

	Retrospective				Milestones and target years			
	Base year	Compa-rative	N	% N / N-1	2025	2030	(2050)	Annual % target / Base year
<b>Scope 1 GHG emissions</b>								
Gross Scope 1 GHG emissions (tCO <sub>2</sub> eq)								
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)								
<b>Scope 2 GHG emissions</b>								
Gross location-based Scope 2 GHG emissions (tCO <sub>2</sub> eq)								
Gross market-based Scope 2 GHG emissions (tCO <sub>2</sub> eq)								
<b>Significant scope 3 GHG emissions*</b>								
Total Gross indirect (Scope 3) GHG emissions (tCO <sub>2</sub> eq)								
1 Purchased goods and services								
Optional sub-category: Cloud computing and data centre services								
2 Capital goods								
3 Fuel and energy-related activities (not included in Scope 1 or Scope 2)								
4 Upstream transportation and distribution								
5 Waste generated in operations								
6 Business travels								
7 Employee commuting								
8 Upstream leased assets								
9 Downstream transportation								
10 Processing of sold products								
11 Use of sold products								
12 End-of-life treatment of sold products								
13 Downstream leased assets								
14 Franchises								
15 Investments								
<b>Total GHG emissions</b>								
Total GHG emissions (location-based) (tCO <sub>2</sub> eq)								

Total GHG emissions (market-based) (tCO<sub>2</sub>eq)

~~AR 16.~~ **AR 15.** The Scope 3 GHG **emissions** may also be presented by according to the indirect emission categories defined in EN ISO 14064-1:2018.

~~AR 17.~~ **AR 16.** If it is material for the undertaking's Scope 3 emissions, it shall disclose the GHG **emissions** from purchased cloud computing and data centre services as a subset of the overarching **Scope 3 category** “upstream purchased goods and services”.

~~AR 18.~~ **The total GHG emissions disaggregated by Scope 1, 2 and 3 GHG emissions may be graphically presented in the sustainability statement (e.g., as a bar or pie chart) showing the split of GHG emissions across the value chain (Upstream, Own operations, Transport, Downstream).**

### **GHG intensity based on net revenue**

#### *Calculation guidance*

~~AR 19.~~ **AR 17.** When disclosing the information on GHG intensity based on net revenue required under paragraph 32, the undertaking shall:

- (a) calculate the GHG intensity ratio by the following formula:

$$\frac{\text{Total GHG emissions (t CO}_2\text{eq)}}{\text{Net revenue (Monetary unit)}}$$

- (b) express the total GHG **emissions** in metric tonnes of CO<sub>2</sub>eq and the net revenue in monetary units (e.g., Euros) and present the results for the market-based and location-based method;
- (c) include the total GHG emissions in the numerator and overall net revenue in the denominator;
- (d) calculate the total GHG emissions as required by paragraphs 22 (d) and 31; and
- (e) calculate the net revenue in line with the requirements in accounting standards applied for financial statements, i.e., IFRS 15 or local GAAP.

~~AR 20.~~ **The quantitative information may be presented in the following tabular format.**

GHG intensity per net revenue	Comparative	N	% N / N-1
Total GHG emissions (location-based) per net revenue (tCO <sub>2</sub> eq/Monetary unit)			
Total GHG emissions (market-based) per net revenue (tCO <sub>2</sub> eq/Monetary unit)			

#### *Connectivity of GHG intensity based on revenue with financial reporting information*

~~AR 21.~~ **AR 18.** The reconciliation of the net revenue used to calculate GHG intensity to the relevant line item or notes in the financial statements (as required by paragraph 52) may be done by either:

- (a) a cross-reference to the related line item or disclosure in the financial statements; or
- (b) if the net revenue cannot be directly cross-referenced to a line item or disclosure in the financial statements, by a quantitative reconciliation using the below tabular format.

Net revenue used to calculate GHG intensity	
Net revenue (other)	

Total net revenue (in financial statements)	
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### ***Disclosure Requirement E1-3 – GHG removals and GHG mitigation projects financed through carbon credits***

#### ***GHG removals and storage in own operations and the upstream and downstream value chain***

**AR-22-AR 19.** In addition to their GHG emission inventories, undertakings shall provide transparency on how and to what extent they either enhance natural sinks or apply technical solutions to remove GHGs from the atmosphere in their own operations and upstream and downstream value chain. While there are no generally accepted concepts and methodologies for accounting for GHG removals, this [draft] Standard aims to increase transparency on the undertaking's efforts to remove GHGs from the atmosphere (paragraphs 33 and 35(b)). The GHG removals outside the **value chain** that the undertaking supports through the purchase of **carbon credits** are to be disclosed separately as required by paragraphs 33 and 35.

**AR-23-AR 20.** When disclosing the information on **GHG removals and storage** from the undertaking's own operations and its upstream and downstream **value chain** required under paragraphs 33 and 35, for each removal and storage activity, the undertaking may describe:

- (a) the GHGs concerned;
- (b) whether removal and storage are biogenic or from **land-use change** (e.g., afforestation, reforestation, forest restoration, urban tree planting, agroforestry, building **soil** carbon, etc.), technological (e.g., direct air capture), or hybrid (e.g., bioenergy with CO<sub>2</sub> capture and storage) and technological details about the removal, the type of storage and, if applicable, the transport of removed GHGs;
- (c) if applicable, a brief explanation of whether the activity qualifies as a nature-based solution; and
- (d) how the risk of non-permanence is managed, including determining and monitoring leakage and reversal events, as appropriate.

#### ***Calculation guidance***

**AR-24-AR 21.** When preparing the information on **GHG removals and storage** from the undertaking's own operations and its upstream and downstream **value chain** required under paragraphs 33 and 35, the undertaking may:

- (a) consider, as far as applicable, the GHG Protocol Corporate Standard (version 2004), Product Standard (version 2011), Agriculture Guidance (version 2014), Land use, **land-use change**, and forestry Guidance for GHG project accounting (version 2006);
- (b) apply consensus methods on accounting for GHG removals as soon as they are available, notably the EU regulatory framework for the certification of CO<sub>2</sub> removals;
- (c) if applicable, explain the role of removals for its **climate change mitigation policy**;
- (d) include removals from operations that it owns or controls, or contributes to and that have not been sold to another party through carbon credits;
- (e) if applicable, mark those GHG removal activities in own operations or the value chain that have been converted into carbon credits and sold to other parties on the voluntary market;
- (f) account for the GHG **emissions** associated with a removal activity, including transport and storage, under Disclosure Requirement E1-3 (Scopes 1, 2 or 3). To increase transparency on the efficiency of a removal activity, including transport and storage, the undertaking may disclose the GHG emissions associated with this activity (e.g., GHG emissions from electricity consumption of direct air capture

- technologies) alongside, but separately from, the amount of removed GHG emissions;
- (g) in case of a reversal, account for the respective GHG emissions as an offset for the removals in the reporting period;
- (h) use the most recent **GWP** values published by the IPCC based on a 100-year time horizon to calculate CO<sub>2</sub>eq emissions of non-CO<sub>2</sub> gases and describe the assumptions made, methodologies and frameworks applied for calculation of the amount of GHG removals; and
- (i) consider nature-based solutions.

**AR-25-AR 22.** The undertaking shall disaggregate and separately disclose the GHG removals that occur in its own operations and those that occur in its upstream and downstream value chain. GHG removal activities in the upstream and downstream **value chain** shall include those that the undertaking is actively supporting, for example, through a cooperation project with a **supplier**. The undertaking is not expected to include any GHG removals that may occur in its upstream and downstream value chain that it is not aware of.

**AR-26-AR 23.** The quantitative information on GHG removals may be presented by using the following tabular format.

Removals	Comparative	N	% N / N-1
<i>GHG removal activity 1 (e.g., forest restoration)</i>	-		
<i>GHG removal activity 2 (e.g., direct air capture)</i>	-		
...	-		
<b>Total GHG removals from own operations (tCO<sub>2</sub>eq)</b>			
<i>GHG removal activity 1 (e.g., forest restoration)</i>	-		
<i>GHG removal activity 2 (e.g., direct air capture)</i>	-		
...	-		
<b>Total GHG removals in the upstream and downstream value chain (tCO<sub>2</sub>eq)</b>			
<b>Reversals (tCO<sub>2</sub>eq)</b>			

**GHG mitigation projects financed through carbon credits**

**AR-27-AR 24.** Financing GHG **emission reduction** projects outside the undertaking’s **value chain** through purchasing **carbon credits** that fulfil high-quality standards can be a useful contribution towards mitigating climate change. This [draft] Standard requires the undertaking to disclose whether it uses **carbon credits** separately from the GHG **emissions** (paragraphs 33 and 36) and GHG **emission reduction targets** (Section 3 [draft] LSME ESRS). It also requires the undertaking to show the extent of use and which quality criteria it uses for those carbon credits.

**AR-28-AR 25.** When disclosing the information on **carbon credits** required under paragraphs 33 and 36, the undertaking shall disclose the following disaggregation as applicable:

- (a) the share (percentage of volume) of reduction projects and removal projects;
- (b) for carbon credits from removal projects, an explanation whether they are from biogenic or technological sinks;
- (c) the share (percentage of volume) for each recognised quality standard;
- (d) the share (percentage of volume) issued from projects in the EU; and
- (e) the share (percentage of volume) that qualifies as a corresponding adjustment under Article. 6 of the Paris Agreement.

**Calculation guidance**

**AR-29-AR 26.** When preparing the information on **carbon credits** required under paragraphs 53(b) and 56, the undertaking shall:

- (a) Consider recognised quality standards;
- (b) if applicable, explain the role of carbon credits in its **climate change mitigation policy**;
- (c) not include carbon credits issued from GHG **emission reduction** projects within its **value chain** as the respective GHG emission reductions shall already be disclosed under Disclosure Requirement E1-3 (Scope 2 or Scope 3) at the time they occur (i.e., double counting is avoided);
- (d) not include carbon credits from GHG removal projects within its value chain as the respective GHG removals may already be accounted for under Disclosure Requirement E1-4 at the time they occur (i.e., double counting is avoided);
- (e) not disclose carbon credits as an offset for its GHG **emissions** under Disclosure Requirement E1-6 on GHG emissions;
- (f) not disclose carbon credits as a means to reach the GHG emission reduction targets disclosed under Disclosure Requirement E1-4; and
- (g) calculate the amount of carbon credits to be cancelled in the future, as the sum of carbon credits in metric tonnes of CO<sub>2</sub>eq over the duration of existing contractual agreements.

**AR-30-AR 27.** The information on **carbon credits** cancelled in the reporting year and planned to be cancelled in the future may be presented using the following tabular formats.

Carbon credits cancelled in the reporting year	Comparative	N
Total (tCO <sub>2</sub> eq)		
Share from removal projects (%)		
Share from reduction projects (%)		
<i>Recognised quality standard 1 (%)</i>		
<i>Recognised quality standard 2 (%)</i>		
<i>Recognised quality standard 3 (%)</i>		
...		
Share from projects within the EU (%)		

Share of carbon credits that qualify as corresponding adjustments (%)		
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<b>Carbon credits planned to be cancelled in the future</b>	<b>Amount until [period]</b>	
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Total (tCO <sub>2</sub> eq)		
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### ***Disclosure Requirement E1-4 – Anticipated financial effects from material physical and transition risks and potential climate-related opportunities***

#### ***Anticipated financial effects from material physical and transition risks***

**AR 31-AR 28.** Material climate-related **physical risks** and **transition risks** may affect the undertaking's financial position (e.g., owned assets, financially-controlled leased assets, and liabilities), performance (e.g., potential future increase/decrease in net revenue and costs due to business interruptions, increased supply prices resulting in potential margin erosions), and cash flows. The low probability, high severity and long-term time horizons of some climate-related physical risk exposures and the uncertainty arising from the transition to a sustainable economy mean that there will be associated material **anticipated** financial effects that are outside the scope of the requirements of applicable accounting standards.

**AR 32-AR 29.** Currently, there is no commonly accepted methodology to assess or measure how material **physical risks** and **transition risks** may affect the undertaking's future financial position, financial performance and cash flows. Therefore, the disclosure of the financial effects (as required by paragraphs 45, 46 and 47) will depend on the undertaking's internal methodology and the exercise of significant judgement in determining the inputs, and assumptions needed to quantify and where applicable describe the **anticipated financial effects**.

#### ***Calculation guidance - Anticipated financial effects from material physical risks***

**AR 33-AR 30.** When disclosing the information required under paragraphs 37(a) and 39, the undertaking shall explain whether and how:

- (a) it assessed the **anticipated financial effects** for assets and business activities at material physical risk, including the scope of application, time horizons, calculation methodology, critical assumptions and parameters and limitations of the assessment; and
- (b) the assessment of assets and business activities considered to be at material **physical risk** relies on or is part of the process to determine material physical risk as required under paragraphs 18(b) and AR 12 and to determine climate **scenarios** as required under paragraphs 19 and AR 13 to AR 14. In particular, it shall explain how it has defined medium- and long-term time horizons and how these definitions are linked to the expected lifetime of the undertaking's assets, strategic planning horizons and capital allocation plans.

**AR 34-AR 31.** When preparing the information on assets at material physical risk that is required to be disclosed under paragraph 37(a), the undertaking shall:

- (a) Calculate the assets at material physical risk in terms of monetary amount and as a proportion (percentage) of total assets at the reporting date (i.e., the proportion is an estimate of the carrying value of assets at material physical risk divided by total carrying value as stated in the statement of financial position or balance sheet). The estimate of assets at material physical risk shall be derived starting from the assets recognised in the financial statements. The estimate of monetary amounts and proportion of assets at physical risk may be presented as either a single amount or range.

- (b) All types of assets including finance-lease / right-of-use assets shall be considered when determining the assets at material physical risk.
- (c) To contextualise this information, the undertaking shall:
  - i. disclose the location of its significant assets at material physical risk. Significant assets located<sup>22</sup> in the EU territory shall be aggregated by NUTS codes 1 level digits (Nomenclature of Territorial Units for Statistics). For significant assets located outside EU territory, the breakdown by NUTS code will only be provided where applicable.
  - ii. disaggregate the monetary amounts of assets at risk by acute and chronic physical risk<sup>23</sup>.
- (d) calculate the share of assets at material physical risk resulting from paragraph AR 42 (a) that is addressed by the **climate change adaptation actions** based on the information disclosed under Disclosure Requirement 11 (IR-3) – Policies and actions in relation to sustainability matters (Section 3).

~~AR 35-AR 32.~~ When preparing the information required under paragraph 45(a), the undertaking may assess and disclose the share of net revenue from business activities at physical risk. This disclosure:

- (a) shall be based on the net revenue in line with the requirements in accounting standards applied for financial statements, i.e., IFRS 15 or local GAAP.
- (b) may include a breakdown of the undertaking's business activities with the corresponding details of the associated percentage of total net revenue, the risk factors (hazards, exposure and sensitivity) and, if possible, the magnitude of the **anticipated financial effects** in terms of margin erosion over the short-, medium- and long-term time horizons. The nature of business activities may also be disaggregated by operating segments if the undertaking has disclosed the contribution of margins by operational segments in its segment reporting in the financial statements.

#### *Calculation guidance - Anticipated financial effects from transition risk*

~~AR 36-AR 33.~~ When disclosing the information required under paragraphs 33(b) and 36, the undertaking shall explain whether and how:

- (a) it has assessed the potential effects on future financial performance and position for assets and business activities at material transition risk, including the scope of application, calculation methodology, critical assumptions and parameters, and limitations of the assessment; and
- (b) the assessment of assets and business activities considered to be at material transition risk relies on or is part of the process to determine material **transition risks** as described under paragraphs 18(c) and AR 12 and to determine **scenarios** as required under paragraphs AR 13 to AR 14. In particular, it shall explain how it has defined medium- and long-term time horizons and how these definitions are linked to the expected lifetime of the undertaking's assets, strategic planning horizons and capital allocation plans.

~~AR 37-AR 34.~~ When disclosing the information on assets at material transition risk as required under paragraphs 40(a) and (b):

- (a) the undertaking shall at the very least include an estimate of the amount of potentially stranded assets (in monetary amounts and as a proportion/percentage) from the reporting year until 2030 and from 2030 to 2050. Stranded assets are understood as the active or firmly planned key assets of the undertaking with significant **locked-in GHG emissions** over their operating lifetime. Firmly planned key assets are those that the undertaking will most likely deploy within the next five years. The amount

<sup>22</sup> This disclosure requirement is consistent with the requirements of EBA Pillar 3 ITS- [Template 5 exposures subjects to physical risk](#)

<sup>23</sup> Ibid

may be expressed as a range of asset values based on different climate and **policy scenarios**, including a scenario aligned with limiting climate change to 1.5°C.

- (b) the undertaking may disclose a breakdown of the carrying value of its real estate assets, including rights-of-use assets, by energy efficiency classes. The energy efficiency shall be represented in terms of either the ranges of energy consumption in kWh/m<sup>2</sup> or the EPC<sup>24</sup> (Energy Performance Certificate)<sup>25</sup> label class. If the undertaking cannot obtain this information on a best-effort basis, it shall disclose the total carrying amount of the real estate assets for which the energy consumption is based on internal estimates.
- (c) the undertaking shall calculate the proportion (percentage) of total assets (including finance lease/right-of-use assets) at material transition risk addressed by the **climate change mitigation actions** based on the information disclosed under Disclosure Requirement E1-3. The total assets amount is the carrying amount on the balance sheet as of the reporting date.

**AR-38-AR 35.** When disclosing the information on potential liabilities from material **transition risks** required under paragraph 40(d):

- (a) undertakings that operate **installations** regulated under an emission trading scheme may include a range of potential future liabilities originating from these schemes;
- (b) undertakings subject to the EU ETS, may disclose the potential future liabilities that relate to their allocation plans for the period before and until 2030. The potential liability may be estimated on the basis of:
  - i. the number of allowances held by the undertaking at the beginning of the reporting period;
  - ii. the number of allowances to be purchased in the market yearly, i.e., before and until 2030;
  - iii. the gap between estimated future **emissions** under various transition **scenarios** and free allocations of allowances that are known for the period until 2030; and
  - iv. the estimated yearly cost per tonne of CO<sub>2</sub> for which an allowance needs to be purchased;
- (c) In assessing its potential future liabilities, the undertaking may consider and disclose the number of Scope 1 GHG emission allowances within regulated emission trading schemes and the cumulative number of emission allowances stored (from previous allowances) at the beginning of the reporting period;
- (d) undertakings disclosing volumes of **carbon credits** planned to be cancelled in the near future (Disclosure Requirement E1-7) may disclose the potential future liabilities associated with those based on existing contractual agreements;
- (e) the undertaking may also include its monetised gross Scope 1, 2 and total GHG **emissions** (in monetary units) calculated as follows:
  - i. monetised Scope 1 and 2 GHG emissions in the reporting year by the following formula:

$$\left( \text{gross Scope 1 GHG emissions (t CO}_2\text{eq)} + \text{gross Scope 2 GHG emission (t CO}_2\text{eq)} \right) \times \text{GHG emission cost rate} \left( \frac{\text{€}}{\text{t CO}_2\text{eq}} \right)$$

- ii. monetised total GHG emissions in the reporting year by the following formula:

<sup>24</sup> Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (OJ L 153, 18.6.2010, p. 13).

<sup>25</sup> This disclosure requirement is consistent with the requirements of EBA Pillar 3 ITS- Template 2 immovable property, energy efficiency of the collateral



$$\text{Total GHG emissions (t CO}_2\text{eq)} \times \text{GHG emission cost rate } \left( \frac{\text{€}}{\text{t CO}_2\text{eq}} \right)$$

- iii. by use of a lower, middle and upper cost rate<sup>26</sup> for GHG emissions (e.g., market carbon price and different estimates for the societal costs of carbon) and reasons for selecting them.

**AR-39-AR 36.** Other approaches and methodologies may be applied to assess how **transition risks** may affect the future financial position of the undertaking. In any case, the disclosure of **anticipated financial effects** shall include a description of the methodologies and definitions used by the undertaking.

**AR-40-AR 37.** When preparing the information required under paragraph 63(d), the undertaking may assess and disclose the share of net revenue from business activities at **transition risks**. This disclosure:

- (a) shall be based on the net revenue in line with the requirements in accounting standards applied for financial statements, i.e., IFRS 15 or local GAAP.
- (b) may include a breakdown of the undertaking's business activities with the corresponding details of the associated percentage of current net revenue, risk factors (events and exposure), and when possible, the **anticipated financial effects** related to margin erosion over the short-, medium- and long-term. The nature of business activities may also be disaggregated by operating segments if the undertaking has disclosed the contribution of margins by operational segments in its segment reporting in the financial statements.

*Connectivity with financial reporting information*

**AR-41-AR 38.** The reconciliation of the significant amount of assets, liabilities, and net revenue (vulnerable to either material **physical risks** or **transition risks**) to the relevant line item or disclosure (e.g., in segment reporting) in the financial statements (as required by paragraph 65) may be presented by the undertaking as follows:

- (a) as a cross-reference to the related line item or disclosure in the financial statements if these amounts are identifiable in the financial statements; or
- (b) If these cannot be directly cross-referenced, as a quantitative reconciliation of each to the relevant line item or disclosure in the financial statement using the below tabular format:

Carrying amount of assets or liabilities or net revenue vulnerable to either material physical or transition risks	
Adjusting items	
Assets or liabilities or net revenue in the financial statements	

**AR-42-AR 39.** The undertaking shall ensure the consistency of data and assumptions to assess and report the **anticipated financial effects** from material **physical risks** and **transition risks** in the sustainability statement with the corresponding data and assumptions used for the financial statements (e.g., carbon prices used for assessing impairment of assets, the useful life of assets, estimates and provisions). The undertaking shall explain the reasons for any inconsistencies (e.g., if the full financial implications of climate-related risks are still under assessment or are not deemed material in the financial statements).

**AR-43-AR 40.** For potential future effects on liabilities (as required by paragraph 64(d)), if applicable, the undertaking shall cross-reference the description of the emission trading schemes in the financial statements.

<sup>26</sup> The cost rate is the factor used to convert non-monetary impacts like tonnes, hectares, m3 etc. into monetary units. Cost rates should be based on monetary valuation studies, need to be science-based and the methods used to obtain them transparent. Guidance on these methods can be obtained, e.g., from the EU-LIFE project, TRANSPARENT (see recital (38) of the draft CSRD).

***Climate-related opportunities***

~~AR 44.~~AR 41. When disclosing the information under paragraph 43, the undertaking may explain the nature of the cost savings (e.g., from reduced energy consumption), the time horizons and the methodology used, including the scope of the assessment, critical assumptions, and limitations, and whether and how **scenario analysis** was applied.

~~AR 45.~~AR 42. When disclosing the information required under paragraph 43, the undertaking may explain how it has assessed the market size or any expected changes to net revenue from low-carbon products and services or adaptation solutions including the scope of the assessment, the time horizon, critical assumptions, and limitations and to what extent this market is accessible to the undertaking. The information on the market size may be put in perspective to the current taxonomy-aligned revenue disclosed under the provisions of Regulation (EU) 2020/852. The entity may also explain how it will pursue its climate-related **opportunities** and, where possible, this should be linked to the disclosures on **policies**, **targets** and **actions** under Disclosure Requirements E1-2, E1-3 and E1-4.

## Application Requirements-Pollution (E2)

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### ***Disclosure Requirement E2-1 – Pollution of air, water and soil***

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~~AR 46-AR 43.~~ The information to be provided on microplastics under paragraph 27(e) shall include microplastics that have been generated or used during production processes or that are procured, and that leave the undertaking's facilities as emissions, as products, or as part of products or services. Microplastics may be unintentionally produced when larger pieces of plastics like car tires or synthetic textiles wear and tear or may be deliberately manufactured and added to products for specific purposes (e.g., exfoliating beads in facial or body scrubs).

~~AR 44.~~ The volume of **pollutants** shall be **calculated and presented for the aggregated amount of each pollutant individually, but the mass of different pollutants shall not be added together. For example, an undertaking with two factories that emit mercury and lead, shall add the lead emission from the two factories, but not add lead and mercury emissions. The units of reporting shall be in** appropriate mass units, for example in tonnes or kilogrammes, depending on type and quantities of the pollutant.

~~AR 47-AR 45.~~ The metrics to be disclosed under paragraph 36a) refer to information that the undertaking is already mandated to provide by law. This requirement was conceived to avoid any additional reporting burden on undertakings. In general, this requirement is expected to apply to undertakings that are operators of one industrial installation covered by the Industrial Emissions Directive (IED). The IED applies to some 52,000 installations in Europe covering activities such as burning fuel in boilers with rated power of more than 50 MW, metal foundries, processing of non-ferrous metals, production of lime, manufacture of ceramic products by firing, production of plant protection products or biocides, tanning of hides, slaughterhouses, etc. In these cases, the installation already has to report to the competent authority the pollutants released to air, water and soil, and the data is publicly available at the European Pollutant Release and Transfer Register (E-PRTR). Companies that operate more than one facility, do not have to report on their consolidated company-wide emissions under the EPRTR, as they report only at facility level. This disclosure requirement requires to report the total amount of all the facilities. Similarly, companies owning but not operating a facility, do not have to report to the EPRTR but are expected to reflect their facility-owned emissions in their sustainability report.

~~AR 48-AR 46.~~ The information required under this Disclosure Requirement shall be provided at the level of the reporting undertaking. However, the undertaking may disclose additional breakdown including information at **site** level or a breakdown of its **emissions** by type of source, by sector or by geographical area.

#### Contextual information

~~AR 49.~~ When providing contextual information on the emissions, the undertaking may consider:

~~AR 50.~~ the local air quality indices (AQI) for the area where the undertaking's air **pollution** occurs;

~~AR 51.~~ the degree of urbanisation (DEGURBA)<sup>27</sup> for the area where air pollution occurs; and

~~AR 52.~~ the undertaking's percentage of the total **emissions of pollutants** to water and **soil** occurring in areas at water risk, including areas of high-water stress.

~~AR 53-AR 47.~~ The information provided under this Disclosure Requirement may refer to information the undertaking is already required to report under other existing legislation (i.e., IED, E-PRTR, etc.).

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<sup>27</sup> According to Eurostat, the Degree of urbanisation (DEGURBA) is a classification that indicates the character of an area. Based on the share of local population living in urban clusters and in urban centres, it classifies Local Administrative Units (LAU or communes) into three types of area: i) Cities (densely populated areas), ii) Towns and suburbs (intermediate density areas), and iii) Rural areas (thinly populated areas).

~~AR-54~~AR 48. Where the undertaking's activities are subject to Directive 2010/75/EU of the European Parliament and of the Council on industrial emissions (IED)<sup>28</sup> and relevant Best Available Techniques Reference Documents (**BREFs**), irrespective of whether the activity takes place within the European Union or not, the undertaking may disclose the following additional information:

- (a) a list of **installations** operated by the undertaking that fall under the IED and EU **BAT Conclusions**;
- (b) a list of any non-compliance **incidents** or enforcement **actions** necessary to ensure compliance in case of breaches of permit conditions;
- (c) the actual performance, as specified in the EU-**BAT conclusions** for industrial **installations**, and comparison of the undertaking's environmental performance against "emission levels associated with the best available techniques" the (**BAT-AEL**) as described in EU-BAT conclusions;
- (d) the actual performance of the undertaking against "environmental performance levels associated with the **best available techniques (BAT-AEPLs)** provided that they are applicable to the sector and **installation**; and
- (e) a list of any compliance schedules or derogations granted by competent authorities according to Art. 15(4) Directive 2010/75/EU that are associated with the implementation of **BAT-AELs**.

#### Methodologies

~~AR-55~~AR 49. When providing information on **pollutants**, the undertaking shall consider approaches for quantification in the following order of priority:

- (a) direct measurement of emissions, effluents or other **pollution** through the use of recognised continuous monitoring systems (e.g., AMS Automated Measuring Systems);
- (b) periodic measurements;
- (c) calculation based on **site**-specific data;
- (d) calculation based on published pollution factors; and
- (e) estimation.

~~AR-56~~AR 50. Regarding the disclosure of methodologies required by paragraph [Error! Reference source not found.](#), the undertaking shall consider:

- (a) whether its monitoring is carried out in accordance with EU **BREF** Standards or another relevant reference benchmark; and
- (b) whether and how the calibration tests of the AMS were undertaken and the verification of periodic measurement by independent labs were ensured.

~~AR-57~~AR 51. The amounts referred in paragraph 35 shall include the emissions from those facilities over which the undertaking has financial control and those over which it has operational control. It shall include only the emissions from facilities for which the applicable threshold value specified in Annex II of Regulation (EC) No 166/2006 is exceeded.

~~AR-58~~AR 52. When disclosing the information required under paragraph 36, when an inferior methodology compared to direct measurement of **emissions** is chosen to quantify emissions, the reasons for choosing this inferior methodology shall be outlined by the undertaking. If the undertaking uses estimates, it shall disclose the standard, sectoral study

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<sup>28</sup> Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control) (OJ L 334, 17.12.2010, p. 17).

or sources which form the basis of its estimates, as well as the possible degree of uncertainty and the range of estimates reflecting the measurement uncertainty.

### ***Disclosure Requirement E2-2 – Substances of concern and substances of very high concern***

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List of substances to be considered

~~AR 59-AR 53.~~ In order for the information to be complete, **substances** in the undertaking's own operations and those procured shall be included (e.g., embedded in ingredients, semi-finished products, or the final product).

~~AR 60-AR 54.~~ The volume of **pollutants** shall be presented in mass units, for example tonnes or kilogrammes or other mass units appropriate for the volumes and type of pollutants being released.

Contextual information

~~AR 61-AR 55.~~ The information provided under this Disclosure Requirement may refer to information the undertaking is already required to report under other existing legislation (i.e., Directive 2010/75/EU, Regulation (EC) No 166/2006 "E-PRTR", etc.).

### **Application Requirements-Water and Marine Resources (E3)**

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#### ***Disclosure Requirement E3-1 – Water consumption***

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~~AR 62-AR 56.~~ When disclosing contextual information on water management performance required by paragraph 44, the undertaking shall explain the calculation methodologies and more specifically the share of the measure obtained from direct measurement, from sampling and extrapolation, or from best estimates.

### **Application Requirements-Biodiversity and ecosystems (E4)**

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#### ***Disclosure Requirement E4-1 – Impact metrics related to biodiversity and ecosystems change***

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AR 57. Managed sites are specific locations of one or more physical installations, which the undertaking manages. In certain cases, there may be more than one physical installation from the same or different owners or operators and certain infrastructure and facilities may be shared. In these cases, the entire area where the physical installation is located may constitute a site.

**AR 63-AR 58.** When preparing the information required under this Disclosure Requirement, the undertaking shall briefly describe the **metrics** and methodologies used including:

- (a) why these were selected;
- (b) their organizational scope (undertaking, site, brand, commodity, corporate business unit, activity), operational scope (entire value chain, upstream or downstream value chain, or own operations and leased assets) and geographical scope (geographies covered by the metrics);
- (c) if metrics are species specific or ecosystem specific;
- (d) an indication of which actions are measured and monitored via the metrics and how they relate to the achievement of targets.

**AR 64-AR 59.** The undertaking may also disclose:

- (a) how the metrics integrate **ecological thresholds** (e.g., the biosphere integrity and land-system change planetary boundaries) and allocations;
- (b) the frequency of monitoring, key indicators being monitored, and the baseline condition/value and baseline year/period, as well as the reference period;
- (c) other methodological aspects such as if the parametrisation of these metrics rely on primary data, secondary data, modelled data or on expert judgement, or a mixture of these;
- (d) whether metrics are mandatory (based on legislation) or voluntary. If they are mandatory, the undertaking may consider listing the relevant legislation; if voluntary, refer to the voluntary standard/procedure used; and
- (e) whether the metrics are informed by or correspond to expectations or recommendations of relevant and authoritative national, EU-level or intergovernmental guidelines, policies, legislation or agreements, such as the Convention for Biological Diversity (CBD) and IPBES.

**AR-65-AR 60.** Methodologies available to collect data and measure the undertakings' impacts on **biodiversity** and **ecosystems** may be separated into three categories as follows:

- (a) primary data: collected in-situ using on the ground surveys;
- (b) secondary data: including geospatial data layers that are overlaid with geographic location data of business activities:
  - i. at the species level, data layers on the ranges of different species can be used to predict the species that may be present at different locations. This includes operation **sites** and sourcing locations. Different range layers will have differing levels of accuracy depending on certain factors (e.g., whether species ranges have been refined based on availability of **habitat**). Information on the threat status of the species, and the activities that threaten them, can provide an indication of the likely contribution that business activities may be having on driving population trends and threat status;
  - ii. at the ecosystem level, data layers reflecting change in the extent and condition of ecosystems can be applied, including levels of **habitat fragmentation** and connectivity;
- (c) modelled biodiversity state data: Model-based approaches are commonly used for measuring ecosystem level indicators (e.g., extent, condition, or function). Models quantify how the magnitude of different pressures affects the state of biodiversity. These are referred to as pressure-state relationships and are based on globally collected data. Modelling results are applied locally to estimate how undertaking-level pressures will cause changes in ecosystem condition. An impact driver generally has three main characteristics: magnitude (e.g., amount of contaminant, noise intensity), spatial extent (e.g., area of land contaminated) and temporal extent (duration of persistence of contaminant).

**AR-66-AR 61.** With regard to life cycle assessment for land-use, the undertaking may refer to the "Land-use related environmental indicators for Life Cycle Assessment" by the Joint Research Center.

**AR-67-AR 62.** With regard to the introduction of invasive alien species, the undertaking may disclose the pathways and number of **invasive alien species** and the extent of surface covered by invasive alien species.

**AR-68-AR 63.** With regard to metrics on the extent and condition of **ecosystems**, useful guidance can be found in the work of the United Nations System of Environmental Economic Accounting Ecosystem Accounting (UN SEEA EA).

~~AR-69-AR 64.~~ The undertaking may disclose in units of area (e.g., m<sup>2</sup> or ha) on land-use using guidance provided by the Eco-Management and Audit Scheme (EMAS)<sup>29</sup>:

- (a) total use of land;
- (b) total sealed area;
- (c) total nature-oriented area on **site**; and
- (d) total nature-oriented area off site.

~~AR-70-AR 65.~~ The undertaking may disclose, for example, land cover change, which is the physical representation of the drivers “habitat modification” and “industrial and domestic activities”, i.e., the man-made or natural change of the physical properties of Earth’s surface at a specific location.

~~AR-71-AR 66.~~ Land cover is a typical variable that can be assessed with earth observation data.

~~AR-72-AR 67.~~ When reporting on material impacts related to the **ecosystems**, the undertaking may, in addition to the extent and condition of ecosystems, also consider the functioning of ecosystems by using:

- (a) a metric that measures a process or function that the ecosystem completes, or that reflects the ability of the ecosystem to undertake that specific process or function: e.g., net primary productivity, which is a measure of plant productivity based on the rate at which energy is stored by plants and made available to other species in the ecosystem. It is a core process that occurs for ecosystems to function. It is related to many factors, such as species diversity, but does not measure these factors directly; or
- (b) a metric that measures changes to the population of scientifically identified species under threat.

~~AR-73-AR 68.~~ At the ecosystem level, data layers reflecting change in the extent and condition of **ecosystems** may be applied, including levels of **habitat fragmentation** and connectivity.

## Application Requirements- Resource use and Circular Economy (E5)

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### **Disclosure Requirement E5-1 – Resource inflows**

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~~AR-74-AR 69.~~ The disclosure required by paragraph ~~57-54~~ on a description of resource inflows used in the undertaking’s own operations and along its upstream value chain, may distinguish between: a) materials, including: i) raw materials, distinguishing between critical raw materials and rare earths; ii) associated process materials; iii) semi-manufactured goods or parts; b) products, including several categories such as packaging, IT equipment, textiles, furniture, buildings, heavy machinery, mid-weight machinery, light machinery, heavy transport, mid-weight transport, light transport and warehousing equipment; c) water; c) property, plant and equipment. When describing the relevant resource inflows that generate IROs the undertaking shall explain what type it is referring to, for example to raw materials (e.g. wood, ores), products (e.g. machinery) or goods or semi-manufactured goods or parts used as input into its products and services (e.g. electronic components).

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<sup>29</sup> As proposed by the COMMISSION REGULATION (EU) 2018/ 2026 of 19 December 2018 amending Annex IV to Regulation (EC) No 1221/2009 of the European Parliament and of the Council on the voluntary participation by organisations in a Community eco-management and audit scheme (EMAS).

~~AR 75.~~—The resource inflows to be considered for calculation of metrics mentioned in paragraphs 55 (a) to (c) are the ones considered to expose the undertaking to material impacts or risks or opportunities and not all resource inflows the undertaking is sourcing. ~~When the undertaking is subject to paragraph 31, it may also provide transparency on the materials that are sourced from **by-products/waste** stream (e.g., offcuts of a material that has not previously been in a product).~~

~~AR 70.~~

~~AR 76.~~AR 71. The denominator of the percentage indicator required under paragraphs 31(b) and 31(c) is the overall total weight of materials (as referred in previous AR) used during the reporting period.

AR 72. When the undertaking is subject to paragraph 55, it may also provide transparency on the materials that are sourced from **by-products/waste** stream (e.g., offcuts of a material that has not previously been in a product).

~~AR 77.~~AR 73. The reported usage data are to reflect the material in its original state, and not to be presented with further data manipulation, such as reporting it as “dry weight”.

~~AR 78.~~AR 74. In cases where there is an overlap between categories of reused, recycled, the undertaking shall specify how double counting was avoided and the choices that were made.

### ***Disclosure Requirement E5-2 - Resource outflows***

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~~AR 79.~~AR 75. Products and materials information to be provided under paragraph 58 refer to all products and materials that come out of the undertaking's production process and that a company puts on the market (including **packaging**).

~~AR 80.~~AR 76. The undertaking may disclose its engagement in product end-of-life **waste management**, for example through extended producer responsibility schemes or take-back schemes.

~~AR 81.~~AR 77. When considering the **waste** streams relevant to its sectors or activities, the undertaking may consider the list of waste descriptions from the European Waste Catalogue.

~~AR 82.~~AR 78. Examples of other types of disposal operations under paragraph 63 (iii) can be found in Annex I of Directive 2008/98/EC (Waste Framework Directive).

~~AR 83.~~AR 79. When providing contextual information under paragraph 64 the undertaking may:

- (a) explain the reasons for high weights of **waste** directed to disposal (e.g., local regulations that prohibit landfilling of specific types of waste);
- (b) describe sector practices, sector standards, or external regulations that mandate a specific disposal operation; and
- (c) specify whether the data has been modelled or sourced from direct measurements, such as waste transfer notes from contracted waste collectors.



## **Application Requirements - Anticipated financial effects from material environmental-related matters impacts and risks other than climate (E6)**

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### ***Disclosure Requirement E6 – Anticipated financial effects from material environmental-related matters other than climate***

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~~AR-84-AR 80.~~ The undertaking may include an assessment of its related products and services at risk over the short-, medium- and long-term, explaining how these are defined, how financial amounts are estimated, and which critical assumptions are made.

~~AR-85-AR 81.~~ The undertaking may to consider as part of its anticipated financial effects related with pollution:

- a) the operating and capital expenditures related to **incidents** and **deposits** may include for instance: i) cost for eliminating and remediating the respective **pollution** of air, water and **soil** including environmental protection; ii) damage compensation costs including payment of fines and penalties imposed by regulators or government authorities.
- b) Costs related to the management of **incidents** which may include for instance interruptions of production, whether arising from the **supply chain** and/or from own operations, which resulted in **pollution**.

~~AR 86-AR 82.~~

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<sup>1</sup>  
This paper has been prepared by the EFRAG Secretariat for discussion at a closed meeting of EFRAG SR TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG SRB or EFRAG SR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG SRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

### **Exposure Draft**

## **DRAFT EUROPEAN SUSTAINABILITY REPORTING STANDARD**

### **ESRS LSME ED – SECTION 5 SOCIAL DISCLOSURES**

#### **VERSION AFTER CHANGES AGREED AT SRB 13 AND 15 DECEMBER 2023**

*CHANGES AGREED BY THE EFRAG SRB IN THE APPROVAL OF THE ED - IN  
MARK-UP COMPARED TO THE VERSION APPROVED BY SR TEG ON 17  
OCTOBER 2023*

#### **DISCLAIMER (to be revised)**

The working paper ESRS LSME Section 5 is set out in paragraphs X-X and Appendix A: Application Requirements. Appendix A has the same authority as the main body of this section. Each Disclosure Requirement is stated in a bold paragraph that illustrates the objective of the disclosures. This section also uses terms defined in other sections and should be read in the context of its objective.

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## Objective

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1. The objective of this [draft] Section is to specify disclosure requirements which will enable users of the sustainability statement to understand:
  - (a) how the undertaking affects its own workforce, workers in its value chain, affected communities and consumers and end-users; in terms of material negative actual or potential impacts;
  - (b) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential negative impacts, and to address risks;
  - (c) the nature, type and extent of the undertaking's material risks on its own workforce, workers in its value chain, affected communities and consumers and end-users; and how the undertaking manages them;
  - (d) the financial effects on the undertaking over the short-, medium- and long-term of material risks arising from the undertaking's impacts and dependencies on its own workforce, workers in its value chain, affected communities and consumers and end-users.

2. These [draft] Disclosure Requirements also require the provision of an explanation by the undertaking of how such impacts, as well as the undertaking's dependencies on its own workforce, workers in the value chain, affected communities and consumers and end-users can create material risks for the undertaking.

The undertaking shall apply the requirements in this Section, when it concludes that the corresponding topic is material (according to chapter 3.3 Double materiality, 3.4 Impact materiality and 3.5 Financial materiality of Section 1). Following the undertaking's assessment of the materiality of the information according to paragraph 36 of Section 1, the sustainability statement shall include those disclosures prescribed in this Section that are assessed to be material. Individual datapoints may be omitted when the corresponding information is not material and the undertaking concludes that such information is not needed to meet the objective of the Disclosure Requirement.

3.

4. This section sets requirements for metrics that are relevant only to Own Workforce. Disclosure requirements related to workers in the value chain, affected communities and consumers and end-users are located in Section 3 Centralised Disclosures (as policies, actions, targets).

4.5. For Own Workforce (S1):

- (a) These [draft] Disclosure Requirements relate to the following sustainability matters: (a) working conditions (including secure employment; working time; adequate wages; social dialogue; freedom of association, the existence of works councils and the information, consultation and participation rights of workers; collective bargaining, including the rate of the undertaking's employees covered by collective agreements; work-life balance; and health and safety), (b) equal treatment and opportunities for all (including gender equality and equal pay for work of equal value; training and skills development; employment and inclusion of persons with disabilities; measures against violence and harassment in the workplace; and diversity), (c) other work-related rights (including those that relate to child labour; forced labour; adequate housing; and privacy).
- (b) These [draft] Disclosure Requirements cover an undertaking's own workforce, which is understood to include both people who are in an employment relationship with the undertaking ("employees") and non-employees who are either people with contracts with the undertaking to supply labour ("self-employed people") or people provided by undertakings primarily engaged in "employment activities" (NACE

Code N78). See Application Requirement 3 for examples of who falls under own workforce. The information required to be disclosed with regard to non-employees shall not affect in any way the employment status pursuant to applicable labour law.

- (c) These [draft] Disclosure Requirements require undertakings to describe their own workforce, including key characteristics of the employees and non-employees that are part of it. This description provides users with an understanding of the structure of the undertaking's relationship with present workforce and helps to contextualise information that are relevant and material to other social disclosures included in this Section of LSME ESRS.
- (d) The objective of these [draft] Disclosure Requirements is also to enable users to understand the extent to which the undertaking aligns or complies with international and European human rights instruments and conventions, including the International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and ILO fundamental conventions, the UN Convention on Persons with Disabilities, the European Convention of Human Rights, the revised European Social Charter, the Charter of Fundamental Rights of the European Union, the EU policy priorities as set out by the European Pillar of Social Rights, and Union legislation.

**5.6.** For Workers in the value chain (S2):

- (a) These [draft] Disclosure Requirements relate to the following sustainability matters: (a) working conditions (for example, secure employment, working time, adequate wage, social dialogue, freedom of association, including the existence of work councils, collective bargaining, work-life balance and health and safety); (b) equal treatment and opportunities for all (for example, gender equality and equal pay for work of equal value, training and skills development, the employment and inclusion of persons with disabilities, measures against violence and harassment in the workplace, and diversity); (c) other work-related rights (for example, child labour, forced labour, adequate housing, water and sanitation and privacy).
- (b) These [draft] Disclosure Requirements cover all workers in the undertaking's upstream and downstream value chain who are or can be materially impacted by the undertaking, including the impacts that are connected with the undertaking's own operations, products and or services, this also includes the value chain through its business relationships. This includes also all the workers who are not included in the scope of "own workforce" ("own workforce" includes employees, individual contractors, i.e., self-employed workers, and workers provided by third party undertakings primarily engaged in 'employment activities') and are or can be significantly affected by the undertaking. See AR 3 for examples of what is included in the scope of this [draft] Standard.

**6.7.** For Affected communities (S3), these [draft] Disclosure Requirements relate to the following sustainability matters: (a) communities' economic, social and cultural rights (for example, adequate housing, adequate food, water and sanitation, land-related and security-related impacts); (b) communities' civil and political rights (for example, freedom of expression, freedom of assembly, impacts on human rights defenders); (c) particular rights of indigenous peoples (for example, free, prior and informed consent, self-determination, cultural rights).

**7.8.** For Consumers and end-users (S4), these [draft] Disclosure Requirements relate to the following sustainability matters: (a) information-related impacts on consumers and/or end-users (for example, privacy, freedom of expression and access to (quality) information); (b) personal safety of consumers and/or end-users (for example, health and safety, security of a person and protection of children); (c) social inclusion of consumers

and/or end-users (for example, non-discrimination, access to products and services and responsible marketing practices).

## OWN WORKFORCE (S1)

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### Metrics

#### ***Disclosure Requirement S1-1 – Characteristics of the undertaking's employees***

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~~8.9.~~ **The undertaking shall describe key characteristics of employees in its own workforce.**

**9.10.** The objective of this Disclosure Requirement is to provide insight into the undertaking's approach to employment, including the scope and nature of impacts arising from its employment practices, to provide contextual information that aids an understanding of the information reported in other disclosures, and to serve as the basis for calculation for quantitative metrics to be disclosed under other disclosure requirements in this Standard.

~~10.11.~~ The disclosure required by paragraph ~~97~~ shall include:

- (a) the total number of **employees** by head count, and breakdowns by gender and by country for countries in which the undertaking ~~has 50 or more employees~~ representing at least 10% of its total number of employees. If this threshold is not applicable, the undertaking may report the country breakdown by major main countries;
- (b) the total number by head count or full time equivalent (FTE) of:
  - i. permanent employees, and breakdown by gender;
  - ii. temporary employees, and breakdown by gender; and
  - iii. non-guaranteed hours employees, and breakdown by gender.
- (c) the rate of employee turnover in the reporting period.
- (d) a description of the methodologies and assumptions used to compile the data, including whether the numbers are reported:
  - i. in head count or full-time equivalent (FTE) (including an explanation of how FTE is defined); and
  - ii. at the end of the reporting period, as an average across the reporting period, or using another methodology.
- (e) where applicable, a cross-reference of the information reported under (a) above to the most representative number in the financial statements.

~~11.12.~~ An undertaking may disclose by head count or full time equivalent (FTE) the following information:

- (a) full-time **employees**, and breakdown by gender; and
- (b) part-time employees, and breakdown by gender.



### ***Disclosure Requirement S1-2 – Characteristics of non-employees in the undertaking's own workforce***

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**42.13.** The undertaking shall describe key characteristics of non-employees in its own workforce.

**43.14.** The objective of this Disclosure Requirement is to provide insight into the undertaking's approach to employment, including the scope and nature of impacts arising from its employment practices, to provide contextual information that aids the understanding of the information reported in other disclosures, and to serve as the basis for calculation for quantitative metrics to be disclosed under other disclosure requirements in this Standard. It also allows an understanding of how much the undertaking relies on non-employees as part of its workforce.

**44.15.** The disclosure required by paragraph 11 shall include:

- (a) a disclosure of the total number of **non-employees** in the undertaking's **own workforce**, i.e., either people with contracts with the undertaking to supply labour ("self-employed people") or people provided by undertakings primarily engaged in "employment activities" (NACE Code N78).
- (b) an explanation of the methodologies and assumptions used to compile the data, including whether the number of non-employees is reported:
  - i. in headcount or full-time equivalent (FTE) (including a definition of how FTE is defined); and
  - ii. at the end of the reporting period, as an average across the reporting period, or using another methodology.

**45.16.** For the information specified in point (a) of paragraph 153, the undertaking may disclose the most common types of **non-employees** (for example, self-employed people, people provided by undertakings primarily engaged in employment activities, and other types relevant to the undertaking), and their relationship with the undertaking.

### ***Disclosure Requirement S1-3 – Collective bargaining coverage***

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**46.17.** The undertaking shall disclose information on the extent to which the working conditions and terms of employment of its employees are determined or influenced by collective bargaining agreements.

**47.18.** The objective of this Disclosure Requirement is to enable an understanding of the coverage of collective bargaining agreements for the undertaking's own employees.

**48.19.** The undertaking shall disclose:

- (a) the percentage of its total **employees** covered by **collective bargaining** agreements;

**49.20.** For **employees** not covered by **collective bargaining** agreements, the undertaking may disclose whether it determines their working conditions and terms of employment based on collective bargaining agreements that cover its other employees or based on collective bargaining agreements from other undertakings.

**20.21.** The undertaking may disclose the extent to which the working conditions and terms of employment of **non-employees** in its **own workforce** are determined or influenced by **collective bargaining** agreements.

***Disclosure Requirement S1-4 – Adequate wages***

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- ~~21-22.~~ **The undertaking shall disclose whether or not its employees are paid an adequate wage, and if they are not ~~all~~ paid an adequate wage, the countries and percentage of employees concerned.**
- ~~22-23.~~ The objective of this Disclosure Requirement is to enable an understanding of whether or not ~~all~~ the undertaking's employees are paid an adequate wage, in line with applicable benchmarks.
- ~~23-24.~~ The undertaking shall disclose whether **all** its **employees** are paid an **adequate wage**, in line with applicable benchmarks. If so, stating this will be sufficient to fulfil this disclosure requirement and no further information is needed.
- ~~24.~~ If ~~there are not all its~~ **employees** ~~are not~~ paid an **adequate wage** in line with applicable benchmarks, the undertaking shall disclose the countries where employees earn below the applicable adequate wage benchmark for countries ~~in that which the undertaking has 50 or more employees~~ representing at least 10% of its total number of employees. ~~If this threshold is not applicable, the undertaking may report by main~~ **major countries**. ~~The undertaking shall also disclose;~~
- 25. ~~and~~ the percentage of employees that earn below the applicable adequate wage benchmark for each of these countries. ~~50 employees representing 10% of its employees and, if not applicable "major country~~
- 26. The undertaking may disclose the information specified in this disclosure requirement with regard to **non-employees** in this workforce.

***Disclosure Requirement S1-5 – Social protection***

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- 27. **The undertaking shall disclose whether its employees are covered by social protection against loss of income due to major life events, ~~and, if not, the major countries where this is not the case.~~**
- 28. The objective of this Disclosure Requirement is to enable an understanding of whether the undertaking's employees are covered by social protection against loss of income due to major life events, and, if not, the countries where this is not the case.
- 29. The undertaking shall disclose whether ~~all~~ its **employees** are covered by **social protection**, through public programs or through benefits offered by the undertaking, against loss of income due to any of the following major life events:
  - (a) sickness;
  - (b) unemployment starting from when the own worker is working for the undertaking;
  - (c) employment injury and acquired disability;
  - (d) parental leave; and
  - (e) retirement.

If so, stating this is sufficient to fulfil this disclosure requirement and no further information is needed.
- 30. If ~~not all of~~ its **employees** are ~~not~~ covered by **social protection** in accordance with paragraph ~~276~~, the undertaking may in addition disclose:
  - (a) ~~The main~~ **major** countries where employees do not have social protection with regard to one or more of the types of events listed in paragraph ~~2978~~; and,
  - (b) for each of those countries, the types of employees who do not have social protection with regard to each applicable major life event.

31. The undertaking may also disclose the information specified in this disclosure requirement with regard to non-employees in its workforce.

***Disclosure Requirement S1-6 – Training metrics***

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32. **The undertaking shall disclose the extent to which training is provided to its employees.**
33. The objective of this Disclosure Requirement is to enable an understanding of the **training** - related activities that have been offered to **employees**, within the context of continuous professional growth, to upgrade employees' skills and facilitate continued employability.
34. The disclosure required by paragraph 32~~9~~ shall include the average number of **training** hours per **employee** and by gender.

***Disclosure Requirement S1-7 – Health and safety metrics***

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35. **The undertaking shall disclose information on ~~the extent to which its own workforce is covered by its health and safety management system and~~ the number of work-related accidents incidents incidents associated with work-related injuries, ill health and fatalities and the corresponding information on days lost of its own workforce.**
36. The objective of this Disclosure Requirement is to allow an understanding of the coverage, quality and performance of the health and safety management system established to prevent work-related injuries.
37. The disclosure required by paragraph 33 shall include the following information, where applicable broken down between **employees** and **non-employees** in the undertaking's **own workforce**:
- (a) the number of fatalities<sup>1</sup> as a result of work-related injuries and work-related ill health;
  - (b) the number and rate<sup>2</sup> of recordable work-related accidents;
  - (c) with regard to the undertaking's employees, the number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health<sup>3</sup>.
38. The undertaking may also disclose the information specified in point (c) of paragraph 36 with regard to non-employees.

***Disclosure Requirement S1-8 – Remuneration metrics (pay gap and total remuneration)***

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39. **The undertaking shall disclose the percentage gap in pay between its female and male employees and the ratio between the remuneration of its highest paid individual and the median remuneration for its employees.**

<sup>1</sup> This information supports the information needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Weighted average ratio of accidents, injuries, fatalities" in section 1 and 2 of Annex 2.

<sup>2</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #2 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Rate of accidents") and benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Weighted average ratio of accidents, injuries, fatalities" in section 1 and 2 of Annex 2.

<sup>3</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #3 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Number of days lost to injuries, accidents, fatalities or illness").

40. The objective of this Disclosure Requirement is twofold: to allow an understanding of the extent of any gap in the **pay** between women and men amongst the undertaking's **employees**; and to provide insight into the level of remuneration inequality inside the undertaking and whether wide pay disparities exist.
41. The disclosure required by paragraph ~~39~~7 shall include:
- (a) the gender **pay** gap, defined as the difference of average pay levels between female and male employees, expressed as percentage of the average pay level of male employees<sup>4</sup>;
  - (b) the **annual total remuneration** ratio of the highest paid individual to the median annual total remuneration for all **employees** (excluding the highest-paid individual)<sup>5</sup>.
42. The undertaking may disclose a breakdown of the gender **pay** gap as defined in paragraph ~~39-41~~ (a) by employee category and/or by country/segment. The undertaking may also disclose the gender pay gap between employees by categories of employees broken down by ordinary basic salary and complementary or variable components.
43. In relation to paragraph ~~39-41~~ (b), the undertaking may report this figure adjusted for purchasing power differences between countries, in which case it shall report the methodology used for the calculation.

**Disclosure Requirement S1-9 – Incidents and severe human rights impacts**

44. **The undertaking shall disclose the number of discriminationwork-related incidents and severe human rights impacts within its own workforce, and any related material fines, sanctions or compensation for the reporting period.**
45. The objective of this Disclosure Requirement is to allow an understanding of the extent to which **workdiscrimination-related incidents** and severe cases of human rights **impacts** that are reported in the reporting period are affecting its **own workforce**.
46. The disclosure required by paragraph 43 shall include, subject to the relevant privacy regulations, **work-related incidents of discrimination** on the grounds of gender, racial or ethnic origin, nationality, religion or belief, disability, age, sexual orientation, or other relevant forms of discrimination involving internal and/or external **stakeholders** across operations in the reporting period. This includes incidents of **harassment** as a specific form of discrimination.
- ~~47. The undertaking shall disclose:~~
- ~~(a) the total number of **incidents of discrimination**, including **harassment**, reported in the reporting period<sup>6</sup>;~~
  - ~~(b) the total amount of fines, penalties, and compensation for damages as a result of the **incidents** disclosed above, and a reconciliation of such monetary amounts disclosed with the most relevant amount presented in the financial statements. If it is not possible to provide a reconciliation after making reasonable efforts to do so,~~

<sup>4</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting a mandatory indicator related to principal adverse impacts as set out by indicator #12 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (“Unadjusted gender pay gap”) and benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator “Weighted average gender pay gap” in section 1 and 2 of Annex 2.

<sup>5</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #8 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (“Excessive CEO pay ratio”).

~~<sup>6</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #7 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (“Incidents of discrimination”).~~

~~the undertaking shall provide an explanation of where in the financial statements these monetary amounts can be found.~~

~~48.47.~~ The undertaking shall disclose the following information regarding incidents of discrimination and identified cases of severe human rights **incidents** (e.g., **forced labour**, human trafficking or **child labour**):

- (a) ~~the total number of incidents of discrimination, including harassment, reported in the reporting period<sup>7</sup>, as well as~~ the number of severe human rights incidents connected to the undertaking’s workforce in the reporting period, including an indication of how many of these are cases of non-respect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises. If no such incidents have occurred, the undertaking shall state this<sup>8</sup>; and
- (b) the total amount of fines, penalties and compensation for damages as a result of~~the issues and~~ incidents described in (a) above, and a reconciliation of the monetary amounts disclosed in the most relevant amount in the financial statements. If it is not possible to provide a reconciliation after making reasonable efforts to do so, the undertaking shall provide an explanation of where in the financial statements these monetary amounts can be found.

***Disclosure Requirement S1-10 – Diversity metrics***

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~~49.48.~~ The undertaking shall disclose the gender distribution at top management and the percentage of its employees with disabilities.

~~50.49.~~ The objective of this Disclosure Requirement is to enable an understanding of the gender diversity at top management level and the extent to which **persons with disabilities** are included among the undertaking’s **employees**.

~~51.50.~~ The undertaking shall disclose:

- (a) the gender distribution in number and percentage at top management level; and,
- (b) the percentage of **persons with disabilities** amongst its **employees** subject to legal restrictions on the collection of data.

***Voluntary Disclosure S1-11 – Work-life balance metrics***

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~~52.51.~~ The undertaking may disclose the extent to which employees are entitled to and make use of family-related leave.

~~53.52.~~ The objective of this Disclosure Requirement is to provide an understanding of the entitlement and actual practices amongst the **employees** to take family-related leave in a gender equitable manner, as it is one of the dimensions of **work-life balance**.

~~54.53.~~ The undertaking may disclose:

- (a) the percentage of **employees** entitled to take family-related leave; and

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<sup>7</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #7 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (“Incidents of discrimination”).

<sup>8</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting a mandatory and additional indicator related to principal adverse impacts as set out by indicator #10 in Table 1 of Annex 1 and by indicator #14 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (“Violations of UNGC principles and OECD” and “Number of identified cases of severe human rights issues and incidents”) and benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator “Number of benchmark constituents subject to social violations (absolute number and relative divided by all benchmark constituents), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law” in section 1 and 2 of Annex 2.

- (b) the percentage of entitled employees that took family-related leave, and a breakdown by gender.

~~55-54.~~ If all of the undertaking's **employees** are entitled to family-related leave through social policy and/or **collective bargaining** agreements, it is sufficient to disclose this in order to meet the requirement of paragraph ~~532~~ (a).

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## Application Requirements

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This appendix is an integral part of [draft] Section 5. It supports the application of the disclosure requirements set out in this section and has the same authority as the other parts of this [draft] Standard.

### Objective

#### Own workforce

- AR 1. The undertaking's impacts in relation to sustainability matters and dependencies on specific stakeholder groups can create material risks for the undertaking. For instance, on the matter of equal opportunities, discrimination in hiring and promotion against women can reduce the undertaking's access to qualified labour and harm its reputation; negative impacts on value chain workers may disrupt the undertaking's operations (through customers refusing to buy its products or state agencies impounding its goods) and harm its reputation; negative relationships with affected communities may disrupt the undertaking's own operations or harm its reputation; negative impacts on the reputation of the undertaking's products and/or services can deteriorate its business performance.
- AR 2. The overview of social matters provided in paragraph 3 (a) is not meant to imply that all of these issues should be reported on in each Disclosure Requirement in this [draft] Standard. Rather, they provide a list of matters derived from the CSRD that undertakings shall consider for the ESRS 2 materiality assessment related to own workforce and, subsequently, report as material impacts and risks within the scope of this [draft] Standard.
- AR 3. Examples of people that fall within the scope of "non-employees" are:
- (a) Examples of contractors (self-employed persons) in the undertaking's own workforce include:
    - i. Contractors hired by the undertaking to perform work that would otherwise be carried out by an employee.
    - ii. Contractors hired by the undertaking to perform work in a public area (e.g., on a road, on the street).
    - iii. Contractors hired by the undertaking to deliver the work/service directly at the workplace of a client of the undertaking.
  - (b) Examples of people employed by a third party engaged in 'employment activities' include people who perform the same work that employees carry out, such as:
    - i. people who fill in for employees who are temporarily absent (due to illness, holiday, parental leave, etc.);
    - ii. people performing work additional to regular employees;
    - iii. people who are dispatched temporarily from another EU member state to work for the undertaking ('posted workers')

#### Value chain workers

- AR 4. The overview of social and human rights matters provided in paragraph 4 (a) is not meant to imply that all of these issues should be disclosed in each Disclosure Requirement in this [draft] Standard. Rather, it provides a list of matters that the undertaking shall consider in its materiality assessment (ref. to ESRS 1 chapter 3 *Double materiality as the basis for*

*sustainability disclosures* and ESRS 2 IRO-1) related to workers in the value chain and, subsequently, disclose as material impacts and risks within the scope of this [draft] Standard.

- AR 5. Examples of workers that fall within the scope of this [draft] Standard are:
- (a) workers of outsourced services working in the workplace of the undertaking (e.g., third party catering or security workers);
  - (b) workers of a supplier contracted by the undertaking who work on the supplier’s premises using the supplier’s work methods;
  - (c) workers for a ‘downstream’ entity which purchases goods or services from the undertaking;
  - (d) workers of an equipment supplier to the undertaking who, at a workplace controlled by the undertaking, perform regular maintenance on the supplier’s equipment (e.g., photocopier) as stipulated in the contract between the equipment supplier and the undertaking; and
  - (e) workers deeper in the supply chain who are extracting commodities that are then processed into components that go in the undertaking’s products.

*Affected communities*

AR 6. The overview of social and human rights matters provided in paragraph 5 is not meant to imply that all of these issues should be disclosed in each Disclosure Requirement in this [draft] Standard. Rather, it provides a list of matters that the undertaking shall consider in its materiality assessment (ref. to ESRS 1 chapter 3 *Double materiality as the basis for sustainability disclosures* and ESRS 2 IR-1) related to affected communities and, subsequently, disclose as material impacts and risks within the scope of this [draft] Standard.

*Consumers and end-users*

AR 7. The overview of social and human rights matters provided in paragraph 6 is not meant to imply that all of these issues should be disclosed in each Disclosure Requirement in this [draft] Standard. Rather, it provides a list of matters that the undertaking shall consider in its materiality assessment (ref. to ESRS 1 chapter 3 *Double materiality as the basis for sustainability disclosures* and ESRS 2 IRO-1) related to consumers and/or end-users and, subsequently, disclose as material impacts and risks within the scope of this [draft] Standard.

***Metrics and targets for Own workforce***

**Disclosure Requirement S1-1 – Characteristics of the Undertaking’s Employees**

AR 8. This Disclosure Requirement covers all employees who perform work for any of the undertaking’s entities included in its sustainability reporting.

AR 9. The undertaking shall disclose the requested disclosures in the following tabular formats:

AR 10. Table 1: Template for presenting information on employee head count by gender

Gender	Number of employees (head count)
Male	
Female	
Other	



Not reported	
Total Employees	

- AR 11. In some Member States it is possible for persons to legally register themselves as having a third, often neutral, gender, which is categorised as “other” in the table above. However, if the undertaking is disclosing data about employees where this is not possible, it may explain this and indicate that the “other” category is not applicable.
- AR 12. Table 2: Template for presenting employee head count in countries where the undertaking has at least 10% of its total number of employees

Country	Number of employees (head count)
Country A	
Country B	
Country C	
Country D	

- AR 13. Table 3: Template for presenting information on employees by contract type, broken down by gender (head count or FTE) (reporting on full-time and part-time employees is voluntary)

[Reporting period]				
FEMALE	MALE	OTHER*	NOT DISCLOSED	TOTAL
Number of employees (head count / FTE)				
Number of permanent employees (head count / FTE)				
Number of temporary employees (head count / FTE)				
Number of non-guaranteed hours employees (head count / FTE)				
Number of full-time employees (head count / FTE)				
Number of part-time employees (head count / FTE)				

\* Gender as specified by the employees themselves.

- AR 14. The definitions of permanent, temporary, non-guaranteed hours, full-time, and part-time employees differ between countries. If the undertaking has employees in more than one country, it shall use the definitions as per the national laws of the countries where the employees are based to calculate country-level data. The country-level data shall then be added up to calculate total numbers, disregarding differences in national legal definitions. Non-guaranteed hours employees are employed by the undertaking without a guarantee of a minimum or fixed number of working hours. The employee may need to make themselves available for work as required, but the undertaking is not contractually obliged to offer the employee a minimum or fixed number of working hours per day, week, or month. Casual employees, employees with zero-hour contracts, and on-call employees are examples that fall under this category.
- AR 15. The undertaking may provide an additional breakdown of the information disclosed as per paragraph 9 (b), by region.
- AR 16. Disclosing the number of employees at the end of the reporting period provides information for that point in time, without capturing fluctuations during the reporting period. Disclosing these numbers in averages across the reporting period takes into account fluctuations during the reporting period.
- AR 17. Quantitative data, such as the number of temporary or part-time employees, is unlikely to be sufficient on its own. For example, a high proportion of temporary or part-time

employees could indicate a lack of employment security for employees, but it could equally signal workplace flexibility when offered as a voluntary choice. For this reason, the undertaking may disclose contextual information to help information users interpret the data. The undertaking can explain the reasons for temporary employment. An example of such a reason is the recruitment of employees to undertake work on a temporary or seasonal project or event. Another example is the standard practice of offering a temporary contract (for example, six months) to new employees before an offer of permanent employment is made. The undertaking may also explain the reasons for non-guaranteed hours employment.

### ***Disclosure Requirement S1-2 – Characteristics of non-employees in the undertaking's own workforce***

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- AR 18. This Disclosure Requirement provides insight into the undertaking's approach to employment, as well as the scope and nature of impacts arising from its employment practices. It also provides contextual information that aids an understanding of the information reported in other disclosures. If all the people performing work for the undertaking are employees and the undertaking does not have any people in its workforce who are not employees, this Disclosure Requirement is not material for the undertaking; notwithstanding, the undertaking may state this fact when disclosing the information required by Disclosure Requirement S1-1 as contextual information as this information can be relevant for the users of the Sustainability Statement.
- AR 19. Examples of contractors (self-employed people) in the undertaking's own workforce include: contractors hired by the undertaking to perform work that would otherwise be carried out by an employee; contractors hired by the undertaking to perform work in a public area (for example, on a road, on the street); and contractors hired by the undertaking to deliver the work/service directly at the workplace of a client of the organization. Examples of people employed by a third party engaged in 'employment activities' whose work is under the direction of the undertaking include: people who perform the same work that employees carry out, such as people who fill in for employees who are temporarily absent (due to illness, holiday, parental leave, etc.); people performing regular work at the same site as employees; and workers who are dispatched temporarily from another EU member state to work for the undertaking ('posted workers'). Examples of value chain workers (and thus of workers not in the undertaking's own workforce and reported under the scope of ESRS S2) include: workers for a supplier contracted by the undertaking who work on the supplier's premises using the supplier's work methods; workers for a 'downstream' entity which purchases goods or services from the undertaking; and workers of an equipment supplier to the undertaking who, at one or more of the undertaking's workplaces, perform regular maintenance on the supplier's equipment (for example, photocopier) as stipulated in the contract between the equipment supplier and the undertaking.
- AR 20. Disclosing the number of people in the undertaking's own workforce who are not employees at the end of the reporting period provides information for that point in time without capturing fluctuations during the reporting period. Disclosing this number as an average across the reporting period considers fluctuations during the reporting period and can provide more insightful and relevant information for users.
- AR 21. The undertaking may also disclose the reasons for the fluctuations. For example, an increase in the number of non-employees during the reporting period could be due to a seasonal event. Conversely, a decrease in the number of non-employees compared to the previous reporting period could be due to the completion of a temporary project. If the undertaking discloses fluctuations, it shall also explain the criteria used to determine which fluctuations it discloses. If there are no significant fluctuations in the number of non-employees during the reporting period or between the current and previous reporting period, the undertaking may disclose this information.

***Disclosure Requirement S1-3 – Collective bargaining coverage***

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**Collective bargaining coverage**

AR 22. The percentage of employees covered by collective bargaining agreements is calculated using the following formula:

$$\frac{\text{Number of employees covered by collective bargaining agreements}}{\text{Number of employees}} \times 100$$

AR 23. The employees in the undertaking’s own workforce covered by collective bargaining agreements are those individuals to whom the undertaking is obliged to apply the agreement. This includes the different levels at which collective bargaining agreements can be discussed and agreed, according to the definition in the Collective Bargaining Convention, 1981 (No. 154), (e.g., national, sectoral, undertaking levels). ~~This means that if~~ none of the employees are covered by a collective bargaining agreement, the percentage reported is zero. An employee in the undertaking’s own workforce covered by more than one collective bargaining agreement only needs to be counted once.

AR 24. This requirement is not aimed at obtaining the percentage of employees represented by a works council or belonging to trade unions, which can be different. The percentage of employees covered by collective bargaining agreements can be higher than the percentage of unionised employees when the collective bargaining agreements apply to both union and non-union members. Alternatively, the percentage of employees covered by collective bargaining agreements can be lower than the percentage of unionised employees. This may be the case when there are no collective bargaining agreements available or when the collective bargaining agreements do not cover all unionised employees.

AR 25. The information required by this Disclosure Requirement shall be reported as follows

AR 26. Table 1: Reporting template for collective bargaining coverage

Coverage Rate	Collective bargaining coverage of employees
0-19%	
20-39%	
40-59%	
60-79%	
80-100%	

AR 27.

***Disclosure Requirement S1-4 – Adequate Wages***

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AR 28. The lowest wage shall be calculated for the lowest pay category, excluding interns and apprentices. This is to be based on the basic wage plus any fixed additional payments that are guaranteed to all employees. The lowest wage shall be considered separately for each country in which the undertaking has operations, except outside the EEA when the relevant adequate or minimum wage is defined at a sub national level.

AR 29. The adequate wage benchmark used for comparison with the lowest wage shall not be lower than:

- (a) in the EEA: the minimum wage set in accordance with Directive (EU) 2022/2041 of the European Parliament and of the Council<sup>9</sup> on adequate minimum wages in the European Union. In the period until Directive

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<sup>9</sup> Directive (EU) 2022/2041 of the European Parliament and of the Council of 19 October 2022 on adequate minimum wages in the European Union (OJ L 275, 25.10.2022, p. 33).

2022/2041 enters into application, where there is no applicable minimum wage determined by legislation or collective bargaining in an EEA country, the undertaking shall use an adequate wage benchmark that is either not lower than the minimum wage in a neighboring country with a similar socio-economic status or not lower than a commonly-referenced international norm such as 60% of the country's median wage and 50% of the gross average wage.

- (b) outside of the EEA:
- i. the wage level established in any existing international, national or sub-national legislation, official norms or collective agreements, based on an assessment of a wage level needed for a decent standard of living;
  - ii. if none of the instruments identified in (i) exist, any national or sub-national minimum wage established by legislation or collective bargaining; or
  - iii. if none of the instruments identified in (i) or (ii) exist, any benchmark that meets the criteria set out by the Sustainable Trade Initiative (IDH) ('Roadmap on Living Wages - A Platform to Secure Living Wages in Supply Chains'), including applicable benchmarks aligned with the Anker methodology, or provided by the Wage Indicator Foundation or Fair Wage Network, provided the primacy of collective bargaining for the establishment of terms and conditions of employment is ensured.

AR 30. Directive (EU) 2022/2041 on adequate minimum wages in the European Union references both indicative reference values commonly used at international level such as 60 % of the gross median wage and 50 % of the gross average wage, and/or indicative reference values used at national level. Data for the indicative values of 60% of the national median gross wage or 50% of the national average gross wage can be obtained from the European Labour Force Survey.

### ***Disclosure Requirement S1-5 – Social protection***

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AR 31. Social protection refers to all the measures that provide access to health care and income support in cases of challenging life events such as the loss of a job, being sick and in need of medical care, giving birth and raising a child, or retiring and in need of a pension.

### ***Disclosure Requirement S1-6 – Training metrics***

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AR 32. To disclose the average required per paragraph 32, the undertaking shall perform the following calculation: total number of training hours offered to and completed by employees per gender category divided by the total number of employees per gender category. For the total training average and the average by gender, the head count figures for total employment and employment by gender reported in Disclosure Requirement ESRS S1-1 shall be used.

### ***Disclosure Requirement S1-7 – Health and safety metrics***

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AR 33. Fatalities may be reported separately for those resulting from ***work-related injuries*** and those resulting from ***work-related ill health***.

#### **Guidance on “work-related”**

AR 34. Work-related injuries and work-related ill health arise from exposure to hazards at work. Notwithstanding, other types of incidents can occur that are not connected with the work itself. For example, the following incidents are generally not considered to be work related, unless otherwise specified in applicable national legislation:

- (a) a person in the workforce suffers a heart attack while at work that it is not connected with work;
  - (b) a person in the workforce driving to or from work is injured in a car accident (when driving is not part of the work and where the transport has not been organised by the undertaking); and
  - (c) a person in the workforce with epilepsy has a seizure at work that it is not connected with work.
- AR 35. With regard to travelling for work purposes, injuries and ill health that occur while a person is travelling are work-related if, at the time of the injury or ill health, the person was engaged in work activities “in the interest of the employer”. Examples of such activities include travelling to and from customer contacts; conducting job tasks; and entertaining or being entertained to transact, discuss, or promote business (at the direction of the employer). If the undertaking is responsible for the transport commuting, incidents occurred while commuting are considered to be work-related. Nonetheless, incidents which arise during travel, outside of the undertaking’s responsibility (i.e. regular commuting to and from work), may be reported separately provided that the undertaking has such data available across the undertaking.
- AR 36. With regard to working from home, injuries and ill health that occur when working from home are work-related, if the injury or ill health occurs while the person is performing work from home; and the injury or ill health is directly related to the performance of work rather than the general home environment or setting.
- AR 37. With regard to mental illness, it is considered to be work related, if it has been notified voluntarily by the person concerned and it is supported by an opinion from a licensed healthcare professional with appropriate training and experience; and if such opinion states that the illness is work-related.
- AR 38. Health issues resulting, for example, from smoking, drug and alcohol abuse, physical inactivity, unhealthy diets, and psychosocial factors unrelated to work are not considered work-related.
- AR 39. Occupational diseases are not considered work-related injuries but are covered under work-related ill health.

#### **Guidance on computing the rate of work-related injuries**

- AR 40. In computing the rate of work-related injuries, the undertaking shall divide the respective number of cases by the number of total hours worked by people in its own workforce and multiplied by 1,000,000. Thereby, these rates represent the number of respective cases per one million hours worked. A rate based on 1,000,000 hours worked indicates the number of work-related injuries per 500 full time people in the workforce over a 1-year timeframe. For comparability purposes a rate based on 1,000,000 hours worked shall be used also for undertakings with less than 500 people in the workforce.
- AR 41. If the undertaking cannot directly calculate the number of hours worked, it may estimate this on the basis of normal or standard hours of work, taking into account entitlements to periods of paid leave of absence from work (for example, paid vacations, paid sick leave, public holidays) and explain this in its disclosures.
- AR 42. An undertaking shall include fatalities as a result of work-related injury in the calculation of the number and rate of recordable work-related injuries.

#### **Guidance on recordable work-related ill health**

- AR 43. Work-related ill health can include acute, recurring, and chronic health problems caused or aggravated by work conditions or practices. These include musculoskeletal disorders, skin and respiratory diseases, malignant cancers, diseases caused by physical agents (for example, noise induced hearing loss, vibration-caused diseases), and mental illnesses (for example, anxiety, post-traumatic stress disorder). For the purpose of the required

disclosures, the undertaking shall, at a minimum, include in its disclosure those cases outlined in the ILO List of Occupational Diseases.

AR 44. In the context of this [draft] Standard, work-related musculoskeletal disorders are covered under work-related ill health (and not injuries).

**Guidance on the number of days lost**

AR 45. The undertaking shall count the number of days lost as such that the first full day and last day of absence shall be included. Calendar days should be considered for the calculation, thus days on which the affected individual is not scheduled for work (for example, weekends, public holidays) will count as lost days.

**Disclosure Requirement S1-8 – Remuneration metrics (pay gap and total remuneration)**

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**Pay gap**

AR 46. When compiling the information required under paragraph 39 (a) for the gap in pay between its female and male employees (also known as the “gender pay gap”) the undertaking shall use the following methodology:

- (a) include all employees’ gross hourly pay level; and
- (b) apply the following formula to calculate the gender pay gap:

$$\frac{\text{Average gross hourly pay level of male employees} - \text{average gross hourly pay level of female employees}}{\text{Average gross hourly pay level of male employees}} \times 100$$

AR 47. When disclosing the information required under paragraph 39 (a), the undertaking shall provide any contextual information necessary to understand the data and how the data has been compiled (methodology). Information regarding how objective factors such as type of work and country of employment influence the gender pay gap may be reported.

AR 48. The measure of the undertaking’s gender pay gap shall be reported for the current reporting period and, if reported in previous sustainability reports, for the previous two reporting periods.

**Total remuneration Ratio**

AR 49. When compiling the information required by paragraph 39 (b), the undertaking shall:

- (a) include all employees;
- (b) consider, depending on the undertaking’s remuneration policies, all of the following:
  - i. base salary, which is the sum of guaranteed, short-term, and non-variable cash compensation;
  - ii. benefits in cash, which is the sum of the base salary and cash allowances, bonuses, commissions, cash profit-sharing, and other forms of variable cash payments;
  - iii. benefits in kind, such as cars, private health insurance, life insurance, wellness programs; and
  - iv. direct remuneration, which is the sum of benefits in cash, benefits in kind and total fair value of all annual long-term incentives (for example, stock option awards, restricted stock shares or units, performance stock shares or units, phantom stock shares, stock appreciation rights, and long-term cash awards).

(c) apply the following formula for the annual total remuneration ratio:

$$\frac{\text{Annual total remuneration for the undertaking's highest paid individual}}{\text{Median employee annual total remuneration (excluding the highest – paid individual)}}$$

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### ***Disclosure Requirement S1-9 – Incidents and severe human rights impacts***

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#### **Discrimination incidents**

AR 50. In addition to the information required by paragraphs 45 and 46, the undertaking may disclose the status of incidents and/or complaints and actions taken with reference to the following:

- (a) incidents reviewed by the undertaking;
- (b) remediation plans being implemented;
- (c) remediation plans that have been implemented, with results reviewed through routine internal management review processes; and
- (d) incidents no longer subject to action.

AR 51. If the undertaking compiles the information described in AR 105, it shall consider the following:

- (a) an incident is no longer subject to action if it is resolved, the case is completed, or no further action is required by the undertaking. For example, an incident for which no further action is required can include cases that are withdrawn or where the underlying circumstances that led to the incident no longer exist;
- (b) remedial action is directed toward the alleged harasser and the alleged victim. Remedial action toward the victim may include offering to pay his/her expenses for counselling sessions, offering the victim some paid time off, offering to reinstate sick/vacation days if the victim has incurred any expenses due to the harassment (such as having used sick or vacation days); and
- (c) remedial action toward the harasser may include giving the harasser a verbal and/or written warning, mandating anti-harassment counselling or sending the harasser to an appropriate seminar, harassment awareness and prevention training. A suspension without pay may also be an option. If the harasser has been disciplined earlier but his/her harassment does not cease, then more serious discipline may be required.

AR 52. Severe human rights incidents include instances of lawsuits, formal complaints through the undertaking or third-party complaint mechanisms, serious allegations in public reports or the media, where these are connected to the undertaking's own workforce, and the fact of the incidents is not disputed by the undertaking, as well as any other severe impacts of which the undertaking is aware.

### ***Disclosure Requirement S1-10 – Diversity metrics***

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AR 53. In preparing the disclosure on gender at top management, the undertaking shall use the definition of top management as one and two levels below the administrative and supervisory bodies unless this concept has already been defined with the undertaking's operations and differs from the previous description. If this is the case, the undertaking can use its own definition for top management and disclose that fact and its own definition.

AR 54. When disclosing the information required regarding **persons with disabilities**, the undertaking shall provide any contextual information necessary to understand the data and how the data has been compiled (methodology). For example, information about the impact of different legal definitions of persons with disabilities in the different countries in which the undertaking has operations.

AR 55. The undertaking may additionally disclose the distribution of employees by age group: under 30 years old, 30-50 years old; over 50 years old.



***Voluntary Disclosure S1-11 – Work-life balance***

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AR 56. Family-related leave include maternity leave, paternity leave, parental leave, and carers' leave that is available under national law or collective agreements. For the purpose of this [draft] Standard, these concepts are defined as:

- (a) maternity leave (also called pregnancy leave): employment-protected leave of absence for employed women directly around the time of childbirth (or, in some countries, adoption);
- (b) paternity leave: leave from work for fathers or, where and in so far as recognised by national law, for equivalent second parents, on the occasion of the birth or adoption of a child for the purposes of providing care;
- (c) parental leave: leave from work for parents on the grounds of the birth or adoption of a child to take care of that child, as defined by each Member State;
- (d) carers' leave from work: leave for workers to provide personal care or support to a relative, or a person who lives in the same household, in need of significant care or support for a serious medical reason, as defined by each Member State.

AR 57. Employees entitled to family-related leave are those who are covered by regulations, organisational policies, agreements, contracts or collective bargaining agreements that contain family-related leave entitlements and have reported their entitlement to the undertaking or the undertaking is aware of the entitlement.

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## **Appendix B.1: Application Requirements for Section 2 related disclosures**

This appendix is an integral part of the [draft] Section 5 – Social Disclosures related to S1 *Own workforce*. It supports the application of the requirements from Section 2 and has the same authority as the other parts of this [draft] Standard. ~~It supports the application of the requirements in it provides a non-exhaustive list of the factors to be considered by the undertaking when complying with~~ Section 2 SBM-2 *Interests and views of stakeholders* and Section 2 SBM-3 *Material impacts and risks and their interaction with strategy and business model*. This appendix does not provide definitions of the terms mentioned below. All defined terms can be found in the Acronyms and Glossary of Terms.

<b>Social and human rights matters</b>	<b>Non-exhaustive list of factors to consider in Materiality Assessment</b>
<b>Secure employment</b>	% of employees with temporary contracts, ratio of non-employees to employees, social protection
<b>Working time</b>	% of employees with part time or zero-hour contracts, employee satisfaction with working time
<b>Adequate wages</b>	EU, national or local legal definitions of adequate wages, fair wages, and minimum wages
<b>Social dialogue / existence of work councils / information, consultation and participation rights of workers</b>	Extent of workplace, cross-border and board-level representation through trade unions and/or works councils
<b>Freedom of association/Collective bargaining including the rate of workers covered by collective agreements</b>	% of own workforce covered by collective bargaining agreements, work stoppages
<b>Work-life balance</b>	Family-related leave, flexible working hours, access to childcare
<b>Health and safety</b>	Coverage by H&S system, rate of fatalities, non-fatal accidents, work days lost
<b>Gender equality and equal pay for work of equal value</b>	% of women in top management and workforce, male-female wage gap
<b>Training and skills development</b>	Amount and distribution of training
<b>The employment and inclusion of people with disabilities</b>	% employment and accessibility measures for employees with disabilities
<b>Measures against violence and harassment in the workplace</b>	Prevalence of violence and harassment
<b>Diversity</b>	Representation of women and /or ethnic groups or minorities in own workforce. Age distribution in own workforce. Percentage of persons with disabilities within the own workforce.
<b>Child labour</b>	Type of operations and geographical areas at risk of child labour

<b>Forced labour</b>	Type of operations and geographical areas at risk of forced labour
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## **Appendix B.2: Application Requirements for IR-3 on Policies related to own workforce**

This appendix is an integral part of the [draft] Section 5 – Social Disclosures related to S1 *Own workforce* and has the same authority as the other parts of this [draft] Standard. It supports the application of the requirements from Section 3 for Disclosure Requirement IR-3 for social and human rights matters with examples of disclosures:

<b>Social and human rights matters</b>	<b>Examples of policies:</b>
<b>Secure employment</b>	No-layoff policy, limits on renewing temporary contracts, employer provision of social protection where state provision is lacking
<b>Working time</b>	Limitations on overtime, long and split shifts, and night and weekend work, adequate lead time for scheduling
<b>Adequate wages</b>	Policy to ensure all people in own workforce receive an adequate wage
<b>Social dialogue / existence of work councils / information, consultation and participation rights of workers</b>	Policy to encourage institutions for social dialogue, regular information and consultation with worker representatives, consultation before final decisions on employment-related issues are reached
<b>Freedom of association/Collective bargaining including the rate of workers covered by collective agreements</b>	Non-interference in trade union formation and recruitment (including trade union access to undertakings), bargaining in good faith, recognition of, adequate time off for duties, facilities and dismissal protection for workers' representatives, no discrimination of trade union members and workers' representatives
<b>Work-life balance</b>	Provision of family leave, flexible working time, access to day care facilities for all workers
<b>Health and safety</b>	Coverage of all own workforce in H&S management system
<b>Gender equality and equal pay for work of equal value</b>	Policy for gender equality and equal pay for equal work
<b>Training and skills development</b>	Policy for enhancing skills and career prospects for employees
<b>The employment and inclusion of people with disabilities</b>	Policy for making workplaces accessible to persons with disabilities
<b>Measures against violence and harassment in the workplace</b>	Zero tolerance policy for violence and harassment at workplace
<b>Diversity</b>	Policy for inclusiveness (i.e. ethnic diversity or minority groups) and positive action.
<b>Child labour</b>	Policy for identifying where child labour occurs, identifying where exposure of young workers to hazardous work occurs and preventing risk of exposure

**Forced labour**

Policy for identifying where forced labour occurs and reducing risk of forced labour

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## **Appendix B.3: Application Requirements for IR-4 Actions and resources to manage material impacts on own workforce, and approaches to mitigating material risks related to own workforce, and effectiveness of those actions**

This appendix is an integral part of the [draft] Section 5 – Social Disclosures related to S1 *Own workforce* and has the same authority as the other parts of this [draft] Standard. It supports the application of the requirements for Section 3 Disclosure Requirement IR-4 for social and human rights matters with examples of disclosures:

<b>Social and human rights matters</b>	<b>Examples of actions:</b>
<b>Secure employment</b>	Offer permanent contracts to employees with temporary contracts, implement plans for social protection where state provision is lacking
<b>Working time</b>	Shift work rotation, extend advance notice of scheduling, reduction of excessive overtime
<b>Adequate wages</b>	Negotiation of fair wages in collective bargaining agreements, verification that employment agencies pay a fair wage
<b>Social dialogue / existence of work councils / information, consultation and participation rights of workers</b>	Expansion of sustainability issues dealt with in social dialogue, increase in number of meetings, increase in resources for works councils
<b>Freedom of association/Collective bargaining including the rate of workers covered by collective agreements</b>	Expansion of sustainability issues dealt with in collective bargaining, increase in resources for workers' representatives
<b>Work-life balance</b>	Expand family leave eligibility and flexible working time arrangements, increasing provision of day care
<b>Health and safety</b>	Increase health & safety training, investment in safer equipment
<b>Gender equality and equal pay for work of equal value</b>	Targeted recruitment and promotion of women, reduction in pay gap through negotiation of collective bargaining agreements
<b>Training and skills development</b>	Skills audits, training to fill skills gaps
<b>The employment and inclusion of people with disabilities</b>	Increasing accessibility measures
<b>Measures against violence and harassment in the workplace</b>	Improving complaint mechanisms, increasing sanctions against violence and harassment, providing training for prevention to management
<b>Diversity</b>	Training on diversity and inclusion (including ethnicity considerations), targeted recruitment of underrepresented groups

<b>Child labour</b>	Age verification measures, partnerships with organizations to eliminate child labour, measures against worst forms of child labour
<b>Forced labour</b>	Measures ensuring free consent to employment without threat of penalty, contracts in understandable language, freedom to terminate employment without penalty, disciplinary measures should not obligate labour, free consent to overtime, freedom of movement (including to exit workplace), fair treatment for migrant workers, monitoring employment agencies

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## **Appendix B.4: Application Requirements for Voluntary Disclosure IR-5 Targets related to managing material negative impacts and material risks**

This appendix is an integral part of the [draft] Section 5 – Social Disclosures related to S1 *Own workforce* and has the same authority as the other parts of this [draft] Standard. It supports the application of the requirements for Section 3 Disclosure IR-5 for social and human rights matters with examples of disclosures:

Social and human rights matters	Examples of targets:
<b>Secure employment</b>	Increasing the % of workforce with employment contracts (especially permanent contracts) and social protection
<b>Working time</b>	Increasing the % of workforce with flexible working time arrangements
<b>Adequate wages</b>	Ensuring that all people in own workforce receive an adequate wage
<b>Social dialogue / existence of work councils / information, consultation and participation rights of workers</b>	Extending social dialogue to more establishments and/or countries
<b>Freedom of association/Collective bargaining including the rate of workers covered by collective agreements</b>	Increasing the % of own workforce covered by collective bargaining, negotiating collective bargaining agreements over sustainability issues
<b>Work-life balance</b>	Extending work-life measures to a greater % of own workforce
<b>Health and safety</b>	Reducing the rate of injuries and worktime lost due to injuries
<b>Gender equality and equal work for equal pay</b>	Increasing the % of women in the workforce and top management, reducing the male-female wage gap
<b>Training and skills development</b>	Increasing the % of employees receiving training
<b>The employment and inclusion of people with disabilities</b>	Increasing the % of persons with disabilities in own workforce
<b>Measures against violence and harassment in the workplace</b>	Extending measures to all workplaces
<b>Diversity</b>	Increasing the % of underrepresented groups in own workforce and top management
<b>Child labour</b>	Extending measures for preventing exposure of young persons to hazardous work to a greater % of operations
<b>Forced labour</b>	Extending measures for preventing forced labour to a greater number of operations

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**Exposure Draft****DRAFT EUROPEAN SUSTAINABILITY REPORTING STANDARD****ESRS LSME ED – SECTION 6 BUSINESS CONDUCT****VERSION AFTER CHANGES AGREED AT SRB 13 AND 15 DECEMBER 2023**

*IN MARK-UP THE RESPECTIVE CHANGES COMPARED TO THE VERSION APPROVED BY SR TEG ON 17 OCTOBER 2023*

**DISCLAIMER**

Section 6 *Business conduct* of this [Draft] ESRS is set out in paragraphs XX and Appendix A: *Application Requirements*. Appendix A has the same authority as the main body of this section. Each Disclosure Requirement is stated in a bold paragraph, followed by a paragraph that illustrates the objective of the disclosures. This section also uses terms defined in other sections and should be read in the context of its objective.

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## Objective

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1. The objective of this section of this [draft] Standard is to specify disclosure requirements which will enable users of the undertaking's sustainability statements to understand the undertaking's strategy and approach, processes and procedures as well as its performance in respect of business conduct.
2. This section focusses on the following matters:
  - (a) anti-corruption and anti-bribery;
  - (b) the management of relationships with suppliers including payment practices, especially with regard to late payment; and;
  - (c) political influence and lobbying activities.
3. The undertaking shall apply the requirements in this Section, when it concludes that the corresponding topic is material (according to chapter 3.3 Double materiality, 3.4 Impact materiality and 3.5 Financial materiality of Section 1). Following the undertaking's assessment of the materiality of the information according to paragraph 36 of Section 1, the sustainability statement shall include those disclosures prescribed in this Section that are assessed to be material. Individual datapoints may be omitted when the corresponding information is not material and the undertaking concludes that such information is not needed to meet the objective of the Disclosure Requirement.
4. The objectives in par. 1 and the metrics disclosure requirements under section 6 G1-1 to G1-3 shall be read in conjunction with Section 2 and 3 of this [draft] ESRS.

## Disclosure Requirements

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### ***Disclosure Requirement G1-1 – Management of relationships with suppliers***

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5. **The undertaking shall provide information about the management of its relationships with its suppliers as well as the management of its impacts on its supply chain.**
6. This disclosure requirement should be read in conjunction with Section 2 IR 3, where the undertaking shall state whether it has a supplier code of conduct.
7. The undertaking may disclose information on its purchasing practice / procedure and whether it considers also ESG criteria.
8. The undertaking shall disclose whether it has established a practice / procedure to monitor late payments.

### ***Disclosure Requirement G1-2 – Anti-corruption and anti-bribery***

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9. **The undertaking shall report whether it has a system in place and describe it if applicable to prevent and detect, investigate, and respond to allegations or incidents relating to corruption and bribery including the related training, and, if applicable, to describe it.**
10. The undertaking shall disclose
  - (a) any actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery<sup>1</sup>;

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<sup>1</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts set out in in indicator #16 of Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosures rules on sustainable investments (respectively “Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery”).

- (b) the number of convictions and the amount of fines for violation of anti-corruption and anti-bribery laws<sup>2</sup>.

## **Metrics**

### ***Disclosure Requirement G1-3 – Political influence and lobbying activities***

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11. **The undertaking shall disclose whether it has in place activities and commitments related to exerting its political influence, including its lobbying activities related to its material impacts, ~~and risks and (opportunities)~~, and describe them if applicable.**
12. The disclosure required by paragraph 10 shall include:
- (a) if applicable, the representative(s) responsible in the **administrative, management and supervisory bodies** for the oversight of these activities;
  - (b) for financial or in-kind political contributions:
    - i. the total monetary value of financial and in-kind political contributions made directly and indirectly by the undertaking.; and
    - ii. where appropriate, how the monetary value of in-kind political contributions is estimated.
  - (c) the main topics covered by its **lobbying activities** and the undertaking's main positions on these in brief.

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<sup>2</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts set out in indicator #17 of Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosures rules on sustainable investments (respectively “Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws”) and benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator “Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws” in section 1 and 2 of Annex 2.

## **Appendix A: Application Requirements**

This appendix is an integral part of the [draft] ESRS G1 *Business conduct*. It supports the application of the disclosure requirements set out in this section and has the same authority as the other parts of the [draft] Standard.

### **Disclosure Requirement G1-1 – Management of relationships with suppliers**

- AR 1. For purposes of this standard, management of relationships with the undertaking’s suppliers may include the following:
- (a) how the undertaking’s practices, including activities to avoid or minimise the impacts of disruptions to its supply chain, support its strategy and risk management;
  - (b) the undertaking’s targets and actions, if any, with regard to communication and management of relationships with suppliers.

### **Disclosure Requirement G1-2 – Anti - corruption and anti - bribery**

- AR 2. Disclosures may include details about the risk assessments and/or mapping as well as monitoring programmes and/or internal control procedures performed by the undertaking to detect corruption and bribery. Such procedures may include training or whistleblowing systems.
- AR 3. The undertaking may present the required information about training on its anti-bribery and corruption policies using the following table:

***Anti-corruption and bribery training illustrative example***

*During the 20XY financial year ABC provided training to its at-risk own workers in terms of its policy (see note x).. Details of its training during the year is as follows:*

	<b>Managers</b>	<b>Other employees</b>
<b><i>Training coverage</i></b>		
<i>Total</i>	5	50
<i>Total receiving training</i>	3	42
<b><i>Total hours of training</i></b>	6	84
<b><i>Frequency</i></b>		
<i>How often training is required</i>	<i>Annually</i>	<i>Annually</i>





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