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V1

DRAFT EUROPEAN SUSTAINABILITY REPORTING STANDARD

ESRS LSME – SECTION II GENERAL DISCLOSURES

DISCLAIMER

[Draft] LSME ESRS is set out in paragraphs 1 – 136. The following Appendices have the same authority as the main body of the [draft] Standard:

- Appendix A: *Defined terms*;

- Appendix B: *Application Requirements*;

- Appendix C: *Qualitative characteristics of information*;

- Appendix D: *List of phased-in Disclosure Requirements*;

- Appendix E: *Structure of ESRS sustainability statements*;

Each Disclosure Requirement in the main body of the [draft] Standard is stated in a bold paragraph and has a paragraph that illustrates the objective to be followed in the preparation of the respective disclosures.

[Draft] ESRS LSME is accompanied by the following illustrative non-authoritative appendices:

- Appendix F: *Flowchart for determining disclosures to be included*;

- Appendix G: *Example of structure of ESRS sustainability statements*;

- Appendix H: *Example of incorporation by reference*.

The [draft] Standard also uses terms defined in other [draft] ESRS and should be read in the context of its objective.

CONTENT AND STATUS OF THIS DRAFT

This draft has to be read in conjunction with the Agenda Papers on LSME discussed in SR TEG and SRB meeting in January 2023.

This draft has been developed as a markup from [draft] ESRS 1 and [draft] ESRS 2 (November 2022).

Parts in yellow are to be adjusted (the text is still the same as in ESRS 1 and ESRS 2).
 Parts in grey are to be discussed with EFRAG SR TEG to assess whether they could further simplified (the EFRAG Secretariat seeks advice on how to simplify).

To reflect the principle of proportionality, the following key simplifications have been implemented in this document (on the basis of the SR TEG discussions/ approach presented by the EFRAG Secretariat at those meetings):

- The text of SET 1 standards has been integrally considered and amended where appropriate, so that LSME will be a standalone document.
- 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 the references to sector-specific ESRS has been eliminated.
- Voluntary disclosure on interests and views of stakeholders (instead of requirement)
- Voluntary disclosure on opportunities (instead of requirement)
- Simplified approach to due diligence: requirement limited to the SFDR datapoint 'lack of due diligence – i.e. has the undertaking implemented due diligence?'
- Incorporation in the main body of this standard, under IR 1, of the contents related to IRO 1 in the topical standards (main body), in a summarised way;
- Targets DRs as 'may' disclose
- IR3 - New centralized disclosure on policies, considering each specific requirement on policies adopted as indicated in the topical standards, especially those required by SFDR and other EU regulations/directives, according to the above decision tree. Reference to the specific requirement by EU regulation has been indicated in the footnotes. Disclosure was simplified, without deleting mandatory requirements.
- IR-4 - New centralized disclosure on actions and resources in relation to sustainability matters, considering each specific requirement on actions as indicated in the topical standards, especially those required by SFDR and other EU regulations/directives, according to the above decision tree. Reference to the specific requirement by EU regulation has been indicated in the footnotes. Disclosure was simplified, without deleting mandatory requirements.

V1 Draft LSME ESRS

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Objective

1. This section sets out the Disclosure Requirements that apply to all LSME undertakings and apply across sustainability topics (i.e., cross-cutting). This [draft] Standard covers the reporting areas defined in [draft] Section 1 *General requirements*, chapter 1.2 *Cross-Cutting Standards and reporting areas*.
2. In the preparation of disclosures under this [draft] Section, the undertaking shall apply the Disclosure Requirements (including their datapoints) set in [draft] topical ESRS sections, as listed in Appendix D *Disclosure/Application Requirements in [draft] topical ESRS that are applicable jointly with [draft] Section 2 General Disclosures* of this [draft] Standard. The undertaking shall apply these requirements:
 - (a) in all instances for:
 - i. those in [draft] Section E1 Climate change; and
 - ii. those in this Section of the [draft] Standard that are related to the Disclosure Requirement IR 1 Description of the processes to identify and assess material impacts and risks; and
 - (b) For those in other [draft] topical Sections, if, based on the undertaking's materiality assessment (see [draft] Section 1 chapter 3 *Double materiality as the basis for sustainability disclosures*), the sustainability topic concerned is material.

1. Basis for preparation

Disclosure Requirement BP-1 – General basis for preparation of the sustainability statements

3. **The undertaking shall disclose the general basis for preparation of its sustainability statements.**
4. The objective of this Disclosure Requirement is to provide an understanding of how the undertaking prepares its sustainability statements, including the scope of consolidation, the value chain information and, where relevant, the disclosure exemption per the Corporate Sustainability Reporting Directive (CSRD).
5. The undertaking shall disclose the following information:
 - (a) whether the sustainability statements have been prepared on a consolidated or individual basis;
 - (b) for consolidated sustainability statements, a confirmation that the scope of consolidation is the same as for the financial statements and, where applicable, an indication of which subsidiary undertakings included in the consolidation are exempted from annual or consolidated sustainability reporting;
 - (c) to what extent the sustainability statements cover the undertaking's upstream and downstream value chain (see [draft] Section 1 section 5.1 *Reporting undertaking and value chain*);
 - (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] Section 1 section 7.7 *Information on intellectual property, know-how or results of innovation*); and

- (e) for undertakings based in an EU member state that allows for the exemption from disclosure of impending developments or matters in course of negotiation, as provided for in articles 19a (3) and 29a (3) of the CSRD, a statement on its use of the option.

Disclosure Requirement BP-2 – Disclosures in relation to specific circumstances

6. The undertaking shall provide disclosures in relation to specific circumstances.

- 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 statements.
- 8. The undertaking may report this information alongside the disclosures to which they refer.

Time horizons

- 9. When it has deviated from the medium- or long-term time horizons defined by [draft] Section 1 section 6.4 *Definition of short-, medium- and long-term for reporting purposes*, the undertaking shall describe:
 - (a) its definitions of medium- or long-term time horizons; and
 - (b) the reasons for applying those definitions.

Value chain estimation

- 10. When metrics include value chain data 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, the resulting level of accuracy and, where applicable, the planned actions to improve the accuracy in the future (see [draft] Section 1 chapter 5 *Value chain*).

Sources of estimation and outcome uncertainty

- 11. When significant estimation uncertainty or significant outcome uncertainty exists (see [draft] Section 1 section 7.2 *Sources of estimation and outcome uncertainty*), the undertaking shall:
 - (a) identify metrics it has disclosed that have significant estimation uncertainty, disclose the sources and nature of the estimation uncertainties and the factors affecting the uncertainties; and
 - (b) when there is significant outcome uncertainty, disclose information about the assumptions it makes about the future and other sources of significant uncertainty, related to the information it discloses.

Changes in preparation or presentation of sustainability information

- 12. When changes in the preparation and presentation of sustainability information occur compared to the previous reporting period(s), such as the redefinition or replacement of a

metric (or target) (see [draft] Section 1 section 7.4 *Changes in preparation or presentation in sustainability information*), the undertaking shall:

- (a) explain the changes;
- (b) explain the reasons for those changes, including why the replaced metric provides more useful information; and
- (c) provide restated 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.

Reporting errors in prior periods

13. When material prior period errors exist (see [draft] Section 1 section 7.5 *Reporting errors in prior periods*), the undertaking shall disclose:
 - (a) the nature of the prior period material error;
 - (b) to the extent practicable, the correction for each prior period disclosed; and
 - (c) if correction of the error is not practicable, the circumstances that led to the existence of that condition and a description of how and when the error has been corrected.

Disclosures stemming from local legislations or generally accepted sustainability reporting pronouncements

14. When the undertaking includes in its sustainability statements information based on local legislations on generally accepted sustainability reporting pronouncements (see [draft] Section 1 section 8.2 *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 pronouncements, the undertaking shall provide a precise reference to the paragraphs of the standard applied.

Incorporation by reference

When the undertaking incorporates information by reference (see [draft] Section 1 section 9.1 *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.

Disclosure Requirement GOV-1 – The role of the administrative, management and supervisory bodies

15. **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, including business conduct.**
16. **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;
 - (c) the expertise of its administrative, management and supervisory bodies on sustainability matters or access to such expertise and skills;
 - (d) the role of the administrative, management and supervisory bodies related to business conduct; and
 - (e) the expertise of the administrative, management and supervisory bodies on business conduct matters.
17. The undertaking shall disclose the following information about the composition and diversity of the members of its administrative, management and supervisory bodies:
- (a) classification of members between executive and non-executive;
 - (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 diversity¹ shall be calculated as an average ratio of female to male board members; and
 - (e) the percentage of independent² board members³.
18. The undertaking shall disclose the following information about the roles and responsibilities of the administrative, management and supervisory bodies:
- (a) the identity of the administrative, management and supervisory bodies (such as a board committee or similar) or individual within a body responsible for oversight of impacts and risks;
 - (b) a brief description of management's role in assessing and managing impacts and risks, including whether that role is delegated to a specific management-level position or committee and how oversight is exercised over that position or committee.

¹ 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.

² 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.

³ This information supports the needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "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 2.

- (c) how the administrative, management and supervisory bodies and senior executive management oversee the setting of targets related to material impacts and risks, and how they monitor progress towards them.
- (d) The disclosure shall include a brief description of how the administrative, management and supervisory bodies ensure the availability of the appropriate skills and expertise to oversee sustainability matters, including: 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
- (e) how it relates to the undertaking's material impacts, risks and opportunities.

Disclosure Requirement GOV-4 - Sustainability due diligence

- 19. **The undertaking shall disclose whether it has adopted sustainability due diligence process(es)**
- 20. The objective of this Disclosure Requirement is to facilitate an understanding of the undertaking's due diligence process(es) with regard to sustainability matters.
- 21. The undertaking shall provide information on how and where the sustainability due diligence process is reflected in its sustainability reporting, to allow a depiction of the actual practices of the undertaking with regard to due diligence (see General requirement 35, Section 1 of this [draft] Standard.
- 22. If the undertaking has not adopted a due diligence process, it shall disclose this to be the case.⁴
- 23. This disclosure requirement does not mandate any specific behavioural requirements with regard to sustainability 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.
- 24.

3. Strategy

- 18. The objective of this chapter is to set Disclosure Requirements for reporting on:
 - () the elements of its strategy that relate to or affect sustainability matters, its business model(s) and its value chain;
 - (a) the outcome of its assessment of material impacts, risks and opportunities, including how they inform its strategy and business model(s).

⁴ 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").

Disclosure Requirement SBM-1 – Market position, strategy, business model(s) and value chain

19. **The undertaking shall disclose its market position, the elements of its strategy that relate to or impact sustainability matters, its business model(s) and its value chain.**
20. The objective of this Disclosure Requirement is to describe: the undertaking's market position; the elements of its general strategy that relate to or affect sustainability matters, the undertaking's business model(s) and key value chain, in order to provide an understanding of the undertaking's exposure to impacts, risks and opportunities and where they originate.
21. The undertaking shall disclose the following information about its market position and 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. headcount of employees by geographical areas; and
 - iv. where applicable and material, products and services under bans in certain markets, including potential bans in relation to material public initiatives and considerations.
 - (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;
 - (c) a list of the additional ESRS sectors beyond the ones reflected under paragraph 21(b), 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;
 - (d) where applicable, a statement indicating, together with the related revenues, that the undertaking is active in:
 - i. the fossil fuel (coal, oil and gas) sector⁵, 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;

⁵ 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").

- ii. chemicals production⁶, i.e., its activities fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006;
- iii. controversial weapons⁷ such as anti-personnel mines, cluster munitions, chemical weapons and biological weapons; and/or
- iv. the cultivation and production of tobacco⁸;
- (e) its sustainability-related goals in terms of groups of products and services, customer categories, geographical areas and relationships with stakeholders;
- (f) an assessment of its current market positions in relation to its goals; and
- (g) The undertaking shall disclose a description of its business model(s) and value chain, including its inputs, outputs and outcomes (in terms of current and expected benefits for its stakeholders), and 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.

Disclosure Requirement SBM-2 - Material impacts and risks and their interaction with strategy and business model(s)

- 22. **The undertaking shall disclose its material impacts and risks and how they interact with its strategy and business model(s).**
- 23. The objective of this Disclosure Requirement is to provide an understanding of the material impacts and risks as they result from the undertaking's materiality assessment and how they originate from and trigger adaptation of the its strategy and business model(s).
- 24. The undertaking shall disclose the material impacts and risks resulting from its materiality assessment (see Disclosure Requirement IR-1 of this [draft] Section), together with a brief description. The disclosure shall include the following:
 - (a) how the material negative impacts affect (or are expected to affect) people or the environment, the reasonably expected time horizons for those effects, 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 and where in its value chain material impacts are concentrated), and whether and how the impacts originate from or are connected to the undertaking's strategy and business model(s);

⁶ 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").

⁷ 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)").

⁸ 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) how the material risks relate to the undertaking, specifying which risks the undertaking reasonably expects could have financial effects, including affecting its business model(s) and strategy, and the reasonably expected time horizons for those effects;
 - (c) the 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 the undertaking 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;
 - (d) the financial effects of material risks , specifically:
 - (e) the current and anticipated effects of material risks on its business model and value chain;
 - (f) a description of where in its value chain material risks are concentrated;
 - i. how material risks have affected the undertaking's most recently reported financial performance, financial position and cash flows. This includes information for which there is a material risk that there will be a material adjustment to the carrying amount of assets and liabilities reported in the financial statements within the next financial year;
 - ii. how the undertaking expects its cash flows, financial performance, and financial position to change over time under the effects of material risks including, where appropriate, how risks are included in the undertaking's financial planning, reflecting:
 - 1. its current and committed investment plans and their anticipated effects on its financial position (for example, capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas and asset retirements); and
 - 2. its planned sources of funding to implement its strategy;
 - (g) changes to the material impacts and risks compared to the previous reporting period; and
 - (h) specification of those impacts and risks that are covered by [draft] Disclosure Requirements of this Standard as opposed to those covered by the undertaking using additional entity-specific disclosure.
25. The undertaking may disclose the descriptive information required in paragraph 25 alongside the disclosures provided under the corresponding [draft] topical Section of this ESRS. If the undertaking decides to do so, it shall still present a statement of its material impacts and risks alongside its disclosures prepared under this Section.

Voluntary Disclosure 1 – Interests and views of stakeholders

26. The undertaking may disclose if and how the interests and views of its stakeholders are taken into account by the undertaking's strategy and business model(s). The undertaking may disclose a description of:
- a. its stakeholders, whether engagement with them occurs and for which categories of stakeholders, how it is organised, its purpose and how its outcome is taken into account by the undertaking;
 - b. its understanding of the interests and views of stakeholders as they relate to the undertaking's strategy and business model(s), to the extent that these were analysed during the materiality assessment process (see Disclosure Requirement IR-1 of this [draft] Standard).

Voluntary Disclosure 2 – Material opportunities

27. The undertaking may disclose its material opportunities. These are sustainability-related financial opportunities that have or are likely to have financial effects. The undertaking shall not report on opportunities for which the undertaking has not put in place or does not plan to put in place concrete actions to pursue them, accompanied by appropriate resources.
28. Per each material opportunity disclosed, the undertaking shall include:
- (a) a description of the opportunity, how it originates, the sustainability matter to which it is linked and its expected time horizon;
 - (b) how it result in financial effects for the undertaking;
 - (c) the actions that the undertaking has put or plans to put in place to pursue the opportunity, including the resources that have been mobilized.

Quantitative financial effects deriving from opportunities shall be disclosed only when they meet the qualitative characteristics of quality, including reliability and shall be accompanied by an illustration of the methodology for calculation and main assumptions used.

4. Impact and risk (and opportunity) management

4.1 Disclosures on the materiality assessment process

29. The objective of this section is to set Disclosure Requirements to be applied when reporting on:
- (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 the sustainability reporting.

Disclosure Requirement IR-1 - Description of the processes to identify and assess material impacts and risks

30. **The undertaking shall provide a brief description of its processes to identify its impacts and risks and to assess which ones are material.**

31. The objective of this Disclosure Requirement is to provide an overview of the process(es) through which the undertaking identifies impacts and risks and assesses their materiality, as the basis for determining the disclosures in its sustainability reporting (see [draft] Section 1 Appendix B: *Application Requirements* for more guidance).
32. The undertaking shall disclose the following information:
- (a) an overview of the process(es) to identify, assess and prioritise the undertaking's potential and actual negative impacts based on their relative severity and likelihood (see [draft] section 3.4 Impact materiality).;
 - (b) an overview of the process(es) used to identify, assess and prioritise sustainability-related risks that have or may have financial effects.
 - (c) an explanation of how the undertaking has determined the material information related to its material impacts and risks, including the use of thresholds and/or how it has implemented the criteria in [draft] section 3.2 Material matters and materiality of information. The disclosure may also include the input parameters it uses (for example, data sources, the scope of operations covered and the detail used in assumptions) and (opportunities).

In addition, the undertaking may disclose an overview of the process(es) to identify, assess and prioritise the undertaking's potential and actual impacts on people and the environment, informed by the undertaking's sustainability due diligence process(es), including explanation of whether and how the process(es):

- (a) focus(es) on specific areas due to heightened risk of adverse impacts;
 - (b) review(s) the impacts with which the undertaking is involved through its own operations ;
 - (c) include(s) consultation with affected stakeholders to understand how they may be impacted and with external experts;
33. (d) prioritise(s) negative impacts based on their relative severity and likelihood, (see [draft] ESRS 1 section 3.4 *Impact materiality*) and – if applicable – The undertaking shall describe the processes to identify and assess material impacts and risks (disclosure on opportunities is on voluntary basis only) in relation to the following sustainability matters: :

- a. Climate (E-1) , including:
 - i. impacts on climate change, in particular, the undertaking's GHG emissions (as required by [drfat] Disclosure Requirement LSME ESRS E1-3);
 - ii. climate-related physical risks (as required by [draft] Disclorure Requirement LSME ESRS E-1-5)
 - iii. climate-related transition risks; (as required by [draft] Disclorure Requirement LSME ESRS E-1-5)
- b. Pollution (E-2), including:
 - i. methodologies, assumptions and tools used to screen its site locations and business activities in order to identify its actual and potential pollution-related physical and transition risks;

- ii. the process for conducting consultations and in particular with affected communities;
- c. Water and marine resources (E-3), including:
 - i. methodologies, assumptions and tools used to screen its assets and activities in order to identify its actual and potential water and marine resources-related physical and transition risks;
 - ii. the process for conducting consultations and, in particular, with affected communities;
- d. Biodiversity and ecosystems, including:
 - i. assessment criteria applied;
 - ii. systemic risks both to its own business model and society as a whole;
 - iii. any consultations with affected communities;
 - iv. time horizons used for the analysis;
 - v. whether and how it has used scenario analysis in the assessment process;
 - vi. whether or not it has sites located in or near biodiversity-sensitive areas and whether activities related to these sites negatively affect these areas⁹;
 - vii. whether it has identified material negative impacts with regards to land degradation, desertification or soil sealing¹⁰; and
 - viii. whether it has its operations affect threatened species¹¹.
- e. Resource use and circular economy, including:
 - i. methodologies, assumptions and tools used to screen its assets and activities in order to identify its actual and potential risks;
 - ii. the process for conducting consultations and, in particular, with affected communities;

⁹ This information supports the information needs of financial markets 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 1 Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively “Activities negatively affecting biodiversity-sensitive areas”).

¹⁰ 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 impact as set out by indicator #10 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively “Land degradation, desertification, soil sealing”).

¹¹ 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 impact as set out by indicator #14 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively “Natural species and protected areas”).

- f. Own workforce, including:
 - i.
 - ii. 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;
 - iii. 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);
 - iv. any material risks for the undertaking arising from impacts and dependencies on its own workers;
 - v. 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;
 - vi. operations at significant risk of incidents of forced or compulsory labour either in terms of type of operation (such as manufacturing plant) or countries or geographic areas with operations considered at risk;
 - vii. 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.
- g. Workers in the value chain, specifying:
 - i. whether and how actual and potential 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(s); and
 - ii. the relationship between its material risks arising from impacts and dependencies on value chain workers and its strategy and business model(s);
 - iii. a brief description of the types of workers subject to material 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;
- iv. any geographies (at country level or other levels) or commodities for which there is a significant risk of child labour, or of forced or compulsory labour, among workers in the undertaking's value chain¹²;
- h. Affected communities, specifying:
- i. the types of communities subject to material impacts;
 - ii. 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);
 - iii. how affected communities with particular characteristics or those living in particular contexts, or those undertaking particular activities may be at greater risk of harm.
- i. Consumer and/or end-users, including information on:
- i. the types of consumers and/or end-users subject to material impacts;
 - ii. any products that are inherently harmful to people and/or increase risks for chronic disease;
 - iii. any services with potentially negatively impact on rights to privacy, personal data protection, freedom of expression and non-discrimination;
 - iv. 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;
 - v. consumers and/or end-users who are particularly vulnerable

¹² This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting additional indicators related to principal adverse impacts as set out by indicators number 12 and number 13 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively "Operations and suppliers at significant risk of incidents of child labour" and "Operations and suppliers at significant risk of incidents of forced or compulsory labour").

to health or privacy impacts or impacts from marketing and sales strategies, such as children or financially vulnerable individuals;

- vi. 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);

any material risks for the business arising from impacts and dependencies on consumers and/or end-users.

In describing the processes to identify and assess material impacts and risks, the undertaking may include such disclosure in a centralized section of the sustainability report or divide it and present the relevant disclosure in each topical section of the sustainability report.

Disclosure Requirement IR-2 – Disclosure Requirements in ESRS covered by the undertaking’s sustainability statements

- 34. **The undertaking shall report on the Disclosure Requirements complied with in its sustainability statements.**
- 35. 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.
- 36. The undertaking shall include a list of the Disclosure Requirements complied with in preparing the sustainability statements, following the outcome of the materiality assessment (see [draft] ESRS 1 chapter 3), including the page numbers and/or paragraphs where the related disclosures are located in the sustainability statements. This may be presented as a content index.
- 37. When all the Disclosure Requirements in a [draft] topical section are omitted as the topic is assessed not to be material for the undertaking, the undertaking shall report a brief explanation of the conclusions of its materiality assessment for the topic.

Disclosure Requirement IR-3 – Policies adopted to manage material sustainability matters

- 38. **The undertaking shall disclose information on its policies adopted to manage material sustainability matters.**
- 39. The objective of this Disclosure Requirement is to provide an understanding of the policies that the undertaking has in place (even if not formalized in specific written documents) to address the identification, assessment, management and/or remediation of material sustainability matters.

40. The undertaking shall disclose information on its policies adopted to manage climate change (and the sustainability matters related to climate change) irrespective of the outcome of its materiality assessment, following the content of this Disclosure Requirement related to climate change. The undertaking shall disclose information about its policies adopted to manage a sustainability topic (and the sustainability matters related to a sustainability topic) other than climate change, only when it concludes that such topic (or sustainability matter) is material, following the outcome of its materiality assessment. In this case, the undertaking shall follow the content of this Disclosure Requirement related to such topic (or sustainability matter).
41. If the undertaking has not adopted policies (whether formalized or not) with reference to specific sustainability matter concerned, it shall disclose this to be the case. The undertaking may report a timeframe in which it aims to adopt them, where appropriate. Information to be reported include a description of the key contents of the policies, its general objectives and which material impacts and risks the policy is relating to, together with a description of the scope of the policy in terms of activities, value chain, geographies and, if relevant, affected stakeholder groups. In particular, the undertaking shall disclose the policies it has adopted to manage its material impacts and risks related to:
- (a) climate change mitigation and adaptation, energy efficiency, and renewable energy development (E1);
 - (b) pollution prevention and control (E2);
 - (c) water and marine resources (E3);
 - (d) biodiversity and ecosystems (E4), specifying whether it has adopted:
 - i. a biodiversity and ecosystem protection policy covering operational sites owned, leased, managed in or near a protected area or a biodiversity-sensitive area outside protected areas, where land with high biodiversity value refers to Article 7b (3) of Directive 98/70/EC of the European Parliament and of the Council and “protected area” means designated areas in the European Environment Agency’s Common Database on Designated Areas (CDDA);
 - ii. sustainable land / agriculture practices or policies¹³;
 - iii. sustainable oceans / seas practices or policies¹⁴;
 - iv. policies to address deforestation¹⁵.
 - (e) resource use and circular economy (E5);
 - (f) own workforce (S1), specifying:

¹³ 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 impact as set out by indicator #11 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively “Investments in companies without sustainable land/agriculture practices”).

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 impact as set out by indicator #12 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively “Investments in companies without sustainable oceans/seas practices”).

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 impact as set out by indicator #15 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively “Deforestation”).

- i. its human rights policy commitments¹⁶ that are relevant to its own workforce, including those processes and mechanisms to monitor compliance with the UN Global Compact principles and the OECD Guidelines for Multinational enterprises;
 - ii. general approach in relation to respect for the human rights, including labour rights, of its own workers, engagement with affected stakeholders and measures to provide and/or enable remedy for human rights impacts¹⁷;
 - iii. whether and how its policies are aligned with internationally recognised standards relevant to its own workers, including the United Nations (UN) Guiding Principles on Business and Human Rights¹⁸;
 - iv. whether its policies explicitly address trafficking in human beings¹⁹, forced or compulsory labour and child labour. It shall also state whether the undertaking has a workplace accident prevention policy or management system²⁰;
 - v. whether it has specific policies aimed at the elimination of discrimination, promoting equal opportunities and other ways to advance diversity and inclusion;
 - vi. whether the following grounds for discrimination and diversity 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, and any other forms of discrimination covered by EU regulation and national law;
 - vii. whether the undertaking has specific policy commitments related to inclusion and/or affirmative action for people from groups at particular risk of vulnerability in its own workforce; and
 - viii. 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.
- (g) workers in the value chain (S2), explaining:

¹⁶ 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 #9 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Lack of a human rights policy").

¹⁷ 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 #11 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises").

¹⁸ This information supports the needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "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 2.

¹⁹ 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 #11 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Lack of processes and measures for preventing trafficking in human beings").

²⁰ 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 impact as set out by indicator #1 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Investments in companies without workplace accident prevention policies").

- i. its human rights policy commitments²¹ that are relevant to value chain workers, including those processes and mechanisms to monitor compliance with the UN Global Compact principles and the 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 to²²:
 1. respect for the human rights, including labour rights, of workers;
 2. engagement with value chain workers; and
 3. measures to provide and/or enable remedy for human rights impacts.
- ii. whether its policies in relation to value chain workers explicitly address trafficking in human beings²³, forced or compulsory labour and child labour. It shall also state whether the undertaking has a supplier code of conduct²⁴.
- iii. whether and how its policies with regard to workers in the value chain are aligned with internationally recognised standards relevant to value chain workers, including the United Nations (UN) Guiding Principles on Business and Human Rights²⁵. 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 involve workers in the value chain have been reported in its upstream and downstream value chain and, if applicable, an indication of the nature of these²⁶;

²¹ 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 #9 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (“Lack of a human rights policy”).

²² 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 #11 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (“Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises”).

²³ 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 #11 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (“Lack of processes and measures for preventing trafficking in human beings”).

²⁴ 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 #4 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (“Lack of a supplier code of conduct”).

²⁴ This information supports the needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator “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 2.

²⁵ 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 #4 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (“Lack of a supplier code of conduct”).

²⁵ This information supports the needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator “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 2.

²⁶ 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 #10 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (“Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises”) 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 Labor Organisation Conventions 1 to 8” in section 1 and 2 of Annex 2.

- (h) affected communities (S3), specifying:
 - i. its human rights policy commitments²⁷ including those processes and mechanisms to monitor compliance with the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises;
 - ii. general approach in relation to respect for the human rights of communities, and indigenous peoples specifically, engagement with affected communities, and measures to provide and/or enable remedy for human rights impacts²⁸;
 - iii. whether and how its policies 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 violations in relation to the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises that involve affected communities have been reported in its upstream and downstream value chain and, if applicable, an indication of the nature of these²⁹.
- (i) consumer and/or end-users (S4), specifying:
 - i. its human rights policy commitments³⁰, including those processes and mechanisms to monitor compliance with the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises;
 - ii. general approach in relation to respect for the human rights of consumers and/or end-users, engagement with consumers and/or end-users, and measures to provide and/or enable remedy for human rights impacts³¹;
 - iii. whether and how its policies are aligned with internationally recognised standards 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 violations in relation to the UN Global Compact

²⁷ 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 #9 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively “Lack of a human rights policy”).

²⁸ 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 #11 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (“Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises”).

²⁹ 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 #10 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (“Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises”) 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.

³⁰ 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 #9 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively “Lack of a human rights policy”).

³¹ 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 #11 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (“Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises”).

principles and the 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 these³².

- (j) Business conduct, disclosing:
 - i. whether it has policies on anti-corruption or anti-bribery;
 - ii. where the undertaking has policies on anti-corruption or anti-bribery, if they are consistent with the United Nations Convention against Corruption³³;
 - iii. where the undertaking has no policies, it shall state this and whether it has plans to implement them and the timetable for implementation.
 - iv. whether it has policies on the protection of whistle-blowers;
 - v. where the undertaking has no policies on the protection of whistle-blowers³⁴, it shall state this and whether it has plans to implement them and the timetable for implementation;
 - vi. where applicable, whether the undertaking has in place policies with respect to animal welfare.
42. When providing disclosure on the above policies the undertaking may include the following information:
- (a) the most senior level in the undertaking's organisation that is accountable for the implementation of the policy;
 - (b) a reference, if relevant, to the third-party standards or initiatives the undertaking commits to respect through the implementation of the policy;
 - (c) if relevant, a description of the consideration given to the interests of key stakeholders in setting the policy; and
 - (d) if relevant, whether and how the undertaking makes the policy available to potentially affected stakeholders, and stakeholders who need to help implement it.

³² 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 #10 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises") 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.

³³ 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 #15 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosures rules on sustainable investments (respectively "Lack of anti-corruption and anti-bribery policies").

³⁴ 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 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosures rules on sustainable investments (respectively "Insufficient whistleblower protection").

Disclosure Requirement IR-4 – Actions and resources in relation to sustainability matters

43. **The undertaking shall disclose any action or action plan taken to identify, monitor, prevent, mitigate or remediate to actual or potential negative material impacts.**
44. The objective of this Disclosure Requirement is to provide an understanding of the key actions taken and/or planned to address material impacts, risks and opportunities, and where applicable achieve the objectives and targets of related policies.
45. The undertaking shall disclose information on its actions implemented to manage climate change (and the sustainability matters related to climate change) irrespective of the outcome of its materiality assessment, following the content of this Disclosure Requirement related to climate change. The undertaking shall disclose information about its actions implemented to manage a sustainability topic (and the sustainability matters related to a sustainability topic) other than climate change, only when it concludes that such topic (or sustainability matter) is material, following the outcome of its materiality assessment. In this case, the undertaking shall follow the content of this Disclosure Requirement related to such topic (or sustainability matter).
46. If the undertaking has not implemented actions with reference to specific sustainability matter concerned, it shall disclose this to be the case. The undertaking may report a timeframe in which it aims to implement them, where appropriate.
47. In particular, the undertaking shall disclose its action and resources related to:
- Environmental matters
- (a) climate change mitigation and adaptation;
 - (b) pollution (specifying mitigation hierarchy – avoid, reduce or restore);
 - (c) water and marine resources (specifying mitigation hierarchy – avoid, reduce or restore / regenerate, and actions and resources in relation to areas at water risk or of high-water stress);
 - (d) biodiversity and ecosystems (specifying mitigation hierarchy – avoidance, reduction / minimization, restoration and rehabilitation);
 - (e) resource use and circular economy (specifying whether and how an action and resources cover any of the layers of the waste hierarchy as defined in **Appendix A of this [draft] Standard**, and circularity measures, taken to prevent waste generation and to manage material impacts arising from waste generated);
 - (f) (d) biodiversity and ecosystems (specifying mitigation hierarchy – avoidance, reduction / minimization, restoration and rehabilitation);
 - (g) (e) resource use and circular economy (specifying whether and how an action and resources cover any of the layers of the waste hierarchy as defined in Appendix A of this [draft] Standard, and circularity measures, taken to prevent waste generation and to manage material impacts arising from waste generated);
- Social and human rights matters
- (h) f) own workforce;

- (i) (g) workers in the value chain;
 - (j) (h) affected communities;
 - (k) (i) consumer and/or end-users.
48. The undertaking shall disclose the following information for each identified actual or potential material negative impact on the environment and people, as they result from its materiality assessment:
- (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.
49. Where the implementation of an action plan requires significant operational expenditures (Opex) and/or capital expenditures (Capex) the undertaking may:
- (a) describe the type and amount of current and future financial and other resources allocated to the action plan, including the amounts, environmental or social objectives and relevant terms of sustainable finance instruments, such as green bonds, social bonds and green loans, if any;
 - (b) provide complementary explanatory information, where 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; and
 - (c) explain how significant monetary amounts relate to the most relevant amounts presented in the financial statements.

Voluntary Disclosure IR-5 – Targets in relation to sustainability matters

50. **The undertaking may disclose information about the targets it has in place with regard to each material sustainability matter.**
51. The objective of this Voluntary Disclosure is to provide an understanding on whether 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.
52. The undertaking may disclose the following information as per paragraph 47:
- Environmental matters
- (a) climate change mitigation and adaptation:

- i. GHG emission reduction targets³⁵ for scope 1, 2 and 3;
 - ii. 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;
 - iii. whether the GHG emission reduction targets are science-based and compatible with limiting global warming to 1.5°C, including information on which guidance or framework has been used to determine these targets including the underlying climate and policy scenarios.
 - iv. 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
- (b) Pollution:
- i. 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;
 - ii. whether (local) 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
- (c) water and marine resources, disclosing whether and how its targets relate to:
- i. the management of material impacts, risks and (opportunities) related to areas at water risk, including improvement of the water quality;
 - ii. 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
 - iii. the reduction of water consumption, including an explanation of how those targets relate to areas at water risk, including areas of high water-stress.
 - iv. whether (local) ecological thresholds and entity-specific allocations were taken into consideration when setting targets
- (d) biodiversity and ecosystems:
- i. whether the undertaking has set targets related to the management of material impacts, risks and (opportunities) related to areas at water risk, including improvement of the water quality; contribution to direct impact drivers on

³⁵ 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 #4 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively “Investments in companies without carbon emission reduction initiatives”); and is aligned with the Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), Article 6.

biodiversity loss as defined by IPBES³⁶; impacts on the state of species (i.e., species population size, species global extinction risk); impacts on the extent and condition of ecosystems (classified as per the IUCN Global Ecosystem Typology 237 and defined within the UN SEEA EA accounting framework (e.g., land degradation, desertification and soil sealing); and impacts and dependencies on ecosystem services (as defined within the UN SEEA EA accounting framework).

- ii. whether the target has set dates and milestones;
 - iii. whether ecological thresholds and allocations of impacts to the undertaking were applied when setting targets;
 - iv. whether the targets are informed by, and / or aligned with the Post-2020 Global Biodiversity Framework, the EU Biodiversity Strategy for 2030 and other biodiversity and ecosystem-related national policies and legislation as well as authoritative intergovernmental instruments like the IPBES;
 - v. ~~whether or not the undertaking used biodiversity offsets in setting its targets as described in paragraph 31 (b); and~~
 - vi. to which of the layers of the mitigation hierarchy the target can be allocated (i.e., avoidance, minimisation, restoration and rehabilitation, compensation or offsets).
- (e) resource use and circular economy:
- i. whether and how its targets relate to inflows and outflows, including waste and products and materials, (including in production, use phase and at end of functional life);
 - ii. which layer of the waste hierarchy the target relates;
 - iii. whether (local) ecological thresholds and entity-specific allocations were taken into consideration when setting targets.

Social and human rights matters

- (f) own workforce, workers in the value chain, affected communities or consumers/end-users: :
- i. targets it may have 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;
 - ii. the process for setting the targets, including whether and how the undertaking engaged directly with its own workers or workers' representatives.

³⁶ The direct driver climate change is to be reported under [draft] ESRS E1 *Climate Change* and pollution under [draft] ESRS E2 *Pollution*.

³⁷ <https://portals.iucn.org/library/sites/library/files/documents/2020-037-En.pdf>

Appendix A: Defined terms

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

Administrative, management and supervisory bodies	The governance bodies with the highest decision-making authority in the undertaking including its committees. If there are no administrative, management or supervisory body of the undertaking, the CEO, and if such function exists, the deputy CEO, should be included. In some jurisdictions, governance systems consist of two tiers, where supervision and management are separated. In such cases, both tiers are included under the definition of administrative, management and supervisory bodies.
Business model	The undertaking's system of transforming inputs through its business activities into outputs and outcomes that aims to fulfil the undertaking's strategic purposes and create value over the short-, medium- and long-term time horizons. The undertaking may have one or more business models.
Fossil Fuel	Fossil fuel means non-renewable carbon-based energy sources such as solid fuels, natural gas and oil.
Governance	The system by which the undertaking is directed and controlled in the interests of shareholders and other stakeholders. Governance involves a set of relationships between the undertaking's management, its board, its shareholders, and other stakeholders. Governance provides the structure and processes through which the objectives of the undertaking are set, progress against performance is monitored, and results are evaluated. The term "governance bodies" refers to the administrative, management and supervisory bodies with the highest decision-making authority in the undertaking.
Sustainability-related impacts	The effect the undertaking has or could have on the environment and people, including effects on their human rights, as a result of the undertaking's activities or business relationships. The impacts can be actual or potential, negative or positive, short-term or long-term time horizons, intended or unintended, and reversible or irreversible. Impacts indicate the undertaking's contribution, negative or positive, to sustainable development.
Strategy	The undertaking's plan to achieve its mission and vision and apply its core values. It incorporates the set of goals or purposes the undertaking assigns itself in terms of delivering certain defined products and services to defined categories of customers in certain defined geographic areas under a defined framework of relationships with all stakeholders.

<p>Sustainability-related financial opportunities (or ‘opportunities’)</p>	<p>Sustainability-related financial opportunities are uncertain environmental, social or governance events or conditions that, if they occur, could cause a potential material positive effect on the undertaking's business model, strategy, its capability to achieve its goals and targets and to create value, and therefore may influence its decisions and those of its business relationship partners with regards to sustainability matters. Like any other opportunity, sustainability-related opportunities are measured as a combination of an impact's magnitude and the probability of occurrence.</p>
<p>Sustainability-related financial risks (or ‘risks’)</p>	<p>Sustainability-related financial risks are uncertain environmental, social or governance events or conditions that, if they occur, could cause a potential material negative effect on the undertaking's business model, strategy and sustainability strategy, its capability to achieve its goals and targets and to create value, and therefore may influence its decisions and those of its business relationships with regard to sustainability matters. Like any other risks, sustainability-related risks are the combination of an impact's magnitude and the probability of occurrence.</p>

Application Requirements – Section 2 General disclosures

1. Basis for preparation

Disclosure Requirement BP-1 – General basis for preparation of the sustainability statements

- AR 1. When describing to what extent the sustainability statements cover the undertaking's upstream and downstream value chain (see [draft] Section I **section 5.1** *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 value chain;
 - (b) the extent to which its policies and actions extend to its value chain; and
 - (c) the extent to which it includes value chain data in disclosing on metrics.

2. Governance

Disclosure Requirement GOV-1 – The role of the administrative, management and supervisory bodies

- AR 2. In describing the roles and responsibilities of the administrative, management and supervisory bodies with regard to sustainability matters, the undertaking may specify:
- (d) 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(s);
 - ii. the identification and assessment of material risks and impacts;
 - iii. related policies (and targets), action plans and dedicated resources; and
 - iv. sustainability reporting;
 - (e) the form such oversight takes for each of the above aspects: i.e., information, consultation or decision-making; and
 - (f) 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 3. 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.

3. Strategy

Disclosure Requirement SBM-1 Market position, strategy, business model(s) and value chain

AR 4. To provide the information on sectors required by paragraph 20, 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” is detailed.

AR 5. When preparing the disclosures prescribed by paragraph 20 of this Disclosure Requirement, in order to determine the significance of groups of products and/or services offered, of markets and/or customer groups served or an ESRS sector the undertaking shall consider both the following criteria:

- (a) whether it generates revenues above 10 per cent of the revenues of all its activities; and
- (b) whether it is connected with material actual impacts or material potential negative impacts.

AR 6. In preparing disclosures relating to its business model(s) and value chain, the undertaking shall consider:

- (a) its key business relationships, including with customers, and their key characteristics, its key activities, suppliers, resources, distribution channels, and 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, risks and (opportunities) in its significant sector(s) and their possible relationship to its own business model(s) or value chain.

AR 7.

AR 8. Contextual information may be particularly relevant for users of the undertaking's sustainability reporting, to understand to what extent the reported disclosures include value chain information. The description of the main features of the 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 5 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 SBM-2 - Material impacts and risks and their interaction with strategy and business model(s)

AR 9. When describing where in its 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.

AR 10. 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 11. This Disclosure Requirement requires the undertaking to report and describe its material impacts and risks (and opportunities on a voluntary basis). Information regarding the management of those impacts and risks and related metrics and targets is addressed in other Disclosure Requirements in this [draft] Standard and in the [draft] topical section.

AR 12.

4. Impact and risk (and opportunity) management

Disclosure Requirement IR-1 – Description of the processes to identify and assess material impacts and risks

AR 13. Key requirements and principles regarding the processes to identify and assess material impacts and risks based on the principle of double materiality are set out in [draft] Section 1 chapter 3 and its related Application Requirements. [draft] Section 1 chapter 3 addresses the processes to identify material matters from both the impact materiality and the financial materiality perspectives, and to identify material information in relation to such matters.

Centralized description of the processes to identify and assess material impacts and risks

ENVIRONMENT

AR 14. When disclosing the information on the processes to identify and assess climate impacts. The undertaking shall refer to Topical Section, Environment, E1, Appendix B, Application Requirements.

AR 15. When conducting a materiality assessment on environmental subtopics, the undertaking shall consider the four phases below, also known as the LEAP approach, proposed by the Taskforce on Nature-Related Financial Disclosures:

- (a) locate where in the own operations and along the value chain the interface with nature takes place;
- (b) evaluate the environmental-related dependencies and impacts;
- (c) assess the material risks (and opportunities); and
- (d) prepare and report the results of the materiality assessment.

AR 16. 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. Further guidance and materials about this approach can be found in TNFD Nature-Related Risk & Opportunity Management and Disclosure Framework.

AR 17. Based on the results of Phase 1 and 2, the undertaking shall consider assessing material risks (and opportunities) related to environmental subtopics by:

- (a) identifying transition risks (and opportunities) in its own operations and its upstream and downstream value chain by the categories of³⁶:
- i. policy and legal: e.g., introduction of regulation, exposure to sanctions and litigation (e.g., negligence towards ecosystems, spills of polluting effluents that damage human and ecosystem health, violation of biodiversity-related rights, permits or allocations, negligence towards or killing of threatened species), enhanced reporting obligations;
 - ii. technology: e.g., substitution of products or services with a lower impact, transition to other not harmful substances, or to more efficient and cleaner technologies, new monitoring technologies (e.g., satellite);
 - iii. market: e.g., shifting supply, demand and financing, volatility or increased costs of some substances, water or marine resources, costs of raw materials (e.g., biodiversity-intense inputs for which price has raised due to ecosystem degradation); and
 - iv. reputation: e.g., changing societal, customer or community perceptions as a result of an organisation's role in environmental matters;
 - v. contribution to systemic risks by categories via its own operations and its upstream and downstream value chain;
- (b) identifying physical risks: for instance:
- i. acute risks (e.g., natural disasters exacerbated by loss of coastal protection from ecosystems, leading to costs of storm damage to coastal infrastructure, disease or pests affecting the species or variety of crop the undertaking relies on, especially in the case of no or low genetic diversity, species loss and ecosystem degradation);
 - ii. chronic risks (e.g., loss of crop yield due to decline in pollination services, increasing scarcity or variable production of key natural inputs, ecosystem degradation due to operations leading to, for example, coastal erosion and forest fragmentation, ocean acidification, land loss to desertification and soil degradation and consequent loss of soil fertility, species loss);
 - iii. access to clean water, acid rain, or other pollution incidents that are likely to lead to or that have led to pollution with subsequent effects on the environment and society;
 - iv. water quantity (water scarcity, water stress, flooding), water quality, infrastructure decay or unavailability of some marine resources-related commodities leading for instance to the impossibility of running operations in certain geographical areas;
 - v. depletion of stock and use of virgin and non-virgin renewable resources, decrease of virgin and non-virgin renewable resources;.
- (c) [identifying opportunities related to environmental matters.]

AR 18. In order to assess materiality, the undertaking may consider the Commission Recommendation (EU) 2021/2279 of 15th December 2021 on the use of the Environmental Footprint methods to measure and communicate the life cycle environmental performance of products and organisations.

AR 19. For the identification of water and marine resources-related dependencies, the undertaking shall consider the common international classification of ecosystem services for integrated environmental and economic accounting available, hosted by the European Environment Agency.

AR 20. When identifying its marine resources-related dependencies, the undertaking shall consider if it depends upon key marine resources-related commodities, including but not limited to deep-sea minerals, gravels and seafood products.

AR 21. Marine resources are defined according to their use by human societies and must be considered in relation to the pressure they are subject to. Some of the pressure indicators are presented in other [draft] ESRS, namely emissions to water and microplastics in [draft] ESRS E2 and waste plastic in [draft] ESRS E5.

AR 22. The undertaking may rely on primary, secondary or modelled data collection or other relevant approaches to assess material impacts, dependencies, risks and opportunities such as:

- (a) information provided by the WWF Water Risk Filter that is a web-based tool integrating spatially explicit data at the global, regional and local level. It enables firms to understand risks and opportunities, prioritise areas of action and develop tailored response plans;
- (b) information provided by the World Resources Institute's (WRI) Water Risk Atlas tool Aqueduct;
- (c) information provided by the EU Recommendation 2021/2279 on the use of the Environmental Footprint methods to measure and communicate the life cycle environmental performance of products and organisations (Annex I – Product Environmental Footprint; Annex III – Organisation Environmental Footprint); and
- (d) information provided by the Water Footprint Network that includes the Water Footprint Assessment Tool.

AR 23. The materiality assessment of biodiversity and ecosystems includes the undertaking's:

- (a) contribution to direct impact drivers on biodiversity loss as defined by IPBES³⁷:
 - i. climate change;
 - ii. land-use change (e.g., land artificialisation), freshwater-use change and sea-use change;
 - iii. direct exploitation;
 - iv. invasive alien species;
 - v. pollution; and
 - vi. others.
- (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 (classified as per the IUCN Global Ecosystem Typology 2³⁸ and defined within the UN SEEA EA accounting framework (e.g., land degradation, desertification and soil sealing); and

(d) impacts and dependencies on ecosystem services (as defined within the UN SEEA EA accounting framework).

AR 24. When conducting the materiality assessment on biodiversity and ecosystems, the undertaking may refer to the Tools Catalogue provided by TNFD³⁹, rely on information provided by the EU Business @ Biodiversity Platform, which provides periodic updates on available tools, metrics and data sources relevant for this [draft] Standard. The undertaking may further refer to the “Exploring Natural Capital Opportunities, Risks and Exposure” (ENCORE) tool during all phases

Presentation of information:

AR 25. The undertaking may consider the below tables to present its materiality assessment of material sites identified:

Ecosystem service...	Actual or potential dependencies	
...	Change of functionality	Financial loss
...	Limited, moderate or significant	Limited, moderate or significant
...

Site location	Threatened species, protected areas, key biodiversity areas	Actual or potential impacts			
...	...	Frequency of occurrence	Speed of impact	Severity of impact	Potential for mitigation
...	...	High, medium or low	<1 year or 1-3 years or >3 years	High, medium or low	High, medium or low
...

When disclosing on paragraph [], the undertaking may consider the below table for presentation:

Where are the raw materials produced or sourced from?	Absolute weight of raw materials (and percentage of the raw material weight)
In areas with species listed on the IUCN Red List of Threatened Species, the Birds and Habitats Directive or on national lists of threated species	...
In officially recognised protected Areas	...
In other Key Biodiversity Areas	...

AR 26. When assessing material impacts, risks (and opportunities), the undertaking shall consider the sub-subtopics of resource use and circular economy:

- (a) resource inflows as regards to the circularity of material resource inflows, considering separately renewable and non-renewable resources;
- (b) resource outflows including products and materials and waste taking into account the waste hierarchy;
- (c) resource use optimisation as regards the intensity of materials and products use;
- (d) the creation of circular systems including cross value chain initiatives; and
- (e) waste management (hazardous and non-hazardous wastes) while specifying the potential negative or beneficial other environmental impacts (climate change, water, pollution, biodiversity).

AR 27. The undertaking may consider the following methodologies to assess its impacts, risks and opportunities on its own operations and along its value chain: product and/or Organisation Environmental Footprint (PEF, OEF), Material Flow Analysis (MFA), Life Cycle Assessment.

AR 28.

Disclosure Requirement IR-2 – Disclosure Requirements in ESRS covered by the undertaking’s sustainability statements

AR 29. 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 statements (see paragraph 36) 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 statements, with the indication of where they are located (page/paragraphs).

AR 30.

AR 31. Disclosure Requirement IR-3 – Policies adopted to manage material sustainability matters

AR 32. ***Centralised Disclosure Content on policies related to material sustainability matters*** 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 [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 statements. In this case, the disclosure it has to include in the social section is 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.

AR 33. The description of the scope of the policy may explain which activities and/or segments of the undertaking’s own operations or value chain it concerns. The description may also explain further boundaries relevant to the specific topic or the undertaking’s circumstances, which may include geographies, life cycles, etc. In certain cases, such as if the policy does not cover the

full value chain, the undertaking may provide clear information regarding the extent of the value chain covered by the policy.

AR 34.

Policies

ENVIRONMENT

AR 35. 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 value chain.

AR 36. Policies related to climate change adaptation address the management of the undertaking's physical climate risks and climate change adaptation-related transition risks.

AR 37. The description of the policies on pollution shall include information on the pollutant(s) or substance(s) covered.

AR 38. When disclosing information on 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.

AR 39. When disclosing information on water and marine resource policies, the undertaking may report if it has adopted policies which:

- (a) prevent further deterioration and protects and enhances the status of aquatic ecosystems;
- (b) promote sustainable water use based on a long-term protection of available water resources;
- (c) aim at enhanced protection and improvement of the aquatic environment;
- (d) promote a good environmental status of marine water; and
- (e) promote reduction of water withdrawals and water discharges.

AR 40. The undertaking may also consider policies in order to:

- (a) ensure good ecological and chemical quality of water bodies in order to protect human health, water supply, natural ecosystems and biodiversity, the good environmental status of marine waters and the protection of the resource base upon which marine related activities depend;
- (b) minimise material impacts and risks and implement mitigation measures that aim to maintain the value and functionality of priority services and to increase resource efficiency on own operations; and
- (c) avoid impacts on affected communities.

AR 41. When disclosing how its policies are connected to and in alignment with policies and legislation relation to biodiversity and ecosystems under paragraph xx, the undertaking may also 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.

AR 42. When disclosing policies related to social consequences of biodiversity and ecosystems related dependencies and impacts under xx, the undertaking may notably refer to the Nagoya Protocol⁴⁰ and the Convention for Biological Diversity (CBD)⁴¹, but may also refer to IFC Performance Standard 4, 5, 6 and 7⁴² and the Core Principles from the Accountability Framework, Principle 2 “Respect for Human Rights”⁴³.

AR 43. When disclosing on the social consequences of policies under paragraph xx, the undertaking may provide information in relation to:

- (a) the fair and equitable benefit-sharing from the benefits arising from the utilisation of genetic resources⁴⁴; and
- (b) the prior informed consent (i.e., the permission given by the competent national authority of a provider country to a user prior to accessing genetic resources, in line with an appropriate national legal and institutional framework) for access to genetic resources.

AR 44. This information may be complemented on how the policy allows the undertaking to:

- (a) avoid its negative impacts on biodiversity and ecosystems in its operations and related value chain (upstream and downstream);
- (b) reduce and minimise its negative impacts on biodiversity and ecosystems in its operations and throughout the 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 material biodiversity loss drivers as disclosed in the section, impacts, dependencies, risks and opportunities.

AR 45. When providing information on resource use and circular economy policies, 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 strategies to avoid or minimise waste (Refuse, Rethink, Reduce, Re-use, Repair, Refurbish, Remanufacture and Repurpose) over waste treatment strategies (Recycling). The concepts of eco-design⁴⁵, waste as a resource or post-consumer waste (at the end of a consumer-product lifecycle), should also be taken in consideration.

SOCIAL

AR 46. The summary shall include the key information necessary to ensure a faithful representation of the policies in relation to own workers, workers in the value chain, affected

communities, consumers and end-users. Therefore, the undertaking shall consider disclosing explanations of significant changes to the policies adopted during the reporting year (for example, new expectations for foreign subsidiaries, new or additional approaches to sustainability due diligence and remedy). This includes policies and commitments of the undertaking to prevent or mitigate the risks and negative impacts of reducing carbon emissions and transitioning to greener and climate-neutral operations on workers as well as to provide opportunities for the workforce such as job creation and upskilling, including explicit commitments to a 'just transition'.

AR 47. The policy may take the form of a stand-alone policy regarding a social topic/sub-topic 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 [draft] section of the Standard. 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 48. In reporting on its 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 underlying standards.

AR 49. When explaining how external-facing policies are embedded, undertakings may, for example:

- (a) consider internal policies of responsible sourcing, and alignment with other policies relevant to own workers, for example, regarding forced labour;
- (b) consider internal-facing community engagement and resettlement policies and alignment with other policies relevant to affected communities;
- (c) consider internal-facing sales and distribution policies and alignment with other policies relevant to consumers and/or end-users. The undertaking shall also consider its policies for safeguarding the veracity and usefulness of information provided to potential and actual consumers and/or end-users, both before and after sale.
- (d) with regard to supplier codes of conduct that the undertaking may have, the summary shall indicate whether they include provisions addressing the safety of workers, including 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 50. Discrimination in employment and occupation occurs when a 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. Besides the grounds mentioned in the Disclosure Requirement, undertakings shall consider other grounds for discrimination prohibited under national legislation.

AR 51. 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.

AR 52. The disclosure may further address whether the undertaking has or is planning to have:

- (a) policies and procedures which make qualifications, skills and experience the basis for the recruitment, placement, training and advancement of workers at all levels, while accounting for the fact that some individuals may have more difficulty than others to acquire such qualifications, skills and experience;
- (b) assigned responsibility for equal employment issues at a high level, issue clear company-wide policies and procedures to guide equal employment practices, and link advancement to desired performance in this area.
- (c) 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;
- (d) made adjustments to the physical environment to ensure health and safety for workers, customers and other visitors with disabilities;
- (e) evaluations whether a distinction is an inherent requirement of a job, and avoid applications of job requirements in a way that would systematically disadvantage certain groups;
- (f) up-to-date records on recruitment, training and promotion that provide a transparent view of opportunities for employees and their progression within the undertaking;
- (g) where discrimination is identified, grievance procedures to address complaints, handle appeals and provide recourse for employees (especially in the context of negotiations and collective agreements), and is alert to formal structures and informal cultural issues that can prevent employees from raising concerns and grievances; and
- (h) programs to promote access to skills development.

AR 53. If the policies are limited to the undertaking's own workforce and do not cover workers in upstream and downstream entities and relationships, they shall be disclosed under Section 1 and not in relation to this requirement.

AR 54. The undertaking may explain how its policies are communicated 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), because they have a direct interest in their implementation (for example, value chain workers, investors), or both, to help ensure that the policy is accessible and that they understand its implications, the undertaking may disclose communication tools and channels (for example, flyers, newsletters, dedicated websites, social media, face to face interactions, unions and/or workers representatives) and / or the identification and removal of potential barriers for

dissemination, such as through translation into relevant languages or the use of graphic depictions.

AR 55. When disclosing severe human rights issues and incidents connected to affected communities, the undertaking shall consider any legal disputes related to land rights and free prior and informed consent of indigenous peoples.

AR 29. When providing information on frameworks and policies, the undertaking may consider the Sustainable Development Goals using the SDG Compass³⁸ as guidance and with focus on the following targets:

- (a) End hunger, achieve food security and improved nutrition and promote sustainable agriculture³⁹;
- (b) Ensure availability and sustainable management of water and sanitation for all⁴⁰;
- (c) Conserve and sustainably use the oceans, seas and marine resources for sustainable development⁴¹; and
- (d) Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss⁴².

Disclosure Requirement IR-4 – Actions and resources in relation to sustainability matters

AR 56. Key actions in the context of this Disclosure Requirement 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 57. Information on resource allocation may be presented in the form of a table and broken down between capital expenditures and operating expenditures, and across the relevant time horizons, at a minimum for resources applied in the current reporting year, and for the planned allocation of resources over specific time horizons.

Centralised Disclosure Content on actions and resources related to material sustainability matters

CLIMATE CHANGE

AR 58. When disclosing the information on actions as required under Section 2 Centralised Disclosure Content on actions, paragraph 41, the undertaking may:

³⁸ https://www.globalcompact.de/fileadmin/user_upload/Dokumente_PDFs/SDG_Compass_English.pdf

³⁹ <https://sdgs.un.org/goals/goal2>

⁴⁰ <https://sdgs.un.org/goals/goal6>

⁴¹ <https://sdgs.un.org/goals/goal14>

⁴² <https://sdgs.un.org/goals/goal15>

- (a) disclose its key actions taken and/or plans to implement climate change mitigation and adaptation policies in its single or separate actions;
- (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;
- (c) disclose the list of key mitigation actions alongside the measurable targets (if applicable) with disaggregation by decarbonisation levers; and
- (d) disclose the climate change adaptation actions by type of adaptation solution such as nature-based adaptation, engineering, or technological solutions.

AR 59. 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 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 60. The amounts of OpEx and CapEx required for the implementation of the actions disclosed under paragraph 27(c) shall be consistent with the key performance indicators (proportion of CapEx and OpEx) 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 [draft] Standard and the amounts disclosed under the Taxonomy Regulation (EU) 2020/852 due to, for instance, non-eligible economic activities. The undertaking may structure its actions by economic activity to accommodate its OpEx and CapEx plan aligned to the Taxonomy Regulation.

POLLUTION

AR 61. When disclosing the information on actions as required under Section 2 Centralised Disclosure Content on actions paragraph 41:

AR 62. Where actions extend to upstream or downstream value chain engagements, the undertaking shall provide information on the types of actions reflecting these engagements.

AR 63. When considering resources, examples of operational expenditures could be investments in research and development to innovate and develop safe and sustainable alternatives to the use of substances of concern or to decrease emissions in a production process.

AR 64. Where relevant to achieve its pollution-related policy objectives and targets, the undertaking may provide information on the action plans that have been implemented at the level of the site location.

WATER AND MARINE RESOURCES

AR 65. When disclosing information required in Section 2 Centralised Disclosure Content on actions, par. 41 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).

AR 66. 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.

AR 67. When providing information on capital expenditures, the undertaking may consider expenditures related to stormwater drain rehabilitation, pipelines, or machinery used to manufacture new low water-use products.

BIODIVERSITY AND ECOSYSTEMS

AR 68. When disclosing information required in Section 2 Centralised Disclosure Content on actions, par. 41 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 in impact assessment or the efficacy of management measures. The three main types of avoidance are defined below:

- (a) avoidance through Site Selection (Locate the entire project away from areas recognised for important biodiversity values);
- (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)).

AR 69. The disclosure also include for each key action:

- (a) an explanation whether the action is intended to be a one-time initiative or a systematic practice.
- (b) if the action is individual or collective, and for a collective, the undertaking may explain its role and whether the success of it depends on the undertaking’s support.
- (c) a description of how the action(s) to contribute 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 behaviours⁴⁶.

AR 70. When disclosing policies regarding sourcing of raw materials, the undertaking may refer to what action the undertaking may take to shift suppliers when they contribute to significantly negatively impacting those protected areas or key biodiversity areas.

AR 71. In the context of biodiversity policies, “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.⁴⁷

RESOURCE USE AND CIRCULAR ECONOMY

AR 72. When providing information under Section 2 Centralised Disclosure Content on actions, paragraph 41, 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 ecosystem on the development of collaborations or initiatives increasing the circularity of products and materials.

AR 73. In particular, the undertaking may specify the following:

- (a) how it contributes to circular economy, including for instance smart waste collection systems;
- (b) the other stakeholders involved in the collective actions: competitors, suppliers, retailers, customers, other business partners, local communities and authorities, government agencies;
- (c) a description of the organisation of the project including the specific contribution of the undertaking and the roles of the different stakeholders in the project: sponsors and other participants.

AR 74. The actions may cover the undertaking’s own operations and/or the value chain.

OWN WORKFORCE

AR 75. 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 shall consider disclosing:

- (a) its general and specific approaches to addressing material negative impacts;
- (b) how far it has progressed in its efforts during the reporting period; and
- (c) its aims for continued improvement.

AR 76. 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.

AR 77. 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.

AR 78. 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.

AR 79. 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.

AR 80. 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 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 own workers targeted by the actions, but also their local communities.

AR 81. In the case of impacts on own workforce that arise from the transition to a greener, climate-neutral economy, the undertaking shall consider disclosing information on any measures taken to mitigate negative impacts, 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. This includes measures to comply with prevailing regulation. In taking action, companies may draw on resources such as the UN Global Compact Guidance on Just Transition for Business, which builds on the ILO’s Guidelines for a just transition towards environmentally sustainable economies and societies for all. The undertaking shall 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 82. When disclosing the material risks related to the undertaking’s impacts or dependencies on own workers, the undertaking may consider the following business risks that could lead to risks:

- (a) business risks related to the undertaking’s impacts on its own workers may include the reputational or legal exposure where workers are found to be subject to forced or child labour;
- (b) business risks related to the undertaking’s dependencies on its own workers may include the loss of business continuity where significant employee turnover or lack of skills/training development threaten the undertaking’s business.

AR 83. When disclosing policies, action and resources (and targets) related to the management of material risks, in cases where risks arise from a material impact, the undertaking may cross-reference its disclosures on policies, action and resources (and targets) in relation to that impact.

WORKERS IN THE VALUE CHAIN

AR 84. It may take time to understand negative impacts and how the undertaking may be involved with them through its value chain, as well as to identify appropriate responses and put them into practice. Therefore, the undertaking shall consider:

- (a) its general and specific approaches to addressing material negative impacts;

(b) its initiatives aimed at contributing to additional material positive impacts;

(c) how far it has progressed in its efforts during the reporting period; and

(d) its aims for continued improvement.

AR 85. When disclosing whether and how the undertaking considers actual and potential impacts on value chain workers 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.

AR 86. 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.

AR 87. When disclosing the material risks related to the undertaking's impacts or dependencies on value chain workers, the undertaking may consider the following business risks that could lead into material risks:

(a) business risks related to the undertaking's impacts on value chain workers may include the reputational or legal exposure where value chain workers are found to be subject to forced or child labour;

(b) business risks related to the undertaking's dependencies on value chain workers may include the loss of business continuity where a pandemic closes significant parts of its supply chain or distribution network.

(c)

AR 88. When disclosing whether dependencies turn into risks, the undertaking shall consider external developments.

AR 89. When disclosing policies, action and resources (and targets) related to the management of material risks, in cases where risks arise from a material impact, the undertaking may cross-reference its disclosures on policies, action and resources (and targets) in relation to that impact.

AR 90. The undertaking shall consider the extent to which its process(es) to manage material risks related to value chain workers are integrated into its existing risk management process(es) and how.

AFFECTED COMMUNITIES

AR 91. It may take time to understand negative impacts and how the undertaking may be involved with them through its value chain, as well as to identify appropriate responses and put them into practice. Therefore, the undertaking shall consider:

(a) its general and specific approaches to addressing material negative impacts;

(b) its social investment or other development programmes aimed at contributing to additional material positive impacts;

(c) how far it has progressed in its efforts during the reporting period; and

(d) its aims for continued improvement.

AR 92. Appropriate action can vary according to whether the undertaking causes or contributes to a material impact, or whether the material impact is directly linked to its own operations, products or services through a business relationship.

AR 93. Given that material negative impacts affecting communities that have occurred during the reporting period may not be caused or contributed to by the undertaking alone and may be linked to entities or operations outside its direct control, the undertaking may disclose whether and how it seeks to use its leverage with relevant 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 indigenous rights to business relationships) or collaborative leverage with peers or other actors (such as initiatives aimed at minimising security-related impacts on communities or participating in company-community partnerships).

AR 94. Impacts on communities may stem from environmental matters which are disclosed by the undertaking under the topical sections of this [draft] Standard E1 to E5.

AR 95. Examples include:

- (e) [draft] Section 3, E1 *Climate Change*: The implementation of climate change mitigation plans may require the undertaking to invest in renewable energy projects that may affect the lands, territories and natural resources of indigenous people. If the undertaking does not consult with the affected indigenous community, it could negatively impact the affected communities' right to free, prior and informed consent;
- (f) [draft Section 3, E2 *Pollution*: The undertaking may negatively impact affected communities by , for example, failing to protect them from polluting production plants, that cause them health-related issues;
- (g) [draft] Section 3, E3 *Water and marine sources*: The undertaking may negatively impact the access to clean drinking water of communities by failing to manage polluting emissions or when operating and withdrawing water in water stressed areas;
- (h) [draft] Section 3, E4 *Biodiversity and ecosystems*: The undertaking may negatively affect the livelihood of local farmers through, for example, operations that contaminate soil. Additional examples include the sealing of land through building new infrastructure, which can eradicate plant species that are critical for, for example, local biodiversity or to filter water for communities; or the introduction of invasive species (whether plants or animals) that can impact ecosystems and cause subsequent harm;
- (i) [draft] Section 3, E5 *Resource use and circular economy*: The undertaking may negatively impact the lives of communities by affecting their health through the mis-management of hazardous waste.

AR 96. Where the connection between environmental impacts and local communities is addressed in the disclosures within the Disclosure Requirements in Section 3, E1-E5, the undertaking may cross-reference to those and clearly identify such disclosures.

AR 97. 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 disclose under Section 2 Centralised Disclosure Content for policies, actions, targets and metrics the relevant targets set by the initiative and progress towards them.

AR 98. 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.

AR 99. Reporting on effectiveness is aimed at enabling the understanding of the links between actions taken by an undertaking and the effective management of impacts.

AR 100. When disclosing whether initiatives or processes also play a role in mitigating material negative impacts, the undertaking may for example consider programmes that aim to improve local infrastructure surrounding an undertaking's operations, such as roads, that have led to a reduction in the number of severe traffic accidents involving community members.

AR 101. When disclosing the material risks related to the undertaking's impacts or dependencies on affected communities, the undertaking may consider the following business risks that could lead into material risks:

- (a) business risks related to the undertaking's impacts on affected communities may include the reputational or legal exposure, as well as operational risks, where affected communities protest against resettlements or the loss of access to lands, leading to costly delays, boycotts, or lawsuits;
- (b) business risks related to the undertaking's dependencies on affected communities may include the loss of business continuity where indigenous communities decide to withdraw their consent to a project on their lands, forcing the undertaking to significantly modify or abandon the project.

AR 102. In disclosing the information above, the undertaking may consider explanations of business risks stemming from environmental impacts or dependencies (please refer to AR xx for further details), including related human rights (or social) impacts. Examples include reputational risks stemming from the impact on the health of communities of unmanaged polluting discharges; or the financial effects of protests that may disrupt or interrupt an undertaking's activities, for example, in response to operations in water stressed areas that may impact the lives of affected communities.

AR 103. When disclosing whether dependencies turn into risks, the undertaking shall consider external developments.

AR 104. When disclosing policies, action and resources (and targets) related to the management of material risks, in cases where risks arise from a material impact, the undertaking may cross-reference its disclosures on policies, action and resources (and targets) in relation to that impact.

AR 105. The undertaking shall consider the extent to which its processes to manage material risks related to affected communities are integrated into its existing risk management processes and how.

CONSUMERS AND END-USERS

AR 106. It may take time to understand negative impacts and how the undertaking may be involved with them through its downstream value chain, as well as to identify appropriate responses and put them into practice). Therefore, the undertaking shall consider:

- (a) its general and specific approaches to addressing material negative impacts;
- (b) its initiatives aimed at contributing to additional material positive impacts;
- (c) how far it has progressed in its efforts during the reporting period; and
- (d) its aims for continued improvement.

AR 107. Appropriate action can vary according to whether the undertaking causes or contributes to a material impact, or whether the material impact is directly linked to its own operations, products or services through a business relationship.

AR 108. Given that material negative impacts affecting consumers and/or end-users that have occurred during the reporting period may not be caused or contributed by the undertaking alone and may be linked to entities or operations outside its direct control, the undertaking may disclose whether and how it seeks to use leverage with relevant 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 proper product use or sale practices to business relationships) or collaborative leverage with peers or other actors (such as initiatives aimed at responsible marketing or product safety).

AR 109. 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 disclose under **ESRS S4-5** the relevant targets set by the initiative and progress towards them.

AR 110. When disclosing whether and how it considers actual and potential impacts on consumers and/or end-users 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.

AR 111. 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.

AR 112. Reporting on effectiveness is aimed at enabling the understanding of the links between actions taken by the undertaking and the effective management of impacts.

AR 113. With regard to initiatives or processes the undertaking has in place that are based on affected consumers and/or end-users' needs and their level of implementation, the undertaking may disclose:

- (a) information about whether and how consumers and/or end-users and legitimate representatives or their credible proxies play a role in decisions regarding the design and implementation of these programmes or processes; and

(b) information about the intended or achieved positive outcomes for consumers and/or end-users of these programmes or processes.

AR 114. When disclosing whether initiatives of processes also play a role in mitigating material negative impacts, the undertaking may, for example, consider programmes that aim to support heightened digital awareness of the risk of online scams, that have led to a reduction in the number of cases of end-users experiencing breaches of data privacy.

AR 115. When disclosing the material risks related to the undertaking's impacts or dependencies on consumers and/or end-users, the undertaking may consider the following business risks that could lead into material risks:

(a) business risks related to the undertaking's impacts on consumers and/or end-users may include the reputational or legal exposure where poorly designed or defective products result in injuries or deaths;

(b) business risks related to the undertaking's dependencies on consumers and/or end-users may include the loss of business continuity where an economic crisis makes consumers unable to afford certain products or services;

AR 116. business opportunities related to the undertaking's impacts on consumers When disclosing whether dependencies turn into risks, the undertaking shall consider external developments.

AR 117. When disclosing policies, action and resources (and targets) related to the management of material risks, in cases where risks arise from a material impact, the undertaking may cross-reference its disclosures on policies, action and resources and targets in relation to that impact.

AR 118. The undertaking shall consider the extent to which its processes to manage material risks related to consumers and/or end-users are integrated into its existing risk management processes and how.

Voluntary Disclosure IR-5 – Targets in relation to sustainability matters

Targets

AR 119. When setting 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.

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.

CLIMATE CHANGE

AR 120. 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 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, the undertaking may disclose 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 may analogously apply these requirements at the level of the subsidiary.

AR 121. 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 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 should 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 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) when presenting climate-related targets, the undertaking may disclose the progress in meeting these targets made before its current base year.

AR 122. The undertaking may present the information over the target period with reference to a sector-specific, if available, or a cross-sector emission pathway in line 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 123. The reference target value may be calculated by multiplying the GHG emissions in the base year with either a sector-specific or cross-sector 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. The undertaking may derive the reduction factors for its specific sectors and emission Scopes from the following:

- (a) the One Earth Climate Model (OECM) and its report prepared by the University of Technology Sydney for the UN-convened Net Zero Asset Owners Alliance and the European Climate Foundation⁴⁸;
- (b) the Science-based Target Initiative (SBTi) using the Sectoral Decarbonisation Approach (SDA) if available, and/or the Absolute Contraction Approach (ACA);

AR 124. 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%

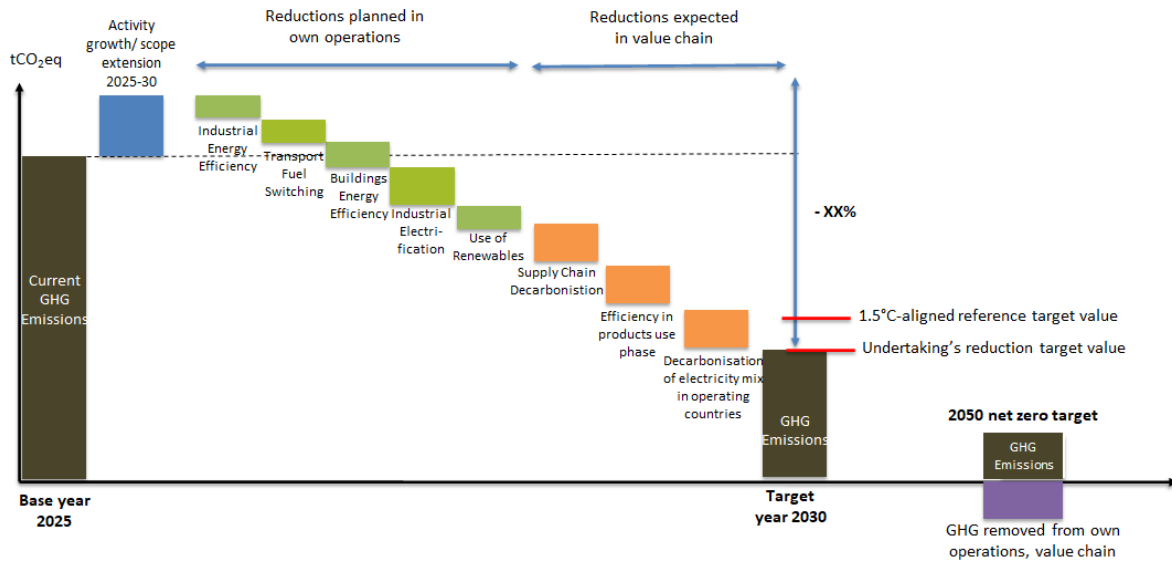
Source: based on Pathways to Net-zero –SBTi Technical Summary (Version 1.0, October 2021)

AR 125. 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 stringent 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 in line 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 126. 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 in line 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 127. 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 ₂ 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 or substitution of product change	-	-8	-		

Phase out or substitution of process change	-	-5	-3		
Other	-	-			

POLLUTION

AR 128. When determining (local) ecological thresholds to set targets, the undertaking may refer to the guidance provided by TNFD on the use of the methods by the Science-Based Targets Initiative for Nature (SBTN), the relevant work outlined in the Sustainable Development Performance Indicator (SDPI) online platform, 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.

AR 129. When providing contextual information on targets, the undertaking may specify whether the target addresses shortcomings related to the Do No Significant Harm (DNSH) criteria for Pollution Prevention and Control while assessing the Substantial Contribution to one of the other environmental objectives of Regulation.

AR 130. Where relevant to support the policies it has adopted, the undertaking may provide information on the policies that have been implemented at the level of the site location.

AR 131. The targets may cover the undertaking’s own operations and/or the value chain.

WATER AND MARINE RESOURCES

AR 132. When determining (local) ecological thresholds to set targets, the undertaking may refer to the guidance provided by TNFD on the use of the methods by the Science-Based Targets Initiative for Nature (SBTN). 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

AR 133. The undertaking may provide targets relating to:

- (a) the reduction of water withdrawals; and
- (b) the reduction of water discharges.

AR 134. If the undertaking provides targets on withdrawals, it may include water withdrawal from polluted soils and aquifers, water withdrawn and treated for remediation purposes.

AR 135. 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.

AR 136. The targets may cover its own operations and/or the value chain.

BIODIVERSITY AND ECOSYSTEMS

AR 137. When determining ecological thresholds to set targets, the undertaking may refer to the guidance provided by TNFD on the use of the methods by Science-Based Targets Initiative for Nature (SBTN)⁴⁹, the relevant work outlined in the Sustainable Development Performance Indicator (SDPI) online platform, or any other guidance with a scientifically acknowledged methodology that allows the setting of science-based targets by identifying ecological thresholds and, if applicable, entity-specific allocations.

AR 138. When disclosing information required under paragraph 35 for the purpose of setting targets the undertaking may consider the need for an informed and willing consent of local and indigenous communities, the need for appropriate consultations and the need to respect the decisions of these communities.

Presentation of information

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 ⁵⁰
		2025	2030	Up to 2050	
Avoidance					
Minimisation					
Rehabilitation and restoration					
Compensation or offsets					

The targets related to aspects listed in paragraph AR 46 of this [draft] Standard, may be presented in a table as illustrated below:

Type of target	Baseline value and base year	Target value and geographical scope			Connected policy or legislation ⁵¹
		2025	2030	Up to 2050	

AR 139. 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) area of land with a permanently protected land status as of the end of the reporting period;

- (c) area of land with a protected land status as of the end of reporting period;
- (d) 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
- (e) number or percentage of projects / sites whose ecological integrity was improved (e.g., installation of fish passes, wildlife corridors).

RESOURCE USE AND CIRCULAR ECONOMY

AR 140. When determining (local) ecological thresholds to set targets, the undertaking may refer to the guidance provided by the Science-Based Targets Initiative for Nature (SBTN) 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.

AR 141. When providing information on targets, the undertaking should prioritise targets in absolute value.

AR 142. The increased circular material use rate to be provided under paragraph Erreur ! Source du renvoi introuvable. is to be understood as additional, i.e., based on the development of secondary material sources or the production of circular products for example.

AR 143. When providing information on targets related to virgin renewable raw material under paragraph xx, the undertaking may consider how those targets may impact biodiversity loss, also in light of [draft] Section E4.

AR 144. The undertaking may disclose other targets. including in relation to sustainable sourcing. If so, the undertaking may explain the definition of sustainable sourcing it has adopted and how it relates to the objective set out in paragraph XX..

AR 145. The targets may cover the undertaking's own operations and/or the value chain.

OWN WORKFORCE

AR 146. When disclosing the targets, the undertaking may consider disclosing, where applicable:

- (a) the intended outcomes to be achieved in the lives of a certain number of own workers;
- (b) that these are measurable/verifiable;
- (c) their stability over time in terms of definitions and methodologies to enable comparability over time; and/or
- (d) references to standards or commitments which the targets are based on are to be clearly defined in the reporting (for instance code of conducts, sourcing policies, global frameworks, or industry codes).

AR 147. Targets related to risks and opportunities may be the same as or distinct from targets tied to impacts. Therefore, no distinction is to be made per se, but what the target is aiming at is to be disclosed (i.e., impact and/or risks and opportunities). For example, a target to reach

adequate wages for non-employee workers could both reduce impacts on those workers and reduce associated business risks in terms of the quality and reliability of their output.

AR 148. 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 149. 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(s) 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*.

WORKERS IN THE VALUE CHAIN

AR 150. When disclosing the targets, the undertaking may consider disclosing, where applicable:

- (a) the intended outcomes to be achieved in the lives of value chain workers, being as specific as possible;
- (b) that these are measurable/verifiable;
- (c) their stability over time in terms of definitions and methodologies to enable comparability over time;
- (d) references to standards or commitments which the targets are based (for instance code of conducts, sourcing policies, global frameworks or industry codes).

AR 151. Targets related to material risks and opportunities may be the same as or distinct from targets tied to material impacts. Therefore, no distinction is to be made per se, but what the target is aiming at is to be disclosed (i.e., material impact and/or risks and opportunities). For example, a target to reach living wages for supply chain workers could both reduce impacts on those workers and reduce associated business risks in terms of the quality and reliability of supply.

AR 152. 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 153. 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(s) 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*.

AFFECTED COMMUNITIES

AR 154. When disclosing the targets, the undertaking shall consider disclosing, where applicable:

- (e) the intended outcomes to be achieved in the lives of affected communities, being as specific as possible;
- (f) that these are measurable/verifiable;
- (g) their stability over time in terms of definitions and methodologies to enable comparability over time ;
- (h) references to standards or commitments which the targets are based on are to be clearly defined in the reporting (for instance code of conducts, sourcing policies, global frameworks or industry codes).

AR 155. Targets related to material risks and opportunities may be the same as or distinct from targets tied to material impacts. Therefore, no distinction is to be made per se, but what the target is aiming at is to be disclosed (i.e. material impact and/or risks and opportunities). For example, a target to fully restore livelihoods of affected communities following resettlement could both reduce impacts on those communities and reduce associated business risks such as community protests.

AR 156. 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.

AR 157. 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(s) 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*.

CONSUMERS AND END-USERS

AR 158. When disclosing targets in relation to consumers and/or end-users, the undertaking may consider disclosing, where applicable:

- (i) the intended outcomes to be achieved in the lives of consumers and/or end-users, being as specific as possible;
- (j) that these are measurable/verifiable;
- (k) their stability over time in terms of definitions and methodologies to enable comparability; and/or
- (l) references standards or commitments on which the targets are based are to be clearly defined in the reporting (for instance code of conducts, sourcing policies, global frameworks or industry codes).

AR 159. Targets related to material risks and opportunities may be the same as or distinct from targets tied to material impacts. Therefore, no distinction is to be made per se, but what the target is aiming at is to be disclosed (i.e., material impact and/or risks and opportunities)". 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.

AR 160. 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 long-term 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.

AR 161. 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(s) 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*.

Appendix C: List of datapoints in cross-cutting and [draft] topical standards that are required by EU law

This appendix is an integral part of the [draft] ESRS 2. The table below illustrates the datapoints in [draft] ESRS 2 and [draft] topical ESRS that emanate from other EU legislation. They are to be reported irrespective of the outcome of the materiality assessment.

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference
ESRS 2 GOV-1 Board's gender diversity paragraph 19 (d)	Indicator n.13 of Table #1 of Annex 1		Commission Delegated Regulation (CDR) (EU) 2020/1816, Annex II	
ESRS 2 GOV-1 Percentage of board members who are independent paragraph 19 (e)			CDR (EU) 2020/1816, Annex II	
ESRS 2 GOV-4 Statement on due diligence paragraph 30	Indicator n. 10 Table #3 of Annex 1			
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 38 (d) i	Indicators n. 4 Table #1 of Annex 1		CDR (EU) 2020/1816, Annex II	
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 38 (d) ii	Indicator n. 9 Table #2 of Annex 1		CDR (EU) 2020/1816, Annex II	
ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 38 (d) iii	Indicator n. 14 Table #1 of Annex 1		CDR (EU) 2020/1818, Article 12 (1) CDR (EU) 2020/1816, Annex II	
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 38 (d) iv			CDR (EU) 2020/1818, Article 12 (1) CDR (EU) 2020/1816, Annex II	

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference
ESRS E1-1 Transition plan to reach climate neutrality by 2050 paragraph 13				Regulation (EU) 2021-1119 Article 2 (1)
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks paragraph 15 (f)		Article 449a Capital Requirements Regulation – CRR; Template 1: Banking book-Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	CDR (EU) 2020/1818, Article 12.1 (d) to (g), and Article 12.2	
ESRS E1-4 GHG emission reduction targets paragraph 32	Indicator n. 4 Table #2 of Annex 1		CDR (EU) 2020/1818, Article 6	
ESRS E1-5 Energy consumption from non-renewable sources disaggregated by sources (only high climate impact sectors) paragraph 35 (a)	Indicator n. 5 Table #1 and Indicator n. 5 Table #2 of Annex 1			
ESRS E1-5 Energy consumption and mix paragraph 36	Indicator n. 5 Table #1 of Annex 1			
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors paragraphs 37 to 40	Indicator n. 6 Table #1 of Annex 1			

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 41	Indicators n. 1 and 2 Table #1 of Annex 1		CDR (EU) 2020/1818, Article 5(1), 6 and 8(1)	
ESRS E1-6 Gross GHG emissions intensity paragraphs 50 to 52	Indicators n. 3 Table #1 of Annex 1		CDR (EU) 2020/1818, Article 8(1)	
ESRS E1-7 GHG removals and carbon credits paragraph 58				Regulation (EU) 2021-1119 Article 2 (1)
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 63			CDR (EU) 2020/1818, Annex II CDR (EU) 2020/1816, Annex II	
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 63 (a) ESRS E1-9 Location of significant assets at material physical risk paragraph 63 (c).		Article 449a CRR; Final draft ITS, paragraphs 46 and 47; Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.		
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 64 (c).		Article 449a CRR; Final draft ITS, paragraph 34; Template 2: Banking book - Climate change transition risk: Loans collateralised by immovable		

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference
		property - Energy efficiency of the collateral		
ESRS E1-9 Degree of exposure of the portfolio to climate-related opportunities paragraph 66			CDR (EU) 2020/1818, Annex II	
ESRS E2-4 Tonnes of emissions of air pollutants generated by the undertaking paragraph 27 (a)	Indicator n. 2 Table #2 of Annex 1			
ESRS E2-4 Tonnes of emissions to water generated by the undertaking paragraph 27 (b)	Indicator n. 8 Table #1 of Annex 1			
ESRS E2-4 Tonnes of emissions of inorganic pollutants generated by the undertaking paragraph 27 (c)	Indicator n.1 Table #2 of Annex 1			
ESRS E2-4 Tonnes of emissions of ozone-depleting substances generated by the undertaking paragraph 27 (d)	Indicator n. 3 Table #2 of Annex 1			
ESRS E3-1 Water and marine resources paragraph 8	Indicator n. 7 Table #2 of Annex 1			
ESRS E3-1 Dedicated policy paragraph 12	Indicator n.8 Table 2 of Annex 1			
ESRS E3-1 Sustainable oceans and seas paragraph 13	Indicator n. 12 Table #2 of Annex 1			
ESRS E3-4	Indicator n. 6.2 Table #2 of Annex 1			

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference
Total water recycled and reused paragraph 28 (a)				
ESRS E3-4 Total water consumption in m ³ per net revenue on own operations paragraph 29	Indicator n. 6.1 Table #2 of Annex 1			
ESRS 2- IRO 1 - E4 paragraph 22 (d) i	Indicator n. 7 Table #1 of Annex 1			
ESRS 2- IRO 1 - E4 paragraph 22 (e)	Indicator n. 10 Table #2 of Annex 1			
ESRS 2- IRO 1 - E4 paragraph 22 (f)	Indicator n.14 Table #2 of Annex 1			
ESRS E4-2 Sustainable land / agriculture practices or policies paragraph 27 (b)	Indicator n.11 Table #2 of Annex 1			
ESRS E4-2 Sustainable oceans / seas practices or policies paragraph 27 (c)	Indicator n. 12 Table #2 of Annex 1			
ESRS E4-2 Policies to address deforestation paragraph 27 (d)	Indicator n. 15 Table #2 of Annex 1			
ESRS E5-5 Non-recycled waste paragraph 39 (d)	Indicator n. 13 Table #2 of Annex 1			
ESRS E5-5 Hazardous waste and radioactive waste paragraph 41	Indicator n.9 Table #1 of Annex 1			
ESRS 2- SBM3 - S1 Risk of incidents of forced labour paragraph 16 (f)	Indicator 13 Table #3 of Annex I			
ESRS 2- SBM3 - S1 Risk of incidents of child labour	Indicator 12 Table #3 of Annex I			

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Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference
paragraph 16 (g)				
ESRS S1-1 Human rights policy commitments paragraph 22	Indicator n. 9 Table #3 and Indicator n. 11 Table #1 of Annex I			
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 23			CDR (EU) 2020/1816, Annex II	
ESRS S1-1 processes and measures for preventing trafficking in human beings paragraph 24	Indicator n.11 Table #3 of Annex I			
ESRS S1-1 workplace accident prevention policy or management system paragraph 24	Indicator n.1 Table #3 of Annex I			
ESRS S1-3 grievance/complaints handling mechanisms paragraph 33 (c)	Indicator n. 5 Table #3 of Annex I			
ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 84 (b) and (c)	Indicator n. 2 Table #3 of Annex I		CDR (EU) 2020/1816, Annex II	
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 84 (e)	Indicator n. 3 Table #3 of Annex I			
ESRS S1-16 Unadjusted gender pay gap and weighted average gender pay gap	Indicator n. 12 Table #1 of Annex I		CDR (EU) 2020/1816, Annex II	

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference
paragraph 92 (a)				
ESRS S1-16 Excessive CEO pay ratio paragraph 92 (b)	Indicator n. 8 Table #3 of Annex I			
ESRS S1-17 Incidents of discrimination paragraph 98 (a)	Indicator n. 7 Table #3 of Annex I			
ESRS S1-17 Violations of UNGC principles and OECD paragraph 99 (a)	Indicator n. 10 Table #1 and Indicator n. 14 Table #3 of Annex I		CDR (EU) 2020/1816, Annex II CDR (EU) 2020/1818 Art 12 (1)	
ESRS 2- SBM3 – S2 Significant risk of child labour or forced labour in the value chain paragraph 11 (b)	Indicators n. 12 and n. 13 Table #3 of Annex I			
ESRS S2-1 Human rights policy commitments paragraph 17	Indicator n. 9 Table #3 and Indicator n. 11 Table #1 of Annex 1			
ESRS S2-1 Policies related to value chain workers paragraph 18	Indicator n. 11 and n. 4 Table #3 of Annex 1			
ESRS S2-1 Violations of UNGC principles and OECD guidelines paragraph 19	Indicator n. 10 Table #1 of Annex 1		CDR (EU) 2020/1816, Annex II CDR (EU) 2020/1818, Art 12 (1)	
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19			CDR (EU) 2020/1816, Annex II	
ESRS S2-4 Human rights issues and incidents connected to its upstream and	Indicator n. 14 Table #3 of Annex 1			

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference
downstream value chain paragraph 36				
ESRS S3-1 Human policy commitments paragraph 16	Indicator n. 9 Table #3 of Annex 1 and Indicator n. 11 Table #1 of Annex 1			
ESRS S3-1 Violations of UNGC principles and OECD guidelines paragraph 17	Indicator n. 10 Table #1 Annex 1		CDR (EU) 2020/1816, Annex II CDR (EU) 2020/1818, Art 12 (1)	
ESRS S3-4 Human rights issues and incidents paragraph 35	Indicator 14 Table #3 of Annex 1			
ESRS S4-1 Policies related to consumers and end-users paragraph 15	Indicator n. 9 Table #3 and Indicator n. 11 Table #1 of Annex 1			
ESRS S4-1 Violations of UNGC principles and OECD guidelines paragraph 16	Indicator 10 Table #1 of Annex 1		CDR (EU) 2020/1816, Annex II CDR (EU) 2020/1818, Art 12 (1)	
ESRS S4-4 Human rights issues and incidents paragraph 33	Indicator n. 14 Table #3 of Annex 1			
ESRS G1-1 United Nations Convention against Corruption paragraph 10 (b)	Indicator n. 15 Table #3 of Annex 1			
ESRS G1-1 Protection of whistle-blowers paragraph 10 (d)	Indicator n. 6 Table #3 of Annex 1			
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 23 (b)	Indicator n. 17 Table #3 of Annex 1		CDR (EU) 2020/1816, Annex II)	

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference
ESRS G1-4 Standards of anti-corruption and anti-bribery paragraph 25	Indicator 16 Table #3 of Annex 1			

Appendix D: Disclosure/Application Requirements in [draft] topical ESRS that are applicable jointly with [draft] ESRS 2 General Disclosures

The following table outlines the requirements in [draft] topical ESRS that need to be taken into account when reporting against the Disclosure Requirements in [draft] ESRS 2.

ESRS 2 Disclosure Requirement	Related [draft] ESRS	
	Main body of [draft] topical ESRS	Application Requirements
GOV-1 The role of the administrative, management and supervisory bodies	[draft] ESRS G1 <i>Business conduct</i> (5)	
GOV-3 Integration of sustainability-related performance in incentive schemes	[draft] ESRS E1 <i>Climate change</i> (12)	
SBM-2 Interests and views of stakeholders	[draft] ESRS S1 <i>Own workforce</i> (14) [draft] ESRS S2 <i>Workers in the value chain</i> (9) [draft] ESRS S3 <i>Affected communities</i> (7) [draft] ESRS S4 <i>Consumers and end-users</i> (7)	[draft] ESRS S1 <i>Own workforce</i> (AR 4 to AR 5) [draft] ESRS S2 <i>Workers in the value chain</i> (AR 4 to AR 5) [draft] ESRS S3 <i>Affected communities</i> (AR 3 to AR 4) [draft] ESRS S4 <i>Consumers and end-users</i> (AR 3 to AR 4)
SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model(s)	[draft] ESRS E1 <i>Climate Change</i> (17) [draft] ESRS E4 <i>Biodiversity and ecosystems</i> (19) [draft] ESRS S1 <i>Own workforce</i> (15 to 18) [draft] ESRS S2 <i>Workers in the value chain</i> (10 to 13) [draft] ESRS S3 <i>Affected communities</i> (8 to 11) [draft] ESRS S4 <i>Consumers and end-users</i> (8 to 11)	[draft] ESRS E1 <i>Climate change</i> (AR 7 to AR 9) [draft] ESRS S1 <i>Own workforce</i> (AR 6 to AR 9) [draft] ESRS S2 <i>Workers in the value chain</i> (AR 6 to AR 9) [draft] ESRS S3 <i>Affected communities</i> (AR 5 to AR 8) [draft] ESRS S4 <i>Consumers and end-users</i> (AR 5 to AR 8)
IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities	[draft] ESRS E1 <i>Climate change</i> (18 to 19) [draft] ESRS E2 <i>Pollution</i> (10) [draft] ESRS E3 <i>Water and marine resources</i> (7)	[draft] ESRS E1 <i>Climate change</i> (AR 10 to AR 16) [draft] ESRS E2 <i>Pollution</i> (AR 1 to AR 9) [draft] ESRS E3 <i>Water and marine resources</i> (AR 1 to AR 15)

	<p>[draft] ESRS E4 <i>Biodiversity and ecosystems</i> (20 to 22)</p> <p>[draft] ESRS E5 <i>Resource use and circular economy</i> (11)</p> <p>[draft] ESRS G1 <i>Business conduct</i> (6)</p>	<p>[draft] ESRS E4 <i>Biodiversity and ecosystems</i> (AR 3 to AR 11)</p> <p>[draft] ESRS E5 <i>Resource use and circular economy</i> (AR 1 to AR 10)</p>
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Appendix E: Disclosure of ESRS datapoints in accordance with EU laws and [draft] ESRS 1 chapter 3

The following table illustrates the datapoints that shall always be disclosed irrespective of the outcome of the materiality assessment and the datapoints that are disclosed subject to materiality considerations.

	Datapoints to be always disclosed		Datapoints to be disclosed subject to materiality assessment		
	As prescribed by European Laws (see Appendix D)	As prescribed by ESRS 1 section 3.2. <i>Material matters and materiality of information</i> and paragraph 2 of this [draft] Standard.	POLICIES, ACTIONS, TARGETS DR - If a sustainability matter is material, the undertaking shall disclose all disclosure requirements (including their datapoints) that relate to the sustainability matters; - If the undertaking cannot disclose this information, because it has not adopted policies, actions or targets, it shall disclose this to be the case in accordance with paragraphs 60 and 70.	METRICS - Disclosure requirements (and their datapoints) applicable if information required by the DR (datapoints) is material	APPLICATION REQUIREMENTS IN TOPICAL ESRS RELATED TO ESRS 2 (other than IRO1) - Datapoint to be always disclosed as long as the undertaking consider the topic to be material (see paragraph 2 of this [draft] Standard)
ESRS 2 BP-1		<input checked="" type="checkbox"/>			
ESRS 2 BP-2		<input checked="" type="checkbox"/>			
ESRS 2 GOV-1	<input checked="" type="checkbox"/> (paragraphs 19 d) and 19 e)	<input checked="" type="checkbox"/>			
ESRS 2 GOV-2		<input checked="" type="checkbox"/>			
ESRS 2 GOV-3		<input checked="" type="checkbox"/>			
ESRS 2 GOV-4	<input checked="" type="checkbox"/> (paragraph 30)	<input checked="" type="checkbox"/>			
ESRS 2 GOV-5		<input checked="" type="checkbox"/>			
ESRS 2 SBM-1	<input checked="" type="checkbox"/> (paragraphs 38 d) i to 38 d) iv)	<input checked="" type="checkbox"/>			
ESRS 2 SBM-2		<input checked="" type="checkbox"/>			
ESRS 2 SBM-3		<input checked="" type="checkbox"/>			
ESRS 2 IRO-1		<input checked="" type="checkbox"/>			
ESRS 2 IRO-2		<input checked="" type="checkbox"/>			
ESRS 2 DC-P		<input checked="" type="checkbox"/>			
ESRS 2 DC-A		<input checked="" type="checkbox"/>			
ESRS 2 DC-M		<input checked="" type="checkbox"/>			
ESRS 2 DC-T		<input checked="" type="checkbox"/>			
ESRS 2- GOV 3 – E1		<input checked="" type="checkbox"/>			
ESRS E1-1	<input checked="" type="checkbox"/> (paragraphs 13, 15 f)	<input checked="" type="checkbox"/>			

ESRS 2- SBM 3 – E1		<input checked="" type="checkbox"/>			
ESRS 2- IRO 1 - E1		<input checked="" type="checkbox"/>			
ESRS E1-2		<input checked="" type="checkbox"/>			
ESRS E1-3		<input checked="" type="checkbox"/>			
ESRS E1-4	<input checked="" type="checkbox"/> (paragraph 32)	<input checked="" type="checkbox"/>			
ESRS E1-5	<input checked="" type="checkbox"/> (paragraphs 35 (a), 36, 37 to 40)	<input checked="" type="checkbox"/>			
ESRS E1-6	<input checked="" type="checkbox"/> (paragraph 41 and 50 to 52)	<input checked="" type="checkbox"/>			
ESRS E1-7	<input checked="" type="checkbox"/> (paragraph 58)	<input checked="" type="checkbox"/>			
ESRS E1-8		<input checked="" type="checkbox"/>			
ESRS E1-9	<input checked="" type="checkbox"/> (paragraphs 63, 63 a), 63 c), 64 c), 66)	<input checked="" type="checkbox"/>			
ESRS 2- IRO 1 - E2		<input checked="" type="checkbox"/>			
ESRS E2-1			<input checked="" type="checkbox"/>		
ESRS E2-2			<input checked="" type="checkbox"/>		
ESRS E2-3			<input checked="" type="checkbox"/>		
ESRS E2-4	<input checked="" type="checkbox"/> (paragraphs 27 a) to d))			<input checked="" type="checkbox"/> (remaining paragraphs)	
ESRS E2-5				<input checked="" type="checkbox"/>	
ESRS E2-6				<input checked="" type="checkbox"/>	
ESRS 2- IRO 1 - E3		<input checked="" type="checkbox"/>			
ESRS E3-1	<input checked="" type="checkbox"/> (paragraphs 8, 12 and 13)		<input checked="" type="checkbox"/> (remaining paragraphs)		
ESRS E3-2			<input checked="" type="checkbox"/>		
ESRS E3-3			<input checked="" type="checkbox"/>		
ESRS E3-4	<input checked="" type="checkbox"/> (paragraphs 28 a) and 29)			<input checked="" type="checkbox"/> (remaining paragraphs)	
ESRS E3-5				<input checked="" type="checkbox"/>	
ESRS E4-1 ⁴³				<input checked="" type="checkbox"/>	
ESRS 2- SBM 3 - E4					<input checked="" type="checkbox"/>
ESRS 2- IRO 1 - E4	<input checked="" type="checkbox"/> (paragraphs 22 d) i, e) and f))	<input checked="" type="checkbox"/>			
ESRS E4-2	<input checked="" type="checkbox"/> (paragraphs 27 b) to d))		<input checked="" type="checkbox"/> (remaining paragraphs)		
ESRS E4-3			<input checked="" type="checkbox"/>		
ESRS E4-4			<input checked="" type="checkbox"/>		
ESRS E4-5				<input checked="" type="checkbox"/>	
ESRS E4-6				<input checked="" type="checkbox"/>	
ESRS 2- IRO 1 – E5		<input checked="" type="checkbox"/>			
ESRS E5-1			<input checked="" type="checkbox"/>		
ESRS E5-2			<input checked="" type="checkbox"/>		
ESRS E5-3			<input checked="" type="checkbox"/>		
ESRS E5-4				<input checked="" type="checkbox"/>	
ESRS E5-5	<input checked="" type="checkbox"/> (paragraphs 39 d) and 41)			<input checked="" type="checkbox"/> (remaining paragraphs)	

ESRS E5-6				<input checked="" type="checkbox"/>	
ESRS2 - SBM-2 – S1					<input checked="" type="checkbox"/>
ESRS2 - SBM-3 – S1	<input checked="" type="checkbox"/> (paragraph 16 f) and g))				<input checked="" type="checkbox"/> (remaining paragraphs)
ESRS S1-1	<input checked="" type="checkbox"/> (paragraphs 22, 23, 24)	<input checked="" type="checkbox"/> (**)	<input checked="" type="checkbox"/> (***) (remaining paragraphs)		
ESRS S1-2		<input checked="" type="checkbox"/> (**)	<input checked="" type="checkbox"/> (***)		
ESRS S1-3	<input checked="" type="checkbox"/> (paragraph 33 c)	<input checked="" type="checkbox"/> (**)	<input checked="" type="checkbox"/> (***) (remaining paragraphs)		
ESRS S1-4		<input checked="" type="checkbox"/> (**)	<input checked="" type="checkbox"/> (***)		
ESRS S1-5		<input checked="" type="checkbox"/> (**)	<input checked="" type="checkbox"/> (***)		
ESRS S1-6		<input checked="" type="checkbox"/> (**)		<input checked="" type="checkbox"/> (***)	
ESRS S1-7		<input checked="" type="checkbox"/> (**)		<input checked="" type="checkbox"/> (***)	
ESRS S1-8		<input checked="" type="checkbox"/> (**)		<input checked="" type="checkbox"/> (***)	
ESRS S1-9		<input checked="" type="checkbox"/> (**)		<input checked="" type="checkbox"/> (***)	
ESRS S1-10				<input checked="" type="checkbox"/> (*)	
ESRS S1-11				<input checked="" type="checkbox"/> (*)	
ESRS S1-12				<input checked="" type="checkbox"/>	
ESRS S1-13				<input checked="" type="checkbox"/>	
ESRS S1-14	<input checked="" type="checkbox"/> (paragraphs 84 b), c) and e))			<input checked="" type="checkbox"/> (remaining paragraphs)	
ESRS S1-15				<input checked="" type="checkbox"/>	
ESRS S1-16	<input checked="" type="checkbox"/> (paragraphs 92 a) and b))			<input checked="" type="checkbox"/> (remaining paragraphs)	
ESRS S1-17	<input checked="" type="checkbox"/> (paragraphs 98 a) and 99 a))			<input checked="" type="checkbox"/> (remaining paragraphs)	
ESRS2 - SBM-2 - S2					<input checked="" type="checkbox"/>
ESRS2 - SBM-3 - S2	<input checked="" type="checkbox"/> (paragraphs 11 b))				<input checked="" type="checkbox"/> (remaining paragraphs)
ESRS S2-1	<input checked="" type="checkbox"/> (paragraphs 17 to 19)		<input checked="" type="checkbox"/> (remaining paragraphs)		
ESRS S2-2			<input checked="" type="checkbox"/>		
ESRS S2-3			<input checked="" type="checkbox"/>		
ESRS S2-4	<input checked="" type="checkbox"/> (paragraph 36)		<input checked="" type="checkbox"/> (remaining paragraphs)		
ESRS S2-5			<input checked="" type="checkbox"/>		
ESRS2 - SBM-2 – S3					<input checked="" type="checkbox"/>
ESRS2 - SBM-3 – S3					<input checked="" type="checkbox"/>
ESRS S3-1	<input checked="" type="checkbox"/> (paragraphs 16 and 17)		<input checked="" type="checkbox"/> (remaining paragraphs)		
ESRS S3-2			<input checked="" type="checkbox"/>		
ESRS S3-3			<input checked="" type="checkbox"/>		
ESRS S3-4	<input checked="" type="checkbox"/> (paragraph 35)		<input checked="" type="checkbox"/> (remaining paragraphs)		
ESRS S3-5			<input checked="" type="checkbox"/>		
ESRS2 - SBM-2 - S4					<input checked="" type="checkbox"/>
ESRS2 - SBM-3 - S4					<input checked="" type="checkbox"/>
ESRS S4-1	<input checked="" type="checkbox"/> (paragraphs 15 and 16)		<input checked="" type="checkbox"/> (remaining paragraphs)		
ESRS S4-2			<input checked="" type="checkbox"/>		

ESRS S4-3			<input checked="" type="checkbox"/>		
ESRS S4-4	<input checked="" type="checkbox"/> (paragraph 33)		<input checked="" type="checkbox"/> (remaining paragraphs)		
ESRS S4-5			<input checked="" type="checkbox"/>		
ESRS 2 – GOV 1 - G1					<input checked="" type="checkbox"/>
ESRS 2 – IRO 1 - G1		<input checked="" type="checkbox"/>			
ESRS G1-1	<input checked="" type="checkbox"/> (paragraphs 10 b) and d))		<input checked="" type="checkbox"/> (remaining paragraphs)		
ESRS G1-2			<input checked="" type="checkbox"/>		
ESRS G1-3			<input checked="" type="checkbox"/>		
ESRS G1-4	<input checked="" type="checkbox"/> (paragraphs 23 b) and 25)			<input checked="" type="checkbox"/> (remaining paragraphs)	
ESRS G1-5				<input checked="" type="checkbox"/>	
ESRS G1-6				<input checked="" type="checkbox"/>	

(*) If the undertaking has concluded, based on its materiality assessment, that all of its employees have a wage in line with what is considered adequate or they are all covered by social protection, the undertaking shall state that all its employees have a wage in line with the fair wage benchmark or are all covered by social protection.

(**) For undertakings with 250 or more employees.

(***) For undertakings with less than 250 employees



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