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Exposure Draft

DRAFT EUROPEAN SUSTAINABILITY REPORTING STANDARD

SECTION 2 GENERAL DISCLOSURES

and

SECTION 3 POLICIES, ACTIONS AND TARGETS

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 meetings held from January to September 2023.

This draft has been developed as a markup from version 3.1 LSME as sent to SR TEG and SR Board during the internal consultation period. The changes are made based on the feedback and comments received by the respective members and the public discussions at SR TEG (12 and 18 September) and SRB (13 September).

Parts in grey are modified based on the new EC DA ESRS set1 (July 2023).

Parts in green are modified based on the feedback received during the internal consultation.

To reflect the principle of proportionality and based on the SR TEG and SR Board decisions, the following key simplifications have been implemented in this document:

Section 2:

- Disclosure requirement BP-1 does not include the paragraphs related to “consolidated sustainability statement”, LSME is exclusively for individual statement.



- Disclosure requirement BP 2 has been simplified, compared to SET 1, especially by reducing granularity of information requested for the value chain estimation, allowing the undertaking not to provide restated comparative figures when it is not possible to do so with reasonable effort, and for time horizons, deleting the obligation to explain the reason for deviating from the medium- or long-term time horizons defined in Section 1.
- Reduced granularity of information concerning Disclosure Requirement GOV-1, especially about roles and responsibilities of governance bodies and deleting the DR related to controls and procedures applied to the management of IRs.
- The following disclosure requirements of SET 1 have been eliminated: GOV-2 – Information provided to and sustainability matters addressed by the undertaking’s administrative, management and supervisory bodies; GOV-3 – Integration of sustainability-related performance in incentive schemes; GOV-5 – Risk management and internal controls over sustainability reporting.
- Simplified approach to due diligence: requirement limited to the SFDR datapoint ‘lack of due diligence’: i.e., the undertaking shall disclose whether it has adopted sustainability due diligence process(es) or not.
- Disclosure Requirement SBM-1: instead of providing breakdown of total revenue, the new wording of such DR requires the undertaking to disclose the list of significant ESRS sectors in which it operates.
- Disclosure Requirement SBM-2 on interests and views of stakeholders applies only in the case that stakeholder engagement occurs. A specific AR has been added to support companies in defining the stakeholder engagement process and reporting outcomes of any stakeholder engagement activity.
- Reduced granularity of datapoints in SBM-3, especially with regard to the information about the resilience of the undertaking’s strategy and business model, no longer required.
- New Disclosure requirement SBM-4, concerning the possibility to provide disclosure on material opportunities as voluntary content.
- 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.

Section 3

- IR3 - Centralised disclosure on policies and actions. Disclosure was simplified by adding in the Application Requirements a navigation table of EU datapoints by sustainability topic. This centralised approach takes into account each specific requirement on policies and actions adopted as indicated in the topical standards of SET 1, especially those required by SFDR and other EU regulations/directives, according to the Decision Tree.

CONTENT AND STATUS OF THIS DRAFT (continued)

- Targets DRs are centralised in IR-4. Such DR applies only in the case that the undertaking has set measurable, time-oriented targets to monitor progress overtime and track effectiveness on material sustainability matters.
- Two Disclosure Requirements (IR-5 and IR-6), and the corresponding Application Requirements, related to own workers, workers in the value chain, affected communities, consumers and end-users, and their representatives concerning: (i) processes for engaging with those stakeholders about impacts, and (ii) processes to remediate negative impacts and channels to raise concerns, were moved from Section 4 to this section as suggested by EFRAG SR TEG. They are to be reported only if such processes are in place.

After the decisions on SR TEG 12 September 2023, the following adjustments have also been added in the draft sections 2 and 3:

- GOV-1: Simplified, but stick with AMS bodies term and added the skills and expertise.
- SBM-1: Simplified the assessment of significant products/services, markets and groups in relation to sustainability goals / added “if applicable” in the subsidiaries that are connected with material impacts and risks.
- SBM-2: Simplified (deleted or merged roman letters)
- SBM-3: Simplified. Deleted “whether and how its material impacts originate from or are connected to the undertaking’s strategy and business model”; and iii. “whether the undertaking is involved with the material impacts through its activities or because of its subsidiaries or other business relationships (describing the nature of the activities or business relationships concerned and where in its value chain material impacts are concentrated;” and added reasonably expected time horizons.
- IR-1: Kept may in the main body of LSME
- Policies, Actions and Targets: Included MDRs in the main body of LSME as “shall”. Other requirements related to a material topic are included in ARs as additional information to be disclosed.

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

The acronyms and defined terms in LSME will be merged together with all sections, as a mandatory appendix.

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SECTION 2 – GENERAL DISCLOSURES

Objective

- ~~1.~~ This [draft] section sets out the Disclosure Requirements that apply to all LSME undertakings (as defined in Section 1 of this [draft] ESRS chapter Objective) and apply across sustainability topics (i.e., cross-cutting).
- ~~2.1.~~ This [draft] Section covers governance and strategy areas defined in Section 1 *General requirements* of this [draft] ESRS, chapter 1.2 *Reporting areas and minimum content disclosure requirements on policies, actions, targets and metrics* and it is applicable in conjunction with Section 3 “Policies, actions and targets” and the topical Sections of this [draft] ESRS, and it is applicable in conjunction with the other sections of this [draft] ESRS.

1. Basis for preparation

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

- ~~3.2.~~ The undertaking shall disclose the general basis for preparation of its sustainability statement.
- ~~4.3.~~ The objective of this Disclosure Requirement is to provide an understanding of how the undertaking prepares its individual **sustainability statement**, under art. 19a (6) of the Directive 2013/34/EU of the European Parliament and of the Council, including the upstream and downstream **value chain** information and, where relevant, whether the undertaking has used any of the options for omitting information referred to in point c) in the following paragraph.
- ~~5.4.~~ The undertaking shall disclose the following information:
- ~~(a)~~ to what extent the **sustainability statement** covers the undertaking’s upstream and downstream **value chain**, including the extent of coverage of information about its subsidiaries, based on the results of the undertaking’s materiality assessment, specifying, if applicable, the related reporting scope (see [draft] Section 1 section 4.1 *Reporting undertaking and value chain*);
 - ~~(b)(a)~~ if the undertaking discloses information in its individual sustainability statement which also cover value chain, including subsidiaries, it shall specify the related scope; and
 - ~~(e)(b)~~ whether the undertaking has used the option to omit a specific piece of information corresponding to intellectual property, know-how or the results of innovation (see [draft] Section 1 chapter 6.6 *Classified and sensitive information, and information on intellectual property, know-how or results of innovation*);
 - ~~(e)(c)~~ whether the undertaking has used the exemption to not disclose information relating to impending developments or matters in the course of negotiation (see [draft] Section 1 6.7 *Matters in course of negotiation*). This exemption could apply, in exceptional cases, where in the duly justified opinion of the members of the administrative,

~~management and supervisory bodies, acting within the competences assigned to them by national law and having collective responsibility for that opinion, the disclosure of such information would be seriously prejudicial to the commercial position of the undertaking, provided that such omission does not prevent a fair and balanced understanding of the undertaking's development, performance, and position, and the impact of its activity.~~

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

~~6-5.~~ **The undertaking shall provide disclosures in relation to specific circumstances.**

~~7-6.~~ The objective of this Disclosure Requirement is to provide an understanding of the effect of these specific circumstances on the preparation of the individual **sustainability statement**.

~~8-7.~~ The undertaking may report this information alongside the disclosures to which they refer.

Time horizons

~~9-8.~~ When it has deviated from the medium- or long-term time horizons defined by [draft] Section 1 chapter 5.4 *Definition of short-, medium- and long-term for reporting purposes*, the undertaking shall describe its definitions of medium- or long-term time horizons.

Value chain estimation

~~10-9.~~ When **metrics** include upstream and/or downstream **value chain** data, including data of the subsidiaries, estimated using indirect sources, such as sector-average data or other proxies, the undertaking shall:

- (a) identify the metrics; and
- ~~(b) describe the basis for preparation, including how data of the subsidiaries have been considered; and~~
- ~~(c)(b) describe the resulting level of accuracy.~~

Sources of estimation and outcome uncertainty

~~11-10.~~ In accordance with ESRS 1 [draft] Section 1 chapter 6.2 *Sources of estimation and outcome uncertainty*, the undertaking shall:

- (a) Identify the quantitative **metrics** and monetary amounts it has disclosed that are subject to a high level of measurement uncertainty;
- (b) In relation to each quantitative metric and monetary amount identified:
 - i. Disclose information about the sources of measurement uncertainty (for example, the dependence of the amount of the outcome of a future event, on a measurement technique or on the availability and quality of data from the entity's upstream and/or downstream value chain): and
 - ii. Disclose the assumptions, approximations and judgements the entity has made in measuring it.

~~12.11.~~ When disclosing forward-looking information, the undertaking may indicate that it considers such information to be uncertain.

Changes in preparation or presentation of sustainability information

~~13.12.~~ When changes in the preparation and presentation of sustainability information occur compared to the previous reporting period(s), (see [draft] Section 1 chapter 6.4 *Changes in preparation or presentation in sustainability information*), the undertaking shall:

- (a) explain the changes; and
- (b) ~~where possible with reasonable effort, provide restated comparative figures, provide restated comparative figures, unless it is not possible to do so with reasonable effort. In this case, the undertaking shall disclose it.~~
- (c) ~~where possible with reasonable effort, d~~Disclose the difference between the figure disclosed in the preceding period and the revised comparative figure.

Reporting errors in prior periods

~~14.13.~~ When material prior period errors exist (see [draft] Section 1 chapter 6.5 *Reporting errors in prior periods*), the undertaking shall disclose:

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

Disclosures stemming from local legislations or generally accepted sustainability reporting pronouncements

~~15.14.~~ When the undertaking includes in its individual **sustainability statement** information stemming from other legislation which requires the undertaking to disclose sustainability information or from generally accepted sustainability reporting standards and frameworks (see [draft] Section 1 chapter 7.2 *Content and structure of the sustainability statements*), in addition to the information prescribed by [draft] ESRS, it shall disclose this fact. In case of partial application of other reporting standards or frameworks, the undertaking shall provide a precise reference to the paragraphs of the standard or framework applied.

Incorporation by reference

~~16.15.~~ When the undertaking incorporates information by reference (see [draft] Section 1 chapter 8.1 *Incorporation by reference*), it shall disclose a list of the disclosure requirements of [draft] ESRS, or the specific datapoints mandated by a Disclosure Requirement, that have been incorporated by reference.

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

~~17.16.~~ ~~Only for financial years starting before 1 January 2028, if an undertaking in scope of this [draft] ESRS, that do not opt-out according to art. 19 a (7) of Directive (EU) 2022/2464.~~

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

~~an undertaking decides to apply phased-in provisions according to Section 1 Appendix C paragraph 127 decides to omit the information required by Section 2 and topical sections~~ in relation to the ~~following~~ topics biodiversity, own workforce, value chain workers, affected communities, consumers and end-users, it shall nevertheless disclose whether the aforementioned sustainability topics have been assessed to be material as a result of the undertaking's materiality assessment. In addition, if one or more of these topics has been assessed to be material, the undertaking shall, for each material topic:

- (a) disclose the list of matters (i.e. topic, sub-topic or sub-sub-topic) in AR 156 Section 1 Appendix A that are assessed to be material and how the undertaking's **business model** and strategy take account of the impacts of the undertaking related to those matters. The undertaking may identify the matter at the level of topic, sub-topic or sub-sub-topic;
- (b) ~~If the undertaking has set sustainability-related targets When the undertaking is monitoring the effectiveness of its actions to address in relation to~~ briefly describe any ~~time-bound targets it has set related to~~ the matters in question, ~~it shall disclose~~ the progress it has made towards achieving those targets, and whether its targets related to **biodiversity** and **ecosystems** are based on conclusive scientific evidence;
- (c) briefly describe its **policies** in relation to the matters in question;
- (d) briefly describe **actions** it has taken to identify, monitor, prevent, mitigate, remediate or bring an end to actual or potential adverse impacts related to the matters in question, and the result of such actions; and
- (e) disclose **metrics** relevant to the matters in question.

2. Governance

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

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

18. **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.**
19. The objective of this Disclosure Requirement is to provide an understanding of:
 - (a) the composition and diversity of the **administrative, management and supervisory bodies**;
 - (b) the roles and responsibilities of the **administrative, management and supervisory bodies** in exercising oversight of the process to manage material **impacts** and **risks**, including management's role in these processes; and
 - (c) the expertise of its administrative, management and supervisory bodies on **sustainability matters** or access to such expertise and skills.

20. The undertaking shall disclose the following information about the composition and diversity of the members of its **administrative, management and supervisory bodies**:
- (a) the number of executive and non-executive members;
 - (b) ~~where applicable~~, representation of **employees** and other workers;
 - (c) percentage by gender and other aspects of diversity that the undertaking considers. The board's gender diversity¹ shall be calculated as an average ratio of female to male board members; and
 - (d) the percentage of **independent² board members**.
21. The undertaking shall disclose:
- (a) whether a governance body (**administrative, management or supervisory bodies**), or an individual(s) in the undertaking organisation (such as management level or another employee) is responsible for oversight of sustainability **impacts** and **risks**;
 - (b) if applicable, a brief description of the process for oversight of sustainability impacts and risks;
 - (c) If applicable, a brief description of how the administrative, management and supervisory bodies determine whether appropriate skills and expertise are available or will be developed to oversee sustainability matters.

Disclosure Requirement 4 (GOV-2) - Due diligence

22. **The undertaking shall disclose whether it has adopted a due diligence process with regard to sustainability matters.**
23. The objective of this Disclosure Requirement is to facilitate an understanding of the undertaking's due diligence process(es) with regard to **sustainability matters**.
24. The undertaking shall disclose whether it has adopted due diligence process(es) or not³.
25. If the undertaking has implemented such processes, it shall ~~briefly illustrate~~ **provide a mapping that explains how and where the due diligence process(es) are reflected in its sustainability statements**. ~~to allow a depiction of the actual practices of the undertaking with regard to due diligence~~

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 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").

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

3. Strategy

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

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

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

~~part of the value chain also includes its subsidiaries) and with the way it discloses material sector-specific information;~~

- (c) where applicable, a statement indicating, together with the related revenues, that the undertaking is active in:
- i. the **fossil fuel** (coal, oil and gas) sector⁴, 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 Council⁵, including a disaggregation of revenues derives from coal, from oil and from gas, as well as the revenues derived from Taxonomy-aligned economic activities related to fossil gas as required under Article 8(7)(a) of Commission Delegated Regulation 2021/2178⁶;
 - ii. chemicals production⁷, i.e., its activities fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006;
 - iii. controversial weapons⁸ (anti-personnel mines, cluster munitions, chemical weapons and biological weapons); and/or
 - iv. the cultivation and production of tobacco⁹;
- (d) its sustainability-related goals, if applicable, in terms of significant groups of products and services, customer categories, geographical areas and relationships with **stakeholders**; and
- ~~(e) if applicable, an assessment of its current significant products and/or services, and significant markets and customer groups, in relation to its sustainability-related goals.~~

31. The undertaking shall disclose a description of its **business model** and **value chain**, including:

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 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").

⁵ Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p. 1).

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

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 #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").

⁸ 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)").

⁹ 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.

- (a) its inputs and its approach to gathering, developing and securing those inputs;
- ~~(a)(b)~~ its outputs and outcomes in terms of current and expected benefits for customers, investors and other stakeholders; ~~its inputs, outputs and outcomes (in terms of current and expected benefits for its stakeholders)~~
- ~~(b)(c)~~ the main features of its upstream and downstream **value chain** and the undertaking's position in its value chain, including a description of the main business actors (such as key **suppliers**, customers distribution channels and **end-users**) and their relationship to the undertaking; and
- ~~(e)(d)~~ if applicable, the subsidiaries that are connected with material impacts and risks.

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

- 32. ~~If/When~~ the undertaking engages with stakeholders, it shall disclose how their interests and views are taken into account by the undertaking's strategy and business model.
- 33. The objective of this Disclosure Requirement is to understand the extent to which **stakeholders'** interests and views inform the undertaking's strategy and **business model**.
- 34. ~~If/When~~ the undertaking engages with its key stakeholders, it shall disclose a summarized description of:
 - (a) its stakeholder engagement, including:
 - i. the undertaking's key **stakeholders**;
 - ii. whether engagement with them occurs and for which categories of stakeholders; ~~and~~
 - ~~iii. how it is organised;~~
 - ~~iv. its purpose; and~~
 - ~~v. iii. how its outcome is taken into account by the undertaking, where applicable, in amending its strategy and / or its business model;~~
 - (b) the undertaking's understanding of the interests and views of its key **stakeholders** as they relate to the undertaking's strategy and **business model**, to the extent that these were analysed during the **materiality** assessment process (see Disclosure Requirement IR-1 of this [draft] ESRS); ~~and~~
 - ~~(c) where applicable, amendments to its strategy and/or business model, including:~~
 - ~~i. how the undertaking has amended or expects to amend its strategy and/or business model to address the interests and views of its stakeholders, including any further steps that are being planned and in what timeline; and~~
 - ~~ii. whether these steps are likely to modify the relationship with and views of stakeholders.~~

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

35. The undertaking shall disclose its material **negative** impacts and risks and how they interact with its strategy and business model.
36. The objective of this Disclosure Requirement is to provide an understanding of the material **negative impacts** and **risks** as they result from the undertaking’s **materiality** assessment and how they originate from and trigger adaptation of the undertaking’s strategy and **business model** including its resources allocation. The information to be disclosed about the management of the undertaking’s material **negative** impacts and risks is prescribed in **Section 23 of** this [draft] ESRS.
37. The undertaking shall disclose its material **negative impacts** and **risks** resulting from its **materiality** assessment (see Disclosure Requirement IR-1 of this [draft] ESRS). The disclosure shall include the following:
 - (a) the undertaking’s material negative impacts and risks, including:
 - i. a brief description of **how** its material impacts affect (or, in the case of potential impacts, are likely to affect) people or the environment;
 - ii. whether and how its material impacts originate from or are connected to the undertaking’s strategy and business model **or whether the undertaking is involved with the material impacts through its activities or because of its business relationships (including its subsidiaries);**
 - iii. **the reasonably expected time horizons of the impacts; and**
 - iv. whether the undertaking is involved with the material impacts through its activities or because of its subsidiaries or other **business relationships** (describing the nature of the activities or business relationships concerned);
 - (b) the current and anticipated effects of material impacts and risks on its strategy and decision-making, including how the undertaking is responding to these effects. In this context, the undertaking shall disclose any changes it has made, or plans to make, to its strategy or business model(s) as part of its actions to address particular material impacts or risks;
 - (c) the **current financial effects** of the undertaking’s material risks on its financial position, financial performance and cash flows and the material risks for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements;
 - (d) the **anticipated financial effects** of the undertaking’s material risks on its financial position, financial performance and cash flows over the short-, medium- and long-term, including the reasonably expected time horizons for those effects. This may include how the undertaking expects its financial position, financial performance and cash flows to change over the short, medium- and long-term, given its strategy to manage risks, taking into consideration:

- i. its investment and disposal plans (for example, capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas and asset retirements), including plans the undertaking is not contractually committed to; and
 - ii. its planned sources of funding to implement its strategy.
 - (e) changes to the material impacts and risks compared to the previous reporting period; and
 - (f) specification of those **negative** impacts and risks that are covered by Disclosure Requirements included in this [draft] ESRS as opposed to those covered by the undertaking using additional entity-specific disclosure.
38. The undertaking may disclose the descriptive information required in paragraph ~~35~~³⁶ alongside the disclosures provided under the corresponding topical Sections of this [draft] ESRS. If the undertaking decides to do so, it shall still present a statement of its material **negative impacts** and **risks** alongside its disclosures prepared under this chapter ~~of section 2 of this [draft] ESRS.~~
- ~~39. When disclosing information on material impacts and risks resulting from its materiality assessment, the undertaking shall consider apply the topic specific information in Application Requirements shall disclose other information as defined in the Application Requirements SBM-3. for the topics that are material xxx, which is presented separately by sustainability topic.~~
- ~~39.~~
40. In particular some information (summarised in Table of AR ~~16 of this Section~~^{xx}) are related to Appendix B of this ~~S~~section *List of datapoints in cross-cutting and topical sections that are required by EU law.*

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

41. The undertaking may disclose its **material sustainability related positive impacts and/or its material sustainability related financial opportunities.**
- 41.42. ~~Regarding opportunities, These are sustainability-related financial opportunities that could be expected to have financial effects.~~ The undertaking shall not report on **opportunities those** for which the undertaking has not put in place or does not plan to put in place concrete **actions** to pursue them, accompanied by the necessary resources.
- 42.43. ~~When disclosing on its material positive impacts and/or material opportunities, Per each material opportunity disclosed,~~ the undertaking shall include:
- (a) a description of ~~them~~^{the opportunity}, how ~~it~~^{they} originates, the sustainability matter to which ~~it~~^{they are} is-linked and ~~its~~^{their} expected time horizon;
 - (b) how it results in financial effects for the undertaking; and
 - (c) the actions that the undertaking has put or plans to put in place to pursue the opportunity, including the resources that have been mobilised.

~~43.44.~~ Quantitative **financial effects** deriving from opportunities may be disclosed only when they meet **the qualitative characteristics of information quality**, including reliability and shall be accompanied by an illustration of the methodology for calculation and main assumptions used.

4. Impact and risk management

~~44.45.~~ This chapter sets disclosure requirements that enable an understanding of:

- (a) the processes to identify material **impacts** and **risks**; and
- (b) the information that, as a result of its **materiality assessment**, the undertaking has included in its **sustainability statement**.

4.1 Disclosures on the materiality assessment process

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

~~45.46.~~ The undertaking shall provide a description of its processes to identify its impacts and risks and to assess which ones are material.

~~46.47.~~ The objective of this Disclosure Requirement is to provide an understanding of the process through which the undertaking identifies **negative impacts** and **risks** and assesses their **materiality**, as the basis for determining the disclosures in its sustainability reporting (see Section 1 of this [draft] ESRS chapter 3 and its related Application Requirements, which set out requirements and principles regarding the process to identify and assess material impacts and risks based on the principle of double materiality). If the undertaking discloses on a voluntary basis positive impacts or opportunities, it shall disclose the process through which it identifies them and assesses their materiality.

~~47.48.~~ 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 **in relation to sustainability matters (a list of sustainability matters is defined in Section 1 AR 15) on people and the environment** based on their relative severity and **for potential impacts, also** likelihood (see [draft] section 1, chapter 3.4 *Impact materiality*):
 - ~~(a)~~ The undertaking may also include an explanation of whether and how the process:
 - i. focusses on specific areas due to heightened risk of adverse impacts;
 - ii. considers the impacts with which the undertaking is involved through its own operations or as a result of its business relationships, including its subsidiaries;
 - iii. include(s) consultation with affected **stakeholders** to understand how they may be impacted and with external experts; and
 - iv. prioritises negative impacts based on their relative severity and likelihood, (see [draft] Section 1 chapter. 3.4 *Impact materiality*) and determines which sustainability matters are material for reporting purposes (including the

~~qualitative or quantitative thresholds and other criteria used as prescribed by Section 1 par, 3.4 Impact materiality.~~

~~(b) an overview of the process to identify, assess and prioritise **risks** that **have or may have** ~~could be expected to have~~ **financial effects** (see draft Section 1 chapter 3.5 *Financial materiality*).~~

~~(b) The undertaking may also include a description on:~~

- ~~i. how the undertaking assesses the likelihood, magnitude, and nature of effects of the identified risk (such as the qualitative or quantitative thresholds and other criteria used as prescribed by Section 1 chapter 3.5 *Financial materiality*); and~~
- ~~ii. how the undertaking prioritises sustainability-related risks relative to other types of risks, including its use of risk-assessment tools.~~

~~(c) the input parameters it uses (for example, data sources, the scope of operations covered and the detail used in assumptions); and~~

~~(d) whether and how the process has changed compared to the prior reporting period, when the process(es) was/were modified for the last time and future revision dates of the **materiality** assessment.~~

~~49. The undertaking shall include the datapoints that derive from other EU legislation set in AR AR 17 and AR 28 of this Section 2.~~

~~50. When disclosing information on the processes to identify and assess material negative impacts and risks, the undertaking shall apply the topic specifications set in *Application Requirements IR-1* (paragraphs from AR 28 to AR 44 of this Section 2)~~

~~51. Regarding the process of assessing impacts, the undertaking may include an explanation of whether and how the process:~~

- ~~i. focusses on specific areas due to heightened risk of adverse impacts;~~
- ~~ii. considers the impacts with which the undertaking is involved through its own operations or as a result of its business relationships, including its subsidiaries;~~
- ~~iii. include(s) consultation with affected **stakeholders** to understand how they may be impacted and with external experts; and~~
- ~~iv. prioritises negative impacts based on their relative severity and likelihood, (see [draft] Section 1 chapter. 3.4 *Impact materiality*) and determines which sustainability matters are material for reporting purposes (including the qualitative or quantitative thresholds and other criteria used as prescribed by Section 1 par, 3.4 Impact materiality).~~

~~52. Regarding the process of assessing risks, the undertaking may include a description of:~~

- ~~i. how the undertaking assesses the likelihood, magnitude, and nature of effects of the identified risk (such as the qualitative or quantitative thresholds and other criteria used as prescribed by Section 1 chapter 3.5 *Financial materiality*); and~~
- ~~(d) how the undertaking prioritises sustainability-related risks relative to other types of risks, including its use of risk-assessment tools.~~

48. The undertaking shall describe the processes to identify and assess material impacts and risks in relation to sustainability matters (a list of sustainability matters is defined in Section 1 AR 15).

49. When disclosing information on the processes to identify and assess material negative impacts and risks, the undertaking shall consider the topic specific information in Application Requirements IR-1 the topic specific disclosure requirements disclose other information as defined in the Application Requirements IR-1 xxx ff., which is presented separately by sustainability topic.

50. In particular, some information (summarised/summarized in Table of AR 28 of this Sectionxx) are related to datapoints required by EU law. Appendix B of this Section List of datapoints in cross-cutting and topical sections that are required by EU law.

ii. _____

51-53. In describing the processes to identify and assess material impacts and risks, the undertaking may address cover in the same disclosure the process that cover all the sustainability matters in the same location or may present the relevant information disclosure separately in each the topical sections of the sustainability statement.

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

52-54. The undertaking shall report on the Disclosure Requirements complied with in its sustainability statement.

53-55. 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.

56. The undertaking shall include a list of the Disclosure Requirements complied with in preparing the **sustainability statement**, following the outcome of the **materiality** assessment (see Section 1 of this [draft] ESRS, chapter 3 *Double materiality as the basis for sustainability disclosures*), including the page numbers and/or paragraphs where the related disclosures are located in the sustainability statement. This may be presented as a content index. The undertaking shall also include a table of all the datapoints that derive from other EU legislation as listed in Appendix B of this standard, indicating where they can be found in the sustainability statement and including those that the undertaking has assessed as not material, in which case the undertaking shall indicate “Not material” in the table in accordance with Section 1 paragraph 38.

54-57. If the undertaking concludes that climate change is not material and therefore omits all disclosure requirements in ESRS E1 Climate change, it shall disclose a detailed explanation of the conclusions of its materiality assessment with regard to climate change (see Section 1 paragraph 34) including a forward-looking analysis of the conditions that could lead the undertaking to conclude that climate change is material in the future.

55-58. If the undertaking concludes that a topic other than climate change is not material and therefore omits all the Disclosure Requirements in the Sections 3, 4, 5 and 6 of this [draft] ESRS, it may provide a brief explanation of the conclusions of its **materiality** assessment for

~~that topic. 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 may report a brief explanation of the conclusions of its **materiality** assessment for the topic.~~

56-59. The undertaking shall provide an explanation of how it has determined the material information to be disclosed in relation to the **impacts** and **risks** that it has assessed to be material, including the use of thresholds and/or how it has implemented the criteria in Section 1 chapter 3.2 *Material matters and materiality of information*.

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Appendix A: Application Requirements – Section 2 General disclosures

1. Basis for preparation

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

AR 1. When describing to what extent the **sustainability statement** covers the undertaking's upstream and downstream **value chain** (see [draft] Section 1 section 4.1 *Reporting undertaking and value chain*), the undertaking may distinguish between:

- (a) the extent to which its **materiality** assessment of **impacts** and **risks** extends to its upstream and/or downstream value chain, with separate identification of how subsidiaries are treated;
- (b) the extent to which its **policies** and **actions** extend to its value chain, with separate identification of how subsidiaries are treated; and
- (c) the extent to which it includes upstream and/or downstream value chain data in disclosing on **metrics**, with separate identification of how subsidiaries are treated.

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

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

2. Governance

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

AR 3. For undertakings with a unitary board, the percentage of independent board members corresponds to the percentage of independent non-executive board members and for undertakings with a dual board, it corresponds to the percentage of independent members of the supervisory body.

AR 4. In describing the roles and responsibilities of the **administrative, management and supervisory bodies** with regard to **sustainability matters**, the undertaking may specify:

- (a) the aspects of sustainability over which oversight is exercised, with regard to environmental, social and governance matters the undertaking may be facing, including:
 - i. any assessment of and changes to sustainability-related aspects of the undertaking's strategy and **business model**;

- ii. the identification and assessment of material **risks** and **impacts**;
- iii. related **policies** (and **targets**), action plans and dedicated resources; and
- iv. sustainability reporting;

(b) the form such oversight takes for each of the above aspects: i.e., information, consultation or decision-making; and

(c) the way such oversight is organised and formalised, i.e., processes by which the administrative, management and supervisory bodies engage with these aspects of sustainability.

AR 5. The description of the level of expertise or access to expertise of the **administrative, management and supervisory bodies** may be substantiated by illustrating the composition of the bodies, including members on whom these bodies rely for expertise to oversee **sustainability matters**, and how they leverage that expertise as a body. In the description, the undertaking shall consider how the expertise and skills are relevant to the undertaking's material **impacts, risks** and **opportunities** and whether the bodies and/or its members have access to other sources of expertise, such as specific experts and **training** and other educational initiatives to update and develop sustainability-related expertise within these bodies.

3. Strategy

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

AR 6. To provide the information on sectors required by paragraph 30, the undertaking shall map its significant activities in accordance with ESRS sectors. If a code for a sub-sector does not exist, the caption "others" ~~is detailed~~ shall be used.

AR 7. For the purposes of disclosures required in paragraph 30, a group of products and/or services offered, a group of markets and/or customer groups served, or an ESRS sector, is significant for the undertaking if it meets one or both of the following criteria:

- (a) It accounts for more than 10 per cent of the undertaking's revenue;
- (b) it is connected with material actual impacts or material potential negative impacts of the undertaking.

AR 8. In preparing disclosures relating to its business model and **value chain**, the undertaking shall consider:

- (a) its key **business relationships**, including with customers, and their key characteristics, its key activities, **key suppliers**, **key** resources, **key** distribution channels, and **key** customer segments;
- (b) the cost structure and revenue of its business segments, in line with IFRS 8 disclosure requirements in the financial statements, where applicable;
- (c) the potential **impacts, risks** and (**opportunities**) in its significant sector(s) and their possible relationship to its own business model(s) or value chain.

AR 9. 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 4 and the **materiality** assessment performed by the undertaking in line with [draft] Section 1 chapter 3. The description may provide a high-level overview of the key features of value chain entities indicating their relative contribution to the undertaking's performance and positions and explaining how they contribute to the value creation of the undertaking.

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

AR 10. When responding to DR6, the undertaking shall disclose how the interests, views and rights of people in its own workforce/workers–, including respect for their human rights, inform its strategy and business model. The undertaking's own workforce is a key group of affected stakeholders.– If the undertaking discloses how the interests and views of **stakeholders** are taken into account by the undertaking's strategy and business model(s), according to paragraph 32, the undertaking shall describe the outcomes of its stakeholder engagement activities that it considers most relevant for the undertaking's strategy and business model. Stakeholder engagement is a process aimed at understanding the reasonable interests, expectations and views of the undertaking's stakeholders, as well as their information needs. Stakeholder engagement is interrelated to materiality analysis, as it helps to identify sustainability matters with actual or potential material negative impacts on people or the environment over the short-, medium- and long-term time horizons, according to the stakeholders' views or concerns. Meaningful stakeholder engagement is characterized by two-way communication. However, there are different approaches and levels of engagement, depending on the nature and extent of involvement, which may vary, for instance, from consultation to integration of stakeholders into the undertaking's governance, strategy and operations. If engagement with stakeholders occurs, the undertaking may disclose the following information:

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

AR 11. When describing where in its **value chain**, including its subsidiaries, material **impacts, risks** (and **opportunities**) are concentrated, the undertaking shall consider: geographical areas, facilities or types of assets, inputs, outputs and distribution channels.

AR 12. 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 13. When disclosing the information required under paragraph 37 of this Section on its material impacts and risks, the undertaking shall disclose the topic specific information reported in the table below.

In particular, specifying:

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

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

AR 14. In addition, when disclosing its material impacts and risks, the undertaking shall disclose the additional topic specific information defined in the following paragraphs:

ENVIRONMENT

Climate change

AR 15. When disclosing the information on material impacts and risks related to climate change, the undertaking shall explain for each climate-related risk it has identified, whether it considers the risk to be a **climate-related physical risk** or **climate-related transition risk**.

AR 16. The undertaking shall describe the resilience of its strategy and **business model** in relation to climate change. This description may include:

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

AR 17. When disclosing the information on the scope of the resilience analysis, the undertaking may explain which part of its own operations and upstream and downstream **value chain** as well as which material **physical risks** and **transition risks** may have been excluded from the analysis.

AR 18. When disclosing the information on how the resilience analysis has been conducted, the undertaking may explain:

- a) the critical assumptions about how the transition to a lower-carbon and resilient economy will affect its surrounding macroeconomic trends, energy consumption and mix, and technology deployment assumptions;
- b) the time horizons applied and their alignment with the climate and business **scenarios** considered for determining material **physical** and **transition risks** (paragraphs AR xx to AR xx) and setting **GHG emissions reduction targets** (reported under Disclosure Requirement E1-4); and

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

- c) how the estimated **anticipated financial effects** from material **physical** and **transition risks** (as required by Disclosure Requirement E1-9) as well as the mitigation actions and resources (disclosed under Disclosure Requirement E1-3) were considered.

AR 19. When disclosing the information on the results of the resilience analysis, the undertaking **may** explain:

- a) the areas of uncertainties of the resilience analysis and to what extent the assets and business activities at risk are considered within the definition of the undertaking's strategy, investment decisions, and current and planned mitigation actions;
- b) the ability of the undertaking to adjust or adapt its strategy and business model to climate change over the short-, medium- and long-term, including securing ongoing access to finance at an affordable cost of capital, the ability to redeploy, upgrade or decommission existing assets, shifting its products and services portfolio, or reskilling its workforce.

SOCIAL

Own workforce

AR 20. When disclosing the information on material impacts and risks related to its own workforce, the undertaking shall provide the following information:

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

AR 21. In describing the main types of people in its own workforce who are or could be negatively affected, based on the materiality assessment, the undertaking shall disclose whether and how it has developed an understanding of how people with particular characteristics, those working in particular contexts, or those undertaking particular activities may be at greater risk of harm.

AR 22. The undertaking shall disclose which, if any, of its material risks and opportunities arising from impacts and dependencies on people in its own workforce relate to specific groups of people (for example, particular age groups, or people working in a particular factory or

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

Workers in the value chain

AR 23. When disclosing the information on material impacts and risks related to workers in the value chain, the undertaking shall provide the following information:

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

AR 24. ~~AR 28~~—In describing the main types of people in its own workforce who are or could be negatively affected, based on the materiality assessment, the undertaking shall disclose whether and how it has developed an understanding of how people with particular characteristics, those working in particular contexts, or those undertaking particular activities may be at greater risk of harm.

AR 25. ~~AR 29~~—The undertaking shall disclose which, if any, of its material risks and opportunities arising from impacts and dependencies on people in its own workforce relate to specific groups of people (for example, particular age groups, or people working in a particular factory or country) rather than to all of its own workforce (for example, a general pay cut, or training offered to all people in its own workforce).

Affected communities

AR 26. When disclosing the information on material impacts and risks related to affected communities, the undertaking shall provide the following information:

- e) whether and how actual and potential negative impacts on affected communities originate from or are connected to the undertaking's strategy and business

models, –and inform and contribute to adapting the undertaking's strategy and business model;

f) the types of communities that the undertaking may consider for material impacts are: ~~subject to material negative impacts~~

i. {communities living or working around the undertaking's operating site or more remote communities affected by activities of those sites;

ii. –communities along the undertaking's upstream/downstream value chain;

iii. communities at one or both endpoints of the value chain;–~~or~~

iv. communities of ~~indigenous~~indigenous people};

g) in the case of material negative impacts, whether they are widespread or systemic in contexts where the undertaking operates or has sourcing or other business relationships (for example, marginalised populations suffering impacts on their health and quality of life in a highly industrialised area), or whether they are related to individual **incidents** (e.g., a toxic **waste** spill affecting a community's access to clean drinking water) or to specific business relationships (e.g., a peaceful protest by communities against business operations that was met with a violent response from the undertaking's security services). This includes consideration of impacts on affected communities that may arise from the transition to greener and climate-neutral operations. Potential impacts include impacts associated with innovation and restructuring, closure of mines, increased mining of minerals needed for the transition to a sustainable economy and solar panel production;

h) in describing the main types of communities who are or could be negatively affected, based on the materiality assessment, the undertaking shall disclose whether and how it has developed an understanding of how affected communities with particular characteristics or those living in particular contexts, or those undertaking particular activities may be at greater risk of harm. ~~how affected communities with particular characteristics or those living in particular contexts, or those undertaking particular activities may be at greater risk of harm.~~

Consumer and/or end-users

AR 27. When disclosing the information on material impacts and risks related to consumer and/or end-users, the undertaking shall provide the following information:

i) whether and how actual and potential negative impacts on end-users and consumers 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;

j) the types of consumers and/or end-users that the undertaking may consider for ~~subject to material impacts~~ are: ;

i. – consumers and/or end-users of ~~any~~ products that are inherently harmful to people and/or increase risks for chronic disease;

ii. –consumers and/or end-users of ~~any~~ services with potentially negatively impact on rights to privacy, personal data protection, freedom of expression and non-**discrimination**;

- iii. —consumers and/or end-users who are dependent on accurate and accessible product- or service- related information, such as manuals and product labels, to avoid potentially damaging use of a product or service;
 - iv. —consumers and/or end-users who are particularly vulnerable to health or privacy negative impacts or negative impacts from marketing and sales strategies, such as children or financially vulnerable individuals;
 - k) 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**);
 - l) in describing the main types of consumers and end-users who are or could be negatively affected, based on the materiality assessment, the undertaking shall disclose whether and how it has developed an understanding of how consumers and end-users with particular characteristics or those using particular products or services be at greater risk of harm.
-
- ~~any material risks for the business arising from impacts and dependencies on consumers and/or end-users.~~

4. Impact and risk management

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

AR 28. When disclosing the information required under paragraphs 48 on the processes to identify and assess material impacts and risks, the undertaking shall disclose the topic specific information reported in the table below.

In particular, specifying:

<u>ID</u>	<u>Application Requirement</u>	<u>Sustainability topic</u>	<u>EU related Data Points</u>
1	<u>whether or not it has sites located in or near biodiversity-sensitive areas and whether activities related to these sites negatively affect these areas</u>	<u>Biodiversity</u>	<u>SFDR Tab. 1 KPI 7</u>
2	<u>whether it has identified material negative impacts with regards to land degradation, desertification or soil sealing</u>	<u>Biodiversity</u>	<u>SFDR Tab. 2 KPI 10</u>
3	<u>whether it has its operations that affect threatened species</u>	<u>Biodiversity</u>	<u>SFDR Tab. 2 KPI 14</u>

AR 29. With reference to par. 48 on the processes to identify and assess material impacts and risks, and in addition to the information required in the table of AR 28, the undertaking shall disclose for material impacts and risks additional topic specific information defined in the following paragraphs.

ENVIRONMENT

Climate change

AR 30. When describing the process to identify and assess climate-related impacts and risks the undertaking shall cover the following: also refer to its:

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

AR 31. When disclosing the information on the processes to identify and assess climate impacts as required under AR 30 (a), the undertaking shall explain how it has:

- a) screened its activities and plans in order to identify actual and potential future GHG emission sources and, if applicable, drivers for other climate-related impacts



(e.g., **emissions** of black carbon or tropospheric ozone or **land-use change**) in own operations and along the value chain; and

b) assessed the actual and potential impacts on climate change (i.e., its total GHG emissions) as material in line with the CSRD and SFDR requirements.

AR 32. When disclosing the information on the processes to identify and assess **physical risks** as required under **AR 30 (b)**, the undertaking shall explain whether and how:

- a) it has identified climate-related hazards (see table below) over the short-, medium- and long-term time horizons and screened whether its assets and business activities may be exposed to these hazards;
- b) it has defined short-, medium- and long-term time horizons and how these definitions are linked to the expected lifetime of its assets, strategic planning horizons and capital allocation plans;
- c) it has assessed the extent to which its assets and business activities may be exposed and are sensitive to the identified climate-related hazards, taking into consideration the likelihood, magnitude and duration of the hazards as well as the geospatial coordinates (such as Nomenclature of Territorial Units of Statistics - NUTS for the EU territory) specific to the undertaking's locations and **supply chains**; and
- d) the identification of climate-related hazards and the assessment of exposure and sensitivity are informed by high **emissions** climate **scenarios**, for example, based on IPCC SSP5-8.5, relevant regional climate projections based on these emission scenarios, or NGFS (Network for Greening the Financial System) climate scenarios. For general requirements regarding climate-related scenario analysis **AR 22** and **AR 23**.

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

	<u>Wildfire</u>	<u>Tornado</u>	<u>Flood (coastal, fluvial, pluvial, ground water)</u>
			<u>Subsidence</u>
			<u>Glacial lake outburst</u>

AR 33. When disclosing the information on the processes to identify **climate-related transition risks** and, when it reports on a voluntary basis on **opportunities**, ~~(voluntary)~~ as required by AR 30 (c), the undertaking shall explain whether and how it has:

- e) identified transition events (see the table with examples below) over the short-, medium- and long-term time horizons and screened whether its assets and business activities may be exposed to these events. In case of transition risks and opportunities, what is considered long-term may cover more than 10 years and may be aligned with climate-related public **policy** goals;
- f) assessed the extent to which its assets and business activities may be exposed and are sensitive to the identified transition events, taking into consideration the likelihood, magnitude and duration of the transition events;
- g) informed the identification of transition events and the assessment of exposure by climate-related **scenario analysis**, considering at least a scenario consistent with the Paris Agreement and limiting climate change to 1.5°C, for example, based on scenarios of the International Energy Agency (Net zero Emissions by 2050, Sustainable Development Scenario, etc.), or NGFS (Network for Greening the Financial System) climate scenarios. For the general requirements related to climate-related scenario analysis see paragraphs AR 22 and AR 23; and
- h) identified assets and business activities that are incompatible with or need significant efforts to be compatible with a transition to a climate-neutral economy (for example, due to significant **locked-in GHG emissions** or incompatibility with the requirements for Taxonomy-alignment under Commission Delegated Regulation (EU) 2021/2139).

Examples of climate-related transition events (examples based on TCFD classification)

<u>Policy and legal</u>	<u>Technology</u>	<u>Market</u>	<u>Reputation</u>
<u>Increased pricing of GHG emissions</u>	<u>Substitution of existing products and services with lower emissions options</u>	<u>Changing customer behaviour</u>	<u>Shifts in consumer preferences</u>
<u>Enhanced emissions-reporting obligations</u>	<u>Unsuccessful investment in new technologies</u>	<u>Uncertainty in market signals</u>	<u>Stigmatization of sector</u>
<u>Mandates on and regulation of existing products and services</u>	<u>Costs of transition to lower emissions technology</u>	<u>Increased cost of raw materials</u>	<u>Increased stakeholder concern</u>

Examples of climate-related transition events (examples based on TCFD classification)			
Policy and legal	Technology	Market	Reputation
Mandates on and regulation of existing production processes			Negative stakeholder feedback
Exposure to litigation			

Climate-related scenario analysis

AR 34. When disclosing the information required under paragraphs AR 19 and AR 20, the undertaking shall explain how it has used climate-related **scenario analysis** that is commensurate to its circumstances to inform the identification and assessment of **physical** and **transition risks** and **opportunities** (voluntary) over the short-, medium- and long-term time horizons, including:

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

AR 35. When conducting **scenario analysis**, the undertaking may consider the following guidance: TCFD Technical Supplement on “The Use of Scenario Analysis in Disclosure of Climate Related Risks and Opportunities” (2017); TCFD “Guidance on Scenario Analysis for Non-Financial Companies” (2020); ISO 14091:2021 “Adaptation to climate change – Guidelines on vulnerability impacts and risk assessment”; any other recognized industry standards such as NGFS (Network for Greening the Financial System); and EU, national, regional and local regulations.

AR 36. The undertaking shall briefly explain how the climate **scenarios** used are compatible with the critical climate-related assumptions made in the financial statements.

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

AR 37. The undertaking shall describe the process to identify and assess **impacts** and **risks** related to pollution and water and marine resources, including:

- a) methodologies, assumptions and tools used to screen its **site** locations and business activities in order to identify its actual and potential **impacts and risks related to** pollution, water and marine resources, and resource use and circular economy;

~~— the interconnection between risks and arising from impacts and/or **dependencies**;~~

~~b) whether and how the undertaking has conducted the process for conducting consultations and in particular with affected communities⁴⁰.~~

~~AR 38. The undertaking shall describe its process to identify material impacts and risks related to biodiversity. The description of the process shall include whether and how the undertaking:~~

~~a) identified and assessed actual and potential impacts on **biodiversity** and **ecosystems** at own **site** locations and in the value chain, including assessment criteria applied;~~

~~b) identified and assessed **dependencies** on biodiversity and ecosystems and their services at own site locations and in the value chain, including assessment criteria applied, and, if this assessment includes **ecosystem services** that are disrupted or likely to be;~~

~~c) identified and assessed **transition** and **physical risks**~~

~~d) considered systemic risks;~~

~~e) conducted consultations with **affected communities**.~~

~~AR 39. The undertaking shall specifically disclose:~~

~~a) whether or not it has **sites** located in or near **biodiversity-sensitive areas** and whether activities related to these sites negatively affect these areas;~~

~~b) a list of material sites located in or near **biodiversity-sensitive areas**.~~

~~AR 40. The undertaking shall describe its process to identify material impacts and risks related to Resource use and circular economy (E5), including:~~

~~c) methodologies, assumptions and tools used to screen its assets and activities in order to identify its actual and potential **impacts** and **risks**;~~

~~d) the process for conducting consultations and, in particular, with affected communities/~~

LEAP Approach

~~AR 41. When conducting a materiality assessment on environmental subtopics, the undertaking may consider the four phases below, also known as the LEAP approach:~~

~~(a) Phase 1: locate where in the own operations and along the **value chain** the interface with nature takes place;~~

~~(b) Phase 2: evaluate the environmental-related **dependencies** and impacts;~~

~~(c) Phase 3: assess the material **risks**; and~~

~~(d) Phase 4: prepare and report the results of the materiality assessment.~~

~~AR 42. 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.~~

⁴⁰ Source: IFC Performance Standard 6, 2012

AR 43. The undertaking may rely on primary, secondary or modelled data collection or other relevant approaches to assess material impacts, **dependencies**, risks and opportunities, including 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).

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

AR 44. Notwithstanding the basis for the presentation of the information about **sustainability matters** included in [draft] ESRS Section 1 chapter 8 *Structure of sustainability statements*, the undertaking may disclose the list of the Disclosure Requirements complied with in preparing the **sustainability statement** (see paragraph XX) in the general information part or in other parts of the sustainability statement as it deems appropriate. The undertaking may use a content index, i.e., a tabular list of the Disclosure Requirements included in the sustainability statements, with the indication of where they are located (page/paragraphs).

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

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

<u>Disclosure Requirement and related datapoint</u>	<u>SFDR¹¹ reference</u>	<u>Pillar 3¹² reference</u>	<u>Benchmark Regulation¹³ reference</u>	<u>EU Climate Law¹⁴ reference</u>
<u>Section 2 GOV-1 Board's gender Diversity paragraph 20 (c)</u>	<u>Indicator number 13 of Table #1 of Annex 1</u>		<u>Commission Delegated Regulation (EU) 2020/1816¹⁵, Annex II</u>	
<u>Section 2 GOV-1 Percentage of board members who are independent paragraph 20 (d)</u>			<u>Delegated Regulation (EU) 2020/1816, Annex II</u>	
<u>Section 2 GOV-2 Statement on due diligence paragraph 242</u>	<u>Indicator number 10 Table #3 of Annex 1</u>			
<u>Section 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 30 (c) i</u>	<u>Indicators number 4 Table #1 of Annex 1</u>	<u>Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU)</u>	<u>Delegated Regulation (EU) 2020/1816, Annex II</u>	

¹¹ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosures Regulation) (OJ L 317, 9.12.2019, p. 1).

¹² Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Capital Requirements Regulation "CRR") (OJ L 176, 27.6.2013, p. 1).

¹³ Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016, p. 1).

¹⁴ Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') (OJ L 243, 9.7.2021, p. 1).

¹⁵ Commission Delegated Regulation (EU) 2020/1816 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published (OJ L 406, 3.12.2020, p. 1).

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<u>Disclosure Requirement and related datapoint</u>	<u>SFDR¹¹ reference</u>	<u>Pillar 3¹² reference</u>	<u>Benchmark Regulation¹³ reference</u>	<u>EU Climate Law¹⁴ reference</u>
		2022/2453¹⁶ Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on Social risk		
Section 2 SBM-1 Involvement in activities related to chemical production paragraph 30 (c) ii	Indicator number 9 Table #2 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II	
Section 2 SBM-1 Involvement in activities related to chemical production paragraph 30 (c) iii	Indicator number 14 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1818¹⁷, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II	
Section 2 SBM-1 Involvement in activities related to chemical production paragraph 30 (c) iv			Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II	
Section 3 AR 6 ID 19 Transition plan to reach climate neutrality by 2050				Regulation (EU) 2021/1119, Article 2(1)

¹⁶ Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 as regards the disclosure of environmental, social and governance risks (OJ L 324, 19.12.2022, p.1.).

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

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<u>Disclosure Requirement and related datapoint</u>	<u>SFDR¹¹ reference</u>	<u>Pillar 3¹² reference</u>	<u>Benchmark Regulation¹³ reference</u>	<u>EU Climate Law¹⁴ reference</u>
<u>Section 3 AR 6 ID 20 Undertakings excluded from Paris-aligned Benchmarks</u>		<u>Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book-Climate Change transition risk; Credit quality of exposures by sector, emissions and residual maturity</u>	<u>Delegated Regulation (EU) 2020/1818, Article 12.1 (d) to (g), and Article 12.2</u>	
<u>Section 3 AR 67 ID 1 GHG emission reduction targets</u>	<u>Indicator number 4 Table #2 of Annex 1</u>	<u>Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk; alignment metrics</u>	<u>Delegated Regulation (EU) 2020/1818, Article 6</u>	
<u>Section 4 E1-1 Energy consumption from fossil sources paragraph 7a)</u>	<u>Indicator number 5 Table #1 and Indicator n. 5 Table #2 of Annex 1</u>			

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<u>Disclosure Requirement and related datapoint</u>	<u>SFDR¹¹ reference</u>	<u>Pillar 3¹² reference</u>	<u>Benchmark Regulation¹³ reference</u>	<u>EU Climate Law¹⁴ reference</u>
<u>Section 4 E1-1 Disaggregated and separated non-renewable energy production and renewable energy production in MWh paragraph 7d)</u>	<u>Indicator number 5 Table #1 of Annex 1</u>			
<u>Section 4 E1-1 Energy intensity associated with activities in high climate impact sectors paragraphs 8 to 10</u>	<u>Indicator number 6 Table #1 of Annex 1</u>			
<u>Section 4 E1-2 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 11</u>	<u>Indicators number 1 and 2 Table #1 of Annex 1</u>	<u>Article 449a; Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate change transition risk; Credit quality of exposures by sector, emissions and residual maturity</u>	<u>Delegated Regulation (EU) 2020/1818, Article 5(1), 6 and 8(1)</u>	
<u>Section 4 E1-2 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 20 and 21</u>	<u>Indicators number 3 Table #1 of Annex 1</u>	<u>Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453</u>	<u>Delegated Regulation (EU) 2020/1818, Article 8(1)</u>	

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<u>Disclosure Requirement and related datapoint</u>	<u>SFDR¹¹ reference</u>	<u>Pillar 3¹² reference</u>	<u>Benchmark Regulation¹³ reference</u>	<u>EU Climate Law¹⁴ reference</u>
		<u>Template 3: Banking book – Climate change transition risk: alignment metrics</u>		
<u>Section 4 E1-3 GHG removals and carbon credits paragraph 22</u>				<u>Regulation (EU) 2021/1119, Article 2(1)</u>
<u>Section 4 E1-4 Exposure of the benchmark portfolio to climate-related physical risks paragraph 29</u>			<u>Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II</u>	
<u>Section 4 E1-4 Disaggregation of Monetary amounts by acute and chronic physical risk paragraph 29 (a)</u> <u>Section 4 E1-4 Location of significant assets at material physical risk paragraph 29 (c).</u>		<u>Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.</u>		
<u>Section 4 E1-4 Breakdown of the carrying value of its real estate assets by energy-efficiency</u>		<u>Article 449a Regulation (EU) No 575/2013; Commission Implementing</u>		

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<u>Disclosure Requirement and related datapoint</u>	<u>SFDR¹¹ reference</u>	<u>Pillar 3¹² reference</u>	<u>Benchmark Regulation¹³ reference</u>	<u>EU Climate Law¹⁴ reference</u>
<u>classes paragraph 30 (c).</u>		<u>Regulation (EU) 2022/2453 Paragraph 34; Template 2: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral</u>		
<u>Section 4 E1-4 Degree of exposure of the portfolio to climate-related opportunities paragraph 33</u>			<u>Delegated Regulation (EU) 2020/1818, Annex II</u>	
<u>Section 4 E2-1 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 36 (a)</u>	<u>Indicator number 8 Table #1 of Annex 1 Indicator number 2 Table #2 of Annex 1 Indicator number 1 Table #2 of Annex 1 Indicator number 3 Table #2 of Annex 1</u>			
<u>Section 3 AR 6 ID 3 Water and marine</u>	<u>Indicator number 7</u>			

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<u>Disclosure Requirement and related datapoint</u>	<u>SFDR¹¹ reference</u>	<u>Pillar 3¹² reference</u>	<u>Benchmark Regulation¹³ reference</u>	<u>EU Climate Law¹⁴ reference</u>
<u>resources</u>	<u>Table #2 of Annex 1</u>			
<u>Section 3 AR 6 ID 4 Water and marine resources</u>	<u>Indicator number 8 Table 2 of Annex 1</u>			
<u>Section 3 AR 6 ID 8 Sustainable oceans and seas</u>	<u>Indicator number 12 Table #2 of Annex 1</u>			
<u>Section 4 E3-1 Total water recycled and reused paragraph 44 (c).</u>	<u>Indicator number 6.2 Table #2 of Annex 1</u>			
<u>Section 4 E3-1 Total water consumption in m3 per net revenue on own operations paragraph 45</u>	<u>Indicator number 6.1 Table #2 of Annex 1</u>			
<u>Section 2 AR 28 ID 1 sites located in or near biodiversity-sensitive areas and activities related to these sites negatively affect these areas</u>	<u>Indicator number 7 Table #1 of Annex 1</u>			
<u>Section 2 AR 28 ID 2 negative impacts with regards to land degradation, desertification or soil sealing</u>	<u>Indicator number 10 Table #2 of Annex 1</u>			
<u>Section 2 AR 28 ID 3 operations affecting threatened species</u>	<u>Indicator number 14 Table #2 of Annex 1</u>			

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<u>Disclosure Requirement and related datapoint</u>	<u>SFDR¹¹ reference</u>	<u>Pillar 3¹² reference</u>	<u>Benchmark Regulation¹³ reference</u>	<u>EU Climate Law¹⁴ reference</u>
<u>Section 3 AR 6 ID 5 Sustainable land / agriculture practices or policies</u>	<u>Indicator number 11 Table #2 of Annex 1</u>			
<u>Section 3 AR 6 ID 8 Sustainable oceans/ seas practices or policies</u>	<u>Indicator number 12 Table #2 of Annex 1</u>			
<u>Section 3 AR 6 ID 7 Policies to address deforestation</u>	<u>Indicator number 15 Table #2 of Annex 1</u>			
<u>Section 4 E5-2 Non-recycled waste paragraph 62</u>	<u>Indicator number 13 Table #2 of Annex 1</u>			
<u>Section 4 E5-2 Hazardous waste and radioactive waste paragraph 64</u>	<u>Indicator number 9 Table #1 of Annex 1</u>			
<u>Section 2 AR 17 ID 1 Risk of incidents of forced labour</u>	<u>Indicator number 13 Table #3 of Annex I</u>			
<u>Section 2 AR 17 ID 2 Risk of incidents of child labour</u>	<u>Indicator number 12 Table #3 of Annex I</u>			
<u>Section 3 AR 6 ID 16 Human rights policy commitments</u>	<u>Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I</u>			
<u>Section 3 AR 6 ID 11 Due diligence</u>			<u>Delegated Regulation (EU)</u>	

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<u>Disclosure Requirement and related datapoint</u>	<u>SFDR¹¹ reference</u>	<u>Pillar 3¹² reference</u>	<u>Benchmark Regulation¹³ reference</u>	<u>EU Climate Law¹⁴ reference</u>
<u>policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8,</u>			<u>2020/1816, Annex II</u>	
<u>Section 3 AR 6 ID 15 Processes and measures for preventing trafficking in human beings</u>	<u>Indicator number 11 Table #3 of Annex I</u>			
<u>Section 3 AR 6 ID 10 Workplace accident prevention policy or management system</u>	<u>Indicator number 1 Table #3 of Annex I</u>			
<u>Section 3 AR 6 ID 9 grievance/complaints handling mechanisms</u>	<u>Indicator number 5 Table #3 of Annex I</u>			
<u>Section 5 S1-7 Number of fatalities and number and rate of work-related accidents Paragraph 35(a) and 35(b)</u>	<u>Indicator number 2 Table #3 of Annex I</u>		<u>Delegated Regulation (EU) 2020/1816, Annex II</u>	
<u>Section 5 S1-7 Number of days lost to injuries, accidents, fatalities or illness paragraph 35(c)</u>	<u>Indicator number 3 Table #3 of Annex I</u>			
<u>Section 5 S1-8 Unadjusted gender pay gap Paragraph 39 (a)</u>	<u>Indicator number 12 Table #1 of Annex I</u>		<u>Delegated Regulation (EU) 2020/1816, Annex II</u>	
<u>Section 5 S1-8 Excessive CEO pay ratio paragraph Paragraph 39 (b)</u>	<u>Indicator number 8 Table #3 of Annex I</u>			

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<u>Disclosure Requirement and related datapoint</u>	<u>SFDR¹¹ reference</u>	<u>Pillar 3¹² reference</u>	<u>Benchmark Regulation¹³ reference</u>	<u>EU Climate Law¹⁴ reference</u>
<u>Section 5 S1-9 Incidents of discrimination Paragraph 45 (a)</u>	<u>Indicator number 7 Table #3 of Annex I</u>			
<u>Section 3 AR 6 ID 2 and ID 13 Non-respect of UNGPs on Business and Human Rights and OECD</u>	<u>Indicator number 10 Table #1 and Indicator n. 14 Table #3 of Annex</u>		<u>Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818 Art 12 (1)</u>	
<u>Section 2 AR 17 ID 3 Significant risk of child labour or forced labour in the value chain</u>	<u>Indicators number 12 and n. 13 Table #3 of Annex I</u>			
<u>Section 3 AR 6 ID 1 and 16 Human rights policy commitments</u>	<u>Indicator number 9 Table #3 and Indicator n. 11 Table #1 of Annex 1</u>			
<u>Section 3 AR 6 ID 14 and ID 15 Policies related to value chain workers</u>	<u>Indicator number 11 and n. 4 Table #3 of Annex 1</u>			
<u>Section 3 AR 6 ID 2 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines</u>	<u>Indicator number 10 Table #1 of Annex 1</u>		<u>Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)</u>	
<u>Section 3 AR 6 ID 12 Due diligence policies on issues addressed by the fundamental International Labor</u>			<u>Delegated Regulation (EU) 2020/1816, Annex II</u>	

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<u>Disclosure Requirement and related datapoint</u>	<u>SFDR¹¹ reference</u>	<u>Pillar 3¹² reference</u>	<u>Benchmark Regulation¹³ reference</u>	<u>EU Climate Law¹⁴ reference</u>
<u>Organisation Conventions 1 to 8</u>				
<u>Section 3 AR 6 ID 13 Human rights issues and incidents connected to its upstream and downstream value chain</u>	<u>Indicator number 14</u> <u>Table #3 of Annex 1</u>			
<u>Section 3 AR 6 ID 1 and ID 16 Human rights policy commitments</u>	<u>Indicator number 9</u> <u>Table #3 of Annex 1 and</u> <u>Indicator number 11</u> <u>Table #1 of Annex 1</u>			
<u>Section 3 AR 6 ID 2 Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines</u>	<u>Indicator number 10</u> <u>Table #1 Annex 1</u>		<u>Delegated Regulation (EU) 2020/1816, Annex II</u> <u>Delegated Regulation (EU) 2020/1818, Art 12 (1)</u>	
<u>Section 3 AR 6 ID 13 Human rights issues and incidents</u>	<u>Indicator number 14</u> <u>Table #3 of Annex 1</u>			
<u>Section 3 AR 6 ID 1 and ID 16 Policies related to consumers and end-users</u>	<u>Indicator number 9</u> <u>Table #3 and</u> <u>Indicator number 11</u> <u>Table #1 of Annex 1</u>			
<u>Section 3 AR 6 ID 2 Non-respect of UNGPs on Business and Human Rights</u>	<u>Indicator number 10</u> <u>Table #1 of Annex 1</u>			

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<u>Disclosure Requirement and related datapoint</u>	<u>SFDR¹¹ reference</u>	<u>Pillar 3¹² reference</u>	<u>Benchmark Regulation¹³ reference</u>	<u>EU Climate Law¹⁴ reference</u>
<u>and OECD guidelines</u>				
<u>Section 3 AR 6 ID 3 Human rights issues and incidents</u>	<u>Indicator number 14</u> <u>Table #3 of Annex 1</u>			
<u>Section 3 AR 6 ID 18 United Nations Convention against corruption</u>	<u>Indicator number 15</u> <u>Table #3 of Annex 1</u>			
<u>Section 3 AR 6 ID 17 Protection of whistleblowers</u>	<u>Indicator number 6</u> <u>Table #3 of Annex 1</u>			
<u>Section 6 G1-2 Fines for violation of anti-corruption and anti-bribery laws Paragraph 9(a)</u>	<u>Indicator number 17</u> <u>Table #3 of Annex 1</u>		<u>Delegated Regulation (EU) 2020/1816, Annex II)</u>	
<u>Section 6 G1-2 Standards of anti-corruption and anti-bribery Paragraph 9 (b)</u>	<u>Indicator number 16</u> <u>Table #3 of Annex 1</u>			

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

SECTION 3 – POLICIES, ACTIONS ~~AND,~~ ~~AND~~ TARGETS, ENGAGEMENT AND REMEDIATION

Objective

1. This [draft] Section sets the information required:
 - (a) in relation to when a LSME reports on policies, actions and targets to prevent, mitigate and remediate actual and potential material negative impacts and to address material risks (collectively, to “manage material sustainability matters”) for a material matter, either as this is required by Disclosure Requirements in the topical Ssections of this Standard, or on an entity-specific basis;
 - (b) about the undertaking’s processes for engaging with own workers, workers in the value chain, affected communities, consumers and end-users, and their representatives about impacts and, if the undertaking has in place those processes;
 - (c) about the undertaking’s processes to remediate negative impacts and channels for own workforce, value chain workers, affected communities, consumers and end-users to raise concerns, if the undertaking has in place those processes.
2. This [draft] Section covers impact and risk management and policies, actions and targets areas defined in Section 1 General requirements of this [draft] ESRS, chapter 1.2 Reporting areas and minimum content disclosure requirements on policies, actions, targets and metrics and it is applicable in conjunction with Section 2 “General disclosures” and the topical Sections of this [draft] ESRS.
The requirements in this Section shall be considered when the undertaking reports on a voluntary basis on material positive impacts and/or opportunities.
3. 2. with the other sections of this [draft] ESRS.

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

4. The undertaking shall disclose information on its policies adopted and actions that have been taken or that are planned to manage material sustainability matters, and attendant actions. When the undertaking has implemented policies and actions to manage its material sustainability matters, it shall disclose information on such policies and actions.
- 3-5. The objective of this Disclosure Requirement is to set the information that shall be provided when reporting on policies and actions in relation to a material matter.

- 4.6. ~~For each sustainability matter/topic that it considers material, the undertaking shall disclose~~
~~When the undertaking has implemented policies and actions, it shall disclose per each sustainability topic that is assessed to be material, the:~~
- (a) Policies that ~~it has in place~~ ~~the undertaking has in place~~ to prevent, mitigate and remediate actual and potential **impacts** and to address **risks**;
 - ~~(b) Key actions taken and/or planned to address material impacts and risks, and where applicable achieve the objectives of related **policies**.~~;
 - ~~(b)~~
7. ~~When providing disclosures on **policies**, the undertaking shall include~~~~consider~~ the following information:
- ~~e) A description of the key contents of the **policy**, including its general objectives and which material **impacts** or **risks** the policy is relating to;~~
 - ~~f) A description of the scope of the policy in terms of activities, **value chain**, geographies and, if relevant, affected **stakeholder groups**;~~
 - ~~g) The most senior level in the undertaking's organisation that is accountable for the implementation of the policy;~~
 - ~~h) A reference, if relevant, to the third-party standards or initiatives the undertaking commits to respect through the implementation of the policy;~~
 - ~~i) If relevant, a description of the consideration given to the interest of key **stakeholders** in setting the policy; and~~
 - ~~j) If relevant, whether and how the undertaking makes the policy available to potentially affected stakeholders, and stakeholders who need to help implement it.~~
8. ~~When providing disclosures on **actions**, the undertaking shall disclose~~~~consider~~ the following information:
- ~~a) the list of key actions taken in the reporting year and planned for the future, and their expected outcomes;~~
 - ~~b) the scope of the key actions (i.e., coverage in terms of activities, **value chain** geographies and, where applicable, affected **stakeholder** groups);~~
 - ~~c) the time horizons under which the undertaking intends to complete each key action;~~
 - ~~d) if applicable, key actions taken (along with results) to provide for and cooperate in or support the provision of **remedy** for those harmed by actual material impacts;~~
 - ~~e) if applicable, quantitative and qualitative information regarding the progress of actions or action plans disclosed in prior periods.~~
9. ~~Where the implementation of an action plan requires significant operational expenditures (Opex) and/or capital expenditures (Capex) the undertaking shall~~~~may~~:
- ~~a) describe the type of current and future financial and other resources allocated to the action plan, including if applicable, the relevant terms of sustainable finance~~

instruments, such as green bonds, social bonds and green loans, the environmental or social objectives, and whether the ability to implement the actions or action plan depends on specific preconditions, e.g., granting of financial support or public policy and market developments;

b) provide the amount of current financial resources and explain how they relate to the most relevant amounts presented in the financial statements; and

c) provide the amount of future financial resources.

10. The corresponding disclosures related to policies and actions shall be located alongside disclosures prescribed by the relevant topical sections. When a single policy or same actions address several interconnected sustainability matters, the undertaking may disclose the required information in its reporting under one topical section and cross reference to it in its reporting under other topical section.

5-11. When disclosing information on policies and actions in relation to a material sustainability, subject to paragraphs 334 and 342 of Section 1 of this [draft] ESRS, the undertaking shall apply the disclose other information in relation to a material sustainability disclose the additional topical requirements specific information defined set in matter as defined in the include the information required by Application Requirements IR-3 (AR XX to AR XX) -xxx-, which is presented separately by sustainability topic.

6-12. In particular, for policies and actions in relation to a material matter, the undertaking shall include the additional some information (summarised in Table of AR 510) are related to datapoints derived from required by EU law legislation (summarised in Table of AR 51) Appendix B: of this Section List of datapoints in cross-cutting and topical sections that are required by EU law.

— If the undertaking has not adopted policies and/or actions with reference to the specific material sustainability matter concerned, it shall state this to be the case. It may also disclose the timeline for implementing them, if it has such plans, when appropriate.

— When providing disclosures on **policies**, the undertaking shall consider the following information:

— A description of the key contents of the **policy**, including its general objectives and which material **impacts** or **risks** the policy is relating to;

— A description of the scope of the policy in terms of activities, **value chain**, geographies and, if relevant, affected **stakeholder groups**;

— The most senior level in the undertaking's organisation that is accountable for the implementation of the policy;

— A reference, if relevant, to the third party standards or initiatives the undertaking commits to respect through the implementation of the policy;

— If relevant, a description of the consideration given to the interest of key **stakeholders** in setting the policy; and

— If relevant, whether and how the undertaking makes the policy available to potentially affected stakeholders, and stakeholders who need to help implement it.

- ~~— When providing disclosures on **actions**, the undertaking shall consider the following information:~~
- ~~— the list of key actions taken in the reporting year and planned for the future, and their expected outcomes;~~
- ~~— the scope of the key actions (i.e., coverage in terms of activities, **value chain** geographies and, where applicable, affected **stakeholder** groups);~~
- ~~— the time horizons under which the undertaking intends to complete each key action;~~
- ~~— 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;~~
- ~~— if applicable, quantitative and qualitative information regarding the progress of actions or action plans disclosed in prior periods.~~
- ~~— Where the implementation of an action plan requires significant operational expenditures (Opex) and/or capital expenditures (Capex) the undertaking may:~~
- ~~— describe the type of current and future financial and other resources allocated to the action plan, including if applicable, the relevant terms of sustainable finance instruments, such as green bonds, social bonds and green loans, the environmental or social objectives, and whether the ability to implement the actions or action plan depends on specific preconditions, e.g., granting of financial support or public policy and market developments;~~
- ~~— provide the amount of current financial resources and explain how they relate to the most relevant amounts presented in the financial statements; and~~
- ~~— provide the amount of future financial resources.~~

7. —

13. —

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

- 8-14. **If the undertaking has set sustainability-related targets, it shall disclose information about these targets.** ~~When the undertaking is monitoring the effectiveness of its actions to address a material sustainability matter through targets, it shall disclose information about the targets it has in place.~~
- 9-15. ~~When the undertaking has adopted targets,~~ **The objective** of this Disclosure Requirement is to provide an understanding on ~~whether and~~ how the undertaking has set measurable time-oriented **targets** to monitor progresses overtime and track effectiveness of its actions in relation to material sustainability impacts and risks, ~~if such targets have been implemented.~~
- ~~— If the undertaking has implemented The undertaking shall disclose whether it has set targets with regards to each material sustainability matter, it shall disclose the following: -~~
- 16. ~~When disclosing its targets, the undertaking shall include the following information consider:~~
 - a) ~~the relationships of the target to the relevant~~ **or or policy objectives;**

- b) the defined level of ambition (quantitative and qualitative depending on the nature of the target) to be achieved, including, where applicable, whether the target is absolute or relative and in which unit it is measured;
- c) the scope of the target (operations, upstream and/or downstream **value chain**, subsidiaries, and geographical boundaries or activities);
- d) if applicable, the baseline value and base year from which progress is measured;
- e) the timeframe to achieve the target;
- f) the methodologies and significant assumptions used to define targets, including where applicable, the selected **scenario**, data sources, alignment with science-based methodologies, and national, EU or international policy goals;
- g) any changes in targets or underlying methodologies and assumptions adopted within the defined time horizon together with an explanation of the rationale for those changes and their effect on comparability;
- h) the overall progress towards the defined target.

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

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

i) _____

40. ~~_____~~

19. ~~When disclosing the information required by paragraph 675, the undertaking shall apply the requirements set in the include the topic-specific information from the undertaking has set targets on a material sustainability matter, it shall consider the related information defined in the Application Requirements IRr 4xxx.~~

44. ~~20. _____~~ In particular, the undertaking shall include the datapoint deriving from EU legislation specified in AR 87.

~~**Disclosure Requirement 13 (IR-5) – Processes for engaging with own workers, workers in the value chain, affected communities, consumers and end-users, and their representatives about impacts**~~

12. ~~When the undertaking engages with its key stakeholders, the undertaking shall disclose its general processes for engaging where relevant with its own workers, workers in the value chain, affected communities, consumers and end-users, and their representatives about actual and potential material impacts on them.~~

13. ~~When the undertaking engages with its key stakeholders, The objective of this Disclosure Requirement is to enable an understanding of how the undertaking engages, as part of its ongoing due diligence process, with its own workers workforce, workers in the value chain, affected communities, consumers and end-users, their legitimate representatives, or with credible proxies, about material, actual and potential, negative impacts that do or are likely to~~

~~affect them, and whether and how their perspectives are taken into account in the decision-making processes of the undertaking.~~

~~14. The undertaking shall disclose whether and how the perspectives of its **own workforce, workers in the value chain, affected communities, and consumers and end-users** inform its decisions or activities aimed at managing the actual and potential material impacts on them. This shall include, where relevant, an explanation of:~~

- ~~(a) whether engagement occurs (S1) directly with the undertaking's **own workforce** or workers' representatives; (S2-S4) with value chain workers, affected communities, consumers and end-users, or their legitimate representatives directly, or with credible proxies that have insight into their situation;~~
- ~~(b) the stage(s) at which engagement occurs, the type of engagement and frequency of the engagement;~~
- ~~(c) where applicable, (S1) any agreements that the undertaking has with **workers' representatives** related to the respect of human rights of its own workforce, (S2) any agreements that the undertaking has with global union federations related to the respect of human rights of workers in the value chain, including their right to bargain collectively.~~

~~15. Where affected communities are **indigenous peoples**, the undertaking **may disclose** how it takes into account and ensures respect of their particular rights in its **stakeholder engagement** approach, including their right to **free, prior and informed consent** with regard to their cultural, intellectual, religious and spiritual property; activities affecting their lands and territories; and legislative or administrative measures that affect them. In particular, where engagement occurs with indigenous peoples, the undertaking **may also disclose** whether and how indigenous peoples have been consulted on the mode and parameters of the engagement (for example, in designing the agenda, nature, and timeliness of the engagement).~~

~~16. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with the **own workers, value chain workers, affected communities and consumers and end-users**, it may disclose a timeframe in which it aims to have such a process to be in place.~~

~~**Disclosure Requirement 14 (IR-6) – Processes to remediate negative impacts and channels for own workforce, value chain workers, affected communities, consumers and end-users to raise concerns**~~

~~17. If the undertaking has in place processes **to provide for or cooperate in the remediation of negative impacts on people in its own workforce, value chain workers, affected communities and consumers and end-users, that the undertaking is connected with, as well as channels available to them to raise concerns and have them addressed, it shall report about those processes. it shall report about those processes.**~~

~~18. The objective of this Disclosure Requirement is to enable an understanding of the extent to which formal means exist by which the undertaking's **own workforce, value chain workers, affected communities and consumers and end-users** can make their concerns and needs~~

~~known directly to the undertaking and/or through which the undertaking supports the availability of such channels (for example, ***grievance mechanisms***) in the workplace of own workers, in the workplace of value chain workers, by its business relationships, and how follow up is performed with them regarding the issues raised, and the effectiveness of these channels.~~

~~19. If the undertaking has in place processes The undertaking shall describe the processes in place to cover the matters defined within the Objective section, it shall disclose the by disclosing the following information:~~

- ~~(a) its approach to and processes for providing or contributing to ***remedy*** where it is connected with a material negative impact on people in its own workforce, value chain workers, affected communities, consumers and end-users, including whether and how the undertaking assesses that remedy provided is effective;~~
- ~~(b) any channels it has in place for its ***own workforce, value chain workers, affected communities, consumers and end-users*** to raise their concerns or needs, or if the undertaking participates in any industry wide initiative that provides such a channel for them to raise their concerns. If the undertaking has not adopted a channel for raising concerns, it shall disclose this to be the case⁴⁸; in which case the undertaking may disclose a timeframe in which it aims to have such a channel in place.~~

~~— The undertaking may disclose whether and how it assesses that people in its ***own workforce, value chain workers, affected communities, consumers and end-users*** are aware of, and trust, these structures or processes as a way to raise their concerns or needs and have them addressed. In addition, the undertaking shall disclose whether the undertaking has policies in place regarding the protection of individuals that use them against retaliation.~~

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

~~20.~~

⁴⁸ 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 #5 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively “Lack of grievance/complaints handling mechanisms related to employee matters”).

~~Defined terms [THIS APPENDIX WILL BE MOVED TO A CENTRAL GLOSSARY AS PER THE DRAFT DELEGATED ACT]~~

4

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Appendix A: Application Requirements – Section 2 General disclosures

1. Basis for preparation

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

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

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

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

2. Governance

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

AR 3. For undertakings with a unitary board, this corresponds to the percentage of independent non-executive board members. For undertakings with a dual board, it corresponds to the percentage of independent members of the supervisory body.

AR 4. In describing the roles and responsibilities of the **administrative, management and supervisory bodies** with regard to **sustainability matters**, the undertaking may specify:

- (a) the aspects of sustainability over which oversight is exercised, with regard to environmental, social and governance matters the undertaking may be facing, including:
 - i. any assessment of and changes to sustainability-related aspects of the undertaking's strategy and **business model**;
 - ii. the identification and assessment of material **risks** and **impacts**;
 - iii. related **policies** (and **targets**), action plans and dedicated resources; and

iv. — sustainability reporting;

(b) the form such oversight takes for each of the above aspects: i.e., information, consultation or decision-making; and

(c) the way such oversight is organised and formalised, i.e., processes by which the administrative, management and supervisory bodies engage with these aspects of sustainability.

AR 5. — The description of the level of expertise or access to expertise of the **administrative, management and supervisory bodies** may be substantiated by illustrating the composition of the bodies, including members on whom these bodies rely for expertise to oversee **sustainability matters**, and how they leverage that expertise as a body. In the description, the undertaking shall consider how the expertise and skills are relevant to the undertaking's material **impacts, risks** and **opportunities** and whether the bodies and/or its members have access to other sources of expertise, such as specific experts and **training** and other educational initiatives to update and develop sustainability-related expertise within these bodies.

3. Strategy

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

AR 6. — 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 7. — For the purposes of disclosures required in paragraph 20, a group of products and/or services offered, a group of markets and/or customer groups served, or an ESRS sector, is significant for the undertaking if it meets one or both of the following criteria: 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) It accounts for more than 10 per cent of the undertaking's revenue 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 of the undertaking.

AR 8. — In preparing disclosures relating to its business model and **value chain**, the undertaking shall consider:

(a) its key **business relationships**, including with customers, and their key characteristics, its key activities, **key suppliers**, **key resources**, **key distribution channels**, and **key customer segments**;

(b) the cost structure and revenue of its business segments, in line with IFRS 8 disclosure requirements in the financial statements, where applicable;

(c) the potential **impacts, risks** and (**opportunities**) in its significant sector(s) and their possible relationship to its own business model(s) or value chain.

AR 9. 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 6 (SBM-2) – Interests and views of stakeholders

AR 10. When disclosing how the interests and views of **stakeholders** are taken into account by the undertaking's strategy and business model(s), according to paragraph 33, the undertaking shall describe the outcomes of **its any stakeholder engagement activities that it considers most relevant for the undertaking's strategy and business model** carried out.

AR 11. Stakeholder engagement is a process aimed at understanding the reasonable interests, expectations and views of the undertaking's stakeholders, as well as their information needs. **to disclose for the purposes of sustainability reporting.** Stakeholder engagement is interrelated to materiality analysis, as it helps to identify sustainability matters with actual or potential material negative impacts on people or the environment over the short-, medium- and long-term time horizons, according to the stakeholders' views or concerns.

AR 12. Meaningful stakeholder engagement is characterized by two-way communication. However, there are different approaches and levels of engagement, depending on the nature and extent of involvement, which may vary, for instance, from consultation to integration of stakeholders into the undertaking's governance, strategy and operations¹⁹.

AR 13. If engagement with stakeholders occurs, the undertaking shall consider to report the following information²⁰:

(a) the purpose of the stakeholder engagement;

(b) the list of categories of stakeholders engaged (and, possibly, how they were identified);

(c) how engagement occurred, i.e. engagement channels used (e.g., survey, focus group, workshop, meeting, social media, online engagement tools, collective bargaining with workers through their trade unions, multi-stakeholders forum, joint project, partnership, integration of stakeholders into governance, strategy and operations, etc.);

(d) disclosure on responses to interests, views and concerns raised by stakeholders, and how they influenced the undertaking's decisions and actions;

AR 14. The undertaking **may disclose** consider disclosing also the following information on a voluntary basis:

¹⁹ A useful guide to approach stakeholder engagement may be "AA1000 Stakeholder Engagement Standard", issued by AccountAbility.

²⁰ Preparers may also consider guidance provided under Disclosure 2-29 of GRI 2, Global Reporting Initiative (GRI) Standards issued by the Global Sustainability Standards Board (GSSB).

- (a) frequency of involvement (e.g., ongoing, quarterly, annually) by type and stakeholder group, timing in which engagement occurred;
- (b) how potential barriers to stakeholder engagement are taken into account (e.g., cultural differences, gender, divisions within a community or group) and/or inclusion of at-risk or vulnerable groups;
- (c) any conflicting views or expectations among stakeholders, and how the undertaking balanced them when making decisions about its reporting.

~~Disclosure Requirement 7 (SBM-3) – Material impacts and risks and their interaction with strategy and business model(s)~~

- AR 14. ~~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 15. ~~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 16. ~~When disclosing the information required under **paragraph 37b** on its material impacts and risks, the undertaking shall disclose the information reported in the table below.~~

~~In particular, specifying:~~

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

- AR 17. ~~In addition, when disclosing its material impacts and risks, the undertaking shall disclose the information defined in the following paragraphs, which is presented separately by sustainability topic.~~

ENVIRONMENT

Climate change

- AR 18. ~~The undertaking shall explain for each climate-related risk it has identified, whether the entity considers the risk to be a climate-related physical risk or climate-related transition risk.~~
- AR 19. ~~The undertaking shall describe the resilience of its strategy and business model in relation to climate change. This description may include:~~

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

~~AR 20. When disclosing the information on the scope of the resilience analysis, the undertaking may explain which part of its own operations and **value chain** as well as which material **physical risks** and **transition risks** may have been excluded from the analysis.~~

~~AR 21. When disclosing the information on how the resilience analysis has been conducted, the undertaking may explain:~~

- d) ~~the critical assumptions about how the transition to a lower-carbon and resilient economy will affect its surrounding macroeconomic trends, energy consumption and mix, and technology deployment assumptions;~~
- e) ~~the time horizons applied and their alignment with the climate and business **scenarios** considered for determining material **physical** and **transition risks** (paragraphs AR xx to AR xx) and setting **GHG emissions reduction targets** (reported under Disclosure Requirement E1-4); and~~
- f) ~~how the estimated **anticipated financial effects** from material **physical** and **transition risks** (as required by Disclosure Requirement E1-9) as well as the mitigation actions and resources (disclosed under Disclosure Requirement E1-3) were considered.~~

~~AR 22. When disclosing the information on the results of the resilience analysis, the undertaking shall explain:~~

- g) ~~the areas of uncertainties of the resilience analysis and to what extent the assets and business activities at risk are considered within the definition of the undertaking's strategy, investment decisions, and current and planned mitigation **actions**;~~
- h) ~~the ability of the undertaking to adjust or adapt its strategy and business model to climate change over the short-, medium- and long-term, including securing ongoing access to finance at an affordable cost of capital, the ability to redeploy, upgrade or decommission existing assets, shifting its products and services portfolio, or reskilling its workforce.~~
- i) ~~SOCIAL~~
- j) ~~Own workforce~~

~~AR 23. When disclosing the information on material impacts and risks related to its own workforce, the undertaking shall provide the following information:~~

- k) ~~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;~~

- ~~l) 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);~~
- ~~m) any material risks for the undertaking arising from impacts and dependencies on its own workers;~~
- ~~n) any material negative impacts on its own workforce that may arise from transition plans for reducing negative impacts on the environment and achieving greener and climate neutral operations, including information on the impacts on own workforce caused by the undertaking's plans and actions to reduce carbon emissions in line with international agreements.~~

~~Workers in the value chain~~

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

- ~~e) whether and how actual and potential negative impacts on value chain workers originate from or are connected to the undertaking's strategy and business models, and inform and contribute to adapting the undertaking's strategy and business model(s); and~~
- ~~p) the relationship between its material risks arising from impacts and dependencies on value chain workers and its strategy and business model;~~
- ~~q) a brief description of the types of workers subject to material negative impacts by its own operations or through its upstream and downstream value chain, including those that are particularly vulnerable to negative impacts whether due to inherent characteristics or to the particular context, such as trade unionists, migrant workers, home workers, women or young workers;~~

~~Affected communities~~

~~AR 25. When disclosing the information on material impacts and risks related to affected communities, the undertaking shall provide the following information:~~

- ~~r) the types of communities subject to material negative impacts;~~
- ~~s) 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);~~

- ~~t) how affected communities with particular characteristics or those living in particular contexts, or those undertaking particular activities may be at greater risk of harm.~~

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

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

- ~~u) the types of consumers and/or end-users subject to material impacts;~~
- ~~v) any products that are inherently harmful to people and/or increase risks for chronic disease;~~
- ~~w) any services with potentially negatively impact on rights to privacy, personal data protection, freedom of expression and non-**discrimination**;~~
- ~~x) 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;~~
- ~~y) consumers and/or end-users who are particularly vulnerable to health or privacy negative impacts or negative impacts from marketing and sales strategies, such as children or financially vulnerable individuals;~~
- ~~z) 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**);~~
- ~~aa) any material risks for the business arising from impacts and dependencies on consumers and/or end-users.~~

4. Impact and risk management

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

AR 27. ~~When disclosing the information required under paragraphs 48 on the processes to identify and assess material impacts and risks, the undertaking shall disclose the information reported in the table below.~~

In particular, specifying:

ID	Application Requirement	Sustainability topic	EU-related Data Points
1	whether or not it has sites located in or near biodiversity-sensitive areas and whether activities related to these sites negatively affect these areas	Biodiversity	SFDR Tab. 1 KPI 7
2	whether it has identified material negative impacts with regards to land degradation, desertification or soil sealing	Biodiversity	SFDR Tab. 2 KPI 10
3	whether it has its operations affect threatened species	Biodiversity	SFDR Tab. 2 KPI 14

AR 28. ~~With reference to par. 48 on the processes to identify and assess material impacts and risks, and in addition to the information required in the table of AR. 16, the undertaking shall disclose for material impacts and risks the information defined in the following paragraphs.~~

ENVIRONMENT

Climate change

AR 29. ~~The undertaking shall describe the process to identify and assess climate-related **impacts** and **risks**. This description shall include:~~

- ~~bb) impacts on climate change, in particular, the undertaking's **GHG emissions** (as required by [draft] Section 3, Disclosure Requirement E-1-3);~~
- ~~cc) **climate-related physical risks** (as required by [draft] Section 3, Disclosure Requirement E-1-5)~~
- ~~dd) **climate-related transition risks** (as required by [draft] Section 3, Disclosure Requirement E-1-5)~~

AR 30. ~~When disclosing the information on the processes to identify and assess climate impacts as required under **AR 29-18 (a)**, the undertaking shall explain how it has:~~

- ~~a) screened its activities and plans in order to identify actual and potential future GHG emission sources and, if applicable, drivers for other climate-related impacts (e.g., **emissions** of black carbon or tropospheric ozone or land use changes) in own operations and along the value chain; and~~



~~b) assessed the actual and potential impacts on climate change (i.e., its total GHG emissions) as material in line with the CSRD and SFDR requirements.~~

~~AR 31. When disclosing the information on the processes to identify and assess **physical risks** as required under **AR 2018 (b)**, the undertaking shall explain whether and how:~~

~~c) it has identified climate-related hazards (see table below) over the short-, medium- and long-term time horizons and screened whether its assets and business activities may be exposed to these hazards;~~

~~d) it has defined short-, medium- and long-term time horizons and how these definitions are linked to the expected lifetime of its assets, strategic planning horizons and capital allocation plans;~~

~~e) it has assessed the extent to which its assets and business activities may be exposed and are sensitive to the identified climate-related hazards, taking into consideration the likelihood, magnitude and duration of the hazards as well as the geospatial coordinates (such as Nomenclature of Territorial Units of Statistics – NUTS for the EU territory) specific to the undertaking’s locations and **supply chains**; and~~

~~f) the identification of climate-related hazards and the assessment of exposure and sensitivity are informed by high **emissions** climate **scenarios**, for example, based on IPCC SSP5-8.5, relevant regional climate projections based on these emission scenarios, or NGFS (Network for Greening the Financial System) climate scenarios. For general requirements regarding climate-related scenario analysis AR 22 and AR 23.~~

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

Glacial lake-outburst

~~AR 32. When disclosing the information on the processes to identify transition risks and opportunities (voluntary) as required by AR 18 (c), the undertaking shall explain whether and how it has:~~

- ~~g) identified transition events (see the table with examples below) over the short-, medium- and long-term time horizons and screened whether its assets and business activities may be exposed to these events. In case of transition risks and opportunities, what is considered long-term may cover more than 10 years and may be aligned with climate-related public **policy** goals;~~
- ~~h) assessed the extent to which its assets and business activities may be exposed and are sensitive to the identified transition events, taking into consideration the likelihood, magnitude and duration of the transition events;~~
- ~~i) informed the identification of transition events and the assessment of exposure by climate-related **scenario analysis**, considering at least a scenario consistent with the Paris Agreement and limiting climate change to 1.5°C, for example, based on scenarios of the International Energy Agency (Net zero Emissions by 2050, Sustainable Development Scenario, etc.), or NGFS (Network for Greening the Financial System) climate scenarios. For the general requirements related to climate-related scenario analysis see paragraphs AR 22 and AR 23; and~~
- ~~j) identified assets and business activities that are incompatible with or need significant efforts to be compatible with a transition to a climate-neutral economy (for example, due to significant **locked-in GHG emissions** or incompatibility with the requirements for Taxonomy-alignment under Commission Delegated Regulation (EU) 2021/2139).~~

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

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~~Climate-related scenario analysis~~

~~AR 33. When disclosing the information required under paragraphs AR 19 and AR 20, the undertaking shall explain how it has used climate-related **scenario analysis** that is commensurate to its circumstances to inform the identification and assessment of **physical** and **transition risks** and **opportunities** (voluntary) over the short-, medium- and long-term time horizons, including:~~

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

~~AR 34. When conducting **scenario analysis**, the undertaking may consider the following guidance: TCFD Technical Supplement on "The Use of Scenario Analysis in Disclosure of Climate Related Risks and Opportunities" (2017); TCFD "Guidance on Scenario Analysis for Non-Financial Companies" (2020); ISO 14091:2021 "Adaptation to climate change — Guidelines on vulnerability impacts and risk assessment"; any other recognized industry standards such as NGFS (Network for Greening the Financial System); and EU, national, regional and local regulations.~~

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

~~Pollution, Water and marine resources and Resource use and circular economy~~

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

- ~~e) methodologies, assumptions and tools used to screen its **site** locations and business activities in order to identify its actual and potential **impacts and risks related to** pollution, water and marine resources, and resource use and circular economy-related **impacts and risks**;~~
- ~~p) the interconnection between risks arising from impacts and **dependencies**;~~
- ~~q) the process for conducting consultations and in particular with affected communities²⁴.~~
- ~~r) Biodiversity~~

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

²⁴ Source: IFC Performance Standard 6, 2012

- ~~s) identified and assessed actual and potential impacts on **biodiversity** and **ecosystems** at own **site** locations and in the value chain, including assessment criteria applied;~~
- ~~t) identified and assessed **dependencies** on biodiversity and ecosystems and their services at own site locations and in the value chain, including assessment criteria applied, and, if this assessment includes **ecosystem services** that are disrupted or likely to be;~~
- ~~u) identified and assessed **transition** and **physical risks**~~
- ~~v) considered systemic risks;~~
- ~~w) conducted consultations with **affected communities**.~~

AR 38. The undertaking shall specifically disclose:

- ~~x) whether or not it has **sites** located in or near **biodiversity-sensitive areas** and whether activities related to these sites negatively affect these areas;~~
- ~~y) a list of material sites located in or near **biodiversity-sensitive areas**.~~

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

~~methodologies, assumptions and tools used to screen its assets and activities in order to identify its actual and potential **impacts** and **risks**;~~

~~the process for conducting consultations and, in particular, with affected communities;~~

- ~~(a) Resource use and circular economy (E5), including:
 - ~~i. methodologies, assumptions and tools used to screen its assets and activities in order to identify its actual and potential **impacts** and **risks**;~~
 - ~~ii. the process for conducting consultations and, in particular, with affected communities;~~~~

LEAP Approach

AR 39. When conducting a materiality assessment on environmental subtopics, the undertaking may consider the four phases below, also known as the LEAP approach:

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

AR 40. 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.

~~AR 41. The undertaking may rely on primary, secondary or modelled data collection or other relevant approaches to assess material impacts, **dependencies**, risks and opportunities, including 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).~~

~~i. —~~

~~**Disclosure Requirement IR-2 – Topics covered by the undertaking’s sustainability statements**~~

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

Appendix A: Application Requirements – Section 3 Policies, Actions, and Targets, Engagement and Remediation

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

~~AR-43~~ **AR 1.** In disclosing the information on **policies** and **actions**, the undertaking may include such a disclosure in a centralised section or divide it and present the relevant disclosure in each sustainability topical section.

~~AR-44~~ **AR 2.** A single **policy** may apply to several material sustainability matters, including matters addressed by more than one topical section of this [draft] ESRS. For example, if a single policy covers both an environmental matter and a social matter, the undertaking may report on the policy in the environmental section of its **sustainability statement**. In this case, the disclosure to be reported in the social section is a cross-reference to the environmental section where the policy is disclosed. Equally, a policy may be reported in the social section with a cross-reference to the environmental section.

~~AR-45~~ **AR 3.** SMEs and undertakings with less resources may have few (or no) policies formalised in written documents, but this does not necessarily mean they do not have policies to report on.

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

As an illustration:

~~z~~**a)** if the undertaking has implemented actions for employee management (i.e. to ensure equal treatment or an health and safety management system), but has not formalised a policy, it describes the actions undertaken to address the related material impacts and risks. Furthermore, the undertaking, if applicable, discloses which organisational level has been assigned responsibility for implementing these actions or action plans (i.e. department, management, top management, etc.)

~~aa~~**b)** if the undertaking has defined targets in relation to material impacts or risks (i.e. to reduce emissions, water consumption, etc.), but has not formalised a policy, it describes these targets and, if applicable, the department or person which is in charge to measure and report progresses against these targets.

~~AR 46.~~ When providing disclosures on **policies**, the undertaking shall consider the following information:

~~bb)~~ A description of the key contents of the **policy**, including its general objectives and which material **impacts** or **risks** the policy is relating to;

~~cc)~~ A description of the scope of the policy in terms of activities, **value chain**, geographies and, if relevant, affected **stakeholder groups**;

~~dd)~~ The most senior level in the undertaking's organisation that is accountable for the implementation of the policy;

- ~~ee) A reference, if relevant, to the third-party standards or initiatives the undertaking commits to respect through the implementation of the policy;~~
- ~~ff) If relevant, a description of the consideration given to the interest of key **stakeholders** in setting the policy; and~~
- ~~gg) If relevant, whether and how the undertaking makes the policy available to potentially affected stakeholders, and stakeholders who need to help implement it.~~

~~AR 47. When providing disclosures on **actions**, the undertaking shall consider the following information:~~

- ~~hh) the list of key actions taken in the reporting year and planned for the future, and their expected outcomes;~~
- ~~ii) the scope of the key actions (i.e., coverage in terms of activities, **value chain** geographies and, where applicable, affected **stakeholder** groups);~~
- ~~jj) the time horizons under which the undertaking intends to complete each key action;~~
- ~~kk) 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;~~
- ~~ll) if applicable, quantitative and qualitative information regarding the progress of actions or action plans disclosed in prior periods.~~

~~AR 48-AR 4.~~ Key **actions** are those actions that materially contribute to achieving the undertakings objectives in addressing material **impacts** and **risks**. For reasons of understandability, key actions may be aggregated where appropriate.

~~AR 49. Where the implementation of an action plan requires significant operational expenditures (Opex) and/or capital expenditures (Capex) the undertaking may:~~

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

~~AR 50-AR 5.~~ Information on resource allocation may be presented in the form of a table and broken down between capital expenditure and operating expenditure, and across the relevant time horizons, and between resources applied in the current reporting year and resources the planned allocation of resources over specific time horizons.

~~AR 51-AR 6.~~ When disclosing the information required under paragraphs 3-64 and 462 of this Section on a material sustainability topic, as a result of its **materiality** assessment, the undertaking

shall ~~disclose additional topic specific information as~~ ~~disclose the information~~ reported in the table below.

~~In-particular:~~

ID	Application Requirement	Sustainability topic	Policies – P Actions – A	EU related Data Points
1	<p>For own workforce, value chain workers, affected communities and consumers and end-users, the undertaking shall:</p> <p>i. describe processes and mechanisms to monitor compliance with the UN Global Compact principles UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational enterprises. In its disclosure it shall focus on those matters that are material as well as the general approach in relation to:</p> <p>1. — respect for the human rights, including labour rights of workers, human rights of communities, and indigenous peoples, human rights of consumers and/or end-users;</p> <p>2. — engagement with affected stakeholders; and</p> <p>3. — measures to provide and/or enable remedy for human rights impacts</p>	<p>Own workforce</p> <p>Workers in the value chain</p> <p>Affected communities</p> <p>Consumers and end-users</p>	P	SFDR Tab. 1 KPI 11
2	<p>For value chain workers, affected communities and consumers and end-users, the undertaking shall:</p> <p>i. disclose whether and how its policies are aligned with relevant internationally recognised standards, including United Nations (UN) Guiding Principles on Business and Human Rights. The undertaking shall also disclose the extent to which violations in relation to the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises that involve value chain workers, affected communities and consumers and end-users have been reported in its downstream value chain and, if applicable, an indication of the nature of these;</p>	<p>Value chain workers</p> <p>Affected communities</p> <p>Consumers and end-users</p>	P	SFDR Tab. 1 KPI 10 Benchmark Reg. section 1 and 2 of Annex 2
3	The undertaking shall disclose if it has adopted policies related to water management	water and marine resources	P	SFDR Tab. 2 KPI 7
4	If at least one of the sites of the undertaking is located in an area of high-water stress and it is not covered by a policy, the undertaking shall state this to be the case and provide reasons for not having adopted policies. The undertaking may disclose a timeframe in which it aims to adopt it.	water and marine resources	P	SFDR Tab. 2 KPI 8
5	The undertaking shall specify whether it has adopted policies or practices related to sustainable land / agriculture	biodiversity and ecosystems	P	SFDR Tab. 2 KPI 11

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ID	Application Requirement	Sustainability topic	Policies – P Actions – A	EU related Data Points
6	The undertaking shall specifically disclose whether it has adopted biodiversity and ecosystem protection policy covering operational sites owned, leased, or managed in or near a protected area or an area of high biodiversity-value outside protected areas, where an area of high biodiversity value outside protected areas refers to land with high biodiversity value as defined in Article 7b (3) of Directive 98/70/EC of the European Parliament and of the Council and where “protected area” in this specific case means an area designated in the European Environment Agency’s Common Database on Designated Areas (CDDA) and in the Natura 2000 network of protected areas set up in accordance with Directives 2009/147/EC and 92/43/EEC	biodiversity and ecosystems	P	SFDR Tab. 2 KPI 14
7	The undertaking shall specify whether it has adopted policies to address deforestation	biodiversity and ecosystems	P	SFDR Tab. 2 KPI 15
8	The undertaking shall specify whether it has adopted policies or practices related to sustainable oceans and seas	water and marine resources biodiversity and ecosystems	P	SFDR Tab. 2 KPI 12
9	The undertaking shall disclose whether or not the undertaking has a grievance/complaints handling mechanism related to employee matters	own workforce	P	SFDR Tab. 3 KPI 5
9 10	The undertaking shall state whether it has a workplace accident prevention policy or management system.	own workforce	P	SFDR Tab. 3 KPI 1
10 11	The undertaking shall disclose whether and how its policies with regard to its own workforce and workers in the value chain are aligned with internationally recognised standards, including relevant to its own workers, including the United Nations (UN) Guiding Principles on Business and Human Rights	own workforce workers in the value chain	P	Benchmark Reg. section 1 and 2 of Annex 2
12	The undertaking shall disclose whether and how its policies with regard to its value chain workers are aligned with internationally recognised standards relevant to its own workers, including the United Nations (UN) Guiding Principles on Business and Human Rights. The undertaking shall also disclose the extent to which cases of non-respect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises that involve value chain workers have been reported in its upstream and downstream value chain and, if applicable, an indication of the nature of such cases	workers in the value chain	P	SFDR Tab. 1 KPI 10 Benchmark Reg. section 1 and 2 of Annex 2
13	The undertaking shall disclose whether severe human rights issues and incidents connected to its upstream and downstream value chain, affected communities and	Workers in the value chain	A	SFDR Tab. 3. KPI 14

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ID	Application Requirement	Sustainability topic	Policies – P Actions – A	EU related Data Points
	<u>consumers and/or end-users have been reported and, if applicable, disclose these.</u>	<u>Affected communities</u> <u>Consumers and end-users</u>		
44 14	The undertaking shall also state whether it has a supplier code of conduct	workers in the value chain	P	SFDR Tab. 3 KPI 4
42 15	The undertaking shall also state whether its policies in relation to own workforce and value chain workers explicitly address trafficking in human beings, forced or compulsory labour and child labour	own workforce workers in the value chain	P	SFDR Tab. 3 KPI 11
43 16	The undertaking shall describe its human rights policy commitments	own workforce workers in the value chain affected communities consumers and end-users	P	SFDR Tab. 3 KPI 9
44 17	Where the undertaking has no policies on the protection of whistle-blowers, it shall state this and whether it has plans to implement them and the timetable for implementation	business conduct	P	SFDR Tab. 3 KPI 6
45 18	Where the undertaking has policies on anti-corruption or anti-bribery, it shall state if they are consistent with the United Nations Convention against Corruption	business conduct	P	SFDR Tab. 3 KPI 15
46 19	The undertaking shall disclose its transition plan for climate change mitigation	Climate change	A	Climate Law Benchmark Reg.
47 20	If the undertaking has set a transition plan, it shall disclose whether or not it is excluded from the EU Paris-aligned Benchmarks	Climate change	A	EBA Pillar 3 Benchmark Reg.

~~AR 52-AR 7.~~ With reference to paragraph 3 of this Section 62 and in addition to the information required in the table of AR. ~~650~~, the undertaking shall on a material sustainability topic, as a result of its materiality assessment, disclose additional topic specific information as defined in the following paragraphs~~disclose on a material sustainability topic, the information defined in the following paragraphs.~~

In particular:

ENVIRONMENT

Policies and Actions for Climate change

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

~~AR-53-AR 8.~~ The undertaking shall indicate whether and how its **policies** address the following areas:

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

~~AR-54-AR 9.~~ **Policies** related to **climate change mitigation** address the management of the undertaking's **GHG emissions**, GHG removals and **transition risks** over different time horizons, in its own operations and/or in the **value chain**.

~~AR-55-AR 10.~~ **Policies** related to **climate change adaptation** address the management of the undertaking's physical climate risks and climate change adaptation-related **transition risks**.

~~AR-56-AR 11.~~ When listing **key actions** taken in the reporting year and planned for the future, the undertaking shall present the **climate change mitigation** actions by decarbonisation lever including the nature-based solutions (i.e., energy efficiency, electrification, fuel switching, use of renewable energy, products change, and supply-chain decarbonisation);

~~AR-57-AR 12.~~ When describing the outcome of the actions for climate change mitigation, the undertaking shall include the achieved and expected GHG emission reductions; and

~~AR-58-AR 13.~~ When disclosing its **climate change adaptation** and **mitigation actions**, the undertaking shall relate significant monetary amounts of CapEx and OpEx required to implement the actions to:

- ~~(b)(a)~~ the relevant line items or notes in the financial statements;
- ~~(e)(b)~~ the key performance indicators required under article 8 of Taxonomy Regulation (EU) 2020/852; and
- ~~(d)(c)~~ if applicable, the CapEx plan required by Commission delegated regulation (EU) 2021/2178.

~~AR-59-AR 14.~~ When disclosing the information on resources, if applicable, the undertaking shall only disclose the significant OpEx and CapEx amounts required for the implementation of the **actions** related to climate change, as the purpose of this information is to demonstrate the credibility of its actions rather than to reconcile the disclosed amounts to the financial statements. The disclosed CapEx and OpEx amounts shall be the additions made to both tangible and intangible assets during the current financial year as well as the planned additions for future periods of implementing the actions. The disclosed amounts shall only be the incremental financial investments directly contributing to the achievement of the undertaking's **targets**.

~~AR-60-AR 15.~~ The amounts of OpEx and CapEx required for the implementation of the **actions** related to climate change shall be consistent with the key performance indicators (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 Standard and the key performance indicators disclosed under Commission Delegated Regulation (EU) 2021/2178**

due to, for instance, the disclosure of non-eligible economic activities as defined in that delegated regulation. The undertaking may structure its actions by economic activity to compare its OpEx and CapEx, and if applicable its OpEx and/or CapEx plans to its Taxonomy-aligned key performance indicators.

~~AR-61-AR 16.~~ If the undertaking has set a transition plan for climate change mitigation, it shall include:

- (a) on **GHG emission reduction targets** (as required by Disclosure Requirement E1-4), an explanation of how the undertaking's targets are compatible with the limiting of global warming to 1.5°C in line with the Paris Agreement;
- (b) for undertakings with economic activities that are covered by delegated regulations on climate adaptation or mitigation under the Taxonomy Regulation, an explanation of any objective or plans (CapEX, CapEx plans) that the undertaking has for aligning its economic activities (revenues, CapEx) with the criteria established in those delegated regulations; and
- (c) if applicable, a disclosure of significant CapEx amounts invested during the reporting period related to coal, oil and gas-related economic activities.

Policies and Actions for Pollution

~~AR-62-AR 17.~~ When describing its policies on pollution, the undertaking shall indicate whether and how its **policies** address the following areas, where material:

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

~~AR-63-AR 18.~~ When describing its **policies** on pollution, the undertaking shall consider including information on the **pollutant(s)** or **substance(s)** covered.

~~AR-64-AR 19.~~ When disclosing information on policies related to pollution, the undertaking may include contextual information on the relations between its policies implemented and how they may contribute to the EU Action Plan "Towards a Zero Pollution for Air, Water and Soil" with for instance elements on:

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

Policies and Actions for Water and marine resources

~~AR-65-AR 20.~~ When disclosing the information on **policies** related to water and marine resources, the undertaking shall indicate, where material, whether and how its **policies** address:

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

~~AR-66-AR 21.~~ When disclosing the information on **actions** related to water and marine resources, the undertaking shall specify actions and resources in relation to **areas at water risk**, including **areas of high-water stress**.

~~AR-67-AR 22.~~ In case of collective action or action **plans** involving other **stakeholders**, the undertaking ~~may disclose~~ **provide** information on those specific collective actions and related parties involved.

Policies and Actions for Biodiversity and ecosystems

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

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

~~When disclosing **policies** related to social consequences of **biodiversity** and **ecosystems**, the undertaking may notably refer to the Nagoya Protocol⁴⁰ and the Convention for Biological Diversity (CBD)⁴¹.~~

~~AR 24.~~ When disclosing **policies** related to social consequences of **biodiversity** and **ecosystems**, the undertaking may notably refer to the Nagoya Protocol⁴⁰ and the Convention for Biological Diversity (CBD)⁴¹.

~~AR 68.~~ When disclosing its **policies** related to biodiversity and ecosystems, 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 69.~~ When disclosing **policies** related to social consequences of **biodiversity** and **ecosystems**, the undertaking may notably refer to the Nagoya Protocol⁴⁰ and the Convention for Biological Diversity (CBD)⁴¹.

~~AR 70.~~ When disclosing the information on **policies** related to **biodiversity** and **ecosystems**, the undertaking may indicate that 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 71.~~ **AR 25.** When disclosing the information on **actions** related to **biodiversity** and **ecosystems**, the undertaking shall disclose:

- a) how it has applied the mitigation hierarchy with regard to its actions (avoidance, minimisation, restoration/rehabilitation, and compensation or offsets);
- b) whether it used **biodiversity** offsets in its action plans **and a description of the offsets used, including area, type, the quality criteria applied and the standards that the biodiversity offsets comply with**; and
- c) whether and how it has incorporated nature-based solutions into biodiversity and **ecosystems**-related actions;

~~AR 72.~~ **AR 26.** The undertaking may disclose whether it considers an “avoidance” action plan. An avoidance action plan prevents damages before they take place. An example of avoidance is altering the **biodiversity** and ecosystem footprint of a project to avoid destruction of natural **habitat** on the **site** and/or establishing set-asides where priority biodiversity values are present and will be conserved.

Policies and Actions for Resource use and circular economy

~~AR 73.~~ **AR 27.** When disclosing the information on **policies** related to resource use and **circular economy**, the undertaking shall indicate, where material, whether and how its policies address the following matters:

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

~~AR 74.~~ **AR 28.** When disclosing the information on **policies** related to resource use and circular economy, the undertaking shall consider whether and how its policies address:

- ~~(a)~~ **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)~~ **b)** the prioritisation of the avoidance or minimisation waste (Re-use, Repair, Refurbish, Remanufacture and Repurpose) over waste treatment strategies

(Recycling). The concepts of eco-design²², waste as a resource or post-**consumer** waste (at the end of a consumer-product lifecycle), should also be taken in consideration.

~~AR 75-AR 29.~~ When disclosing the information on **actions** related to **resource use** and **circular economy**, the undertaking may specify whether and how an action and resources cover:

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

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Policies ~~and Actions for~~related to Own-own workforce

~~AR 30.~~ When describing its **policies** on **own workforce**, the undertaking shall ~~disclose, consider focusing on for~~ those matters that are material ~~in relation to, as well as~~ its general approach to:

- ~~a)~~ engagement with people in its own workforce (refer to AR 32 to AR 33); and
~~AR 76-b)~~ measures to provide and/or enable **remedy** for human rights impacts (refer to AR 41 to AR 43).
 - ~~a.~~ respect for the human rights, including labour rights, of people in its own workforce;
 - ~~b.~~ engagement with people in its **own workforce** (refer to AR 32 to AR 33); and
measures to provide and/or enable **remedy** for human rights impacts (refer to AR 41 to AR 43).
- ~~e-AR 31.~~ If the undertaking has adopted specific policies aimed at the elimination of discrimination, it shall disclose this. In addition, it may disclose which grounds for discrimination are covered (racial and ethnic origin, colour, sex, sexual orientation, gender identity, disability, age,

²² As established by the Directive 2009/125/EC

religion, political opinion, national extraction or social origin, other forms of discrimination covered by EU regulation and national law).

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

AR 32. If the undertaking engages with its own workforce, when disclosing information under AR 30 (a), the undertaking shall disclose:

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

AR 33. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with its own workforce, it may disclose a timeframe in which it aims to have such a process to be in place.

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

AR 34. When preparing the disclosures described in AR 32 b), the following illustrations may be considered:

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

AR 35. To illustrate how the perspectives of its **own workforce** have informed specific decisions or activities, the undertaking may provide examples from the current reporting period.

AR 36. Where the undertaking has agreements with national, European or international trade unions or works councils related to the rights of people its own workforce, this can be disclosed to illustrate how the agreement enables the undertaking to gain insight into the perspectives of such people.

AR 37. The undertaking may provide examples from the reporting period to illustrate how the perspectives of its **own workforce** and **workers' representatives** have informed specific decisions or activities of the undertaking.

AR 38. The undertaking shall consider the following aspects when fulfilling this Disclosure Requirement:

(a) the type of engagement (for example, information, consultation or participation) and its frequency (for example, ongoing, quarterly, annually);

(b) how feedback is recorded and integrated into decision-making, and how people in the workforce are informed about the way in which their feedback has influenced decisions;

(c) whether engagement activities take place at the organisational level or at a lower level, such as at the site or project level, and in the latter case, how information from engagement activities is centralised;

(d) the resources (for example, financial or human resources) allocated to engagement; and

(e) how it engages with people in its workforce and workers' representatives on the impacts on its own workforce that may arise from reducing carbon emissions and transitioning to greener and climate-neutral operations, in particular restructuring, employment loss or creation, training and up/reskilling, gender and social equity, and health and safety.

AR 39. The undertaking may also disclose the following information in relation to paragraph AR 31 on diversity:

(a) how it engages with at-risk or persons in vulnerable situations (for example whether it takes specific approaches and gives special attention to potential barriers);

(b) how it takes into account potential barriers to engagement with people in its workforce (for example, language and cultural differences, gender and power imbalances, divisions within a community or group);

(c) how it provides people in its workforce with information that is understandable and accessible through appropriate communication channels;

(d) any conflicting interests that have arisen among its workforce and how the undertaking has resolved these conflicting interests; and

(e) how it seeks to respect the human rights of all stakeholders engaged, for example, their rights to privacy, freedom of expression, and peaceful assembly and protest.

AR 40. The undertaking may also report information about the effectiveness of processes for engaging with its **own workforce** from previous reporting periods. This applies in cases where the undertaking has assessed the effectiveness of these processes or derived lessons during the current reporting period. Processes used to track the effectiveness can include internal or external auditing or verification, impact assessments, measurement systems, **stakeholder** feedback, **grievance mechanisms**, external performance ratings, and benchmarking.

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

AR 41. If the undertaking has in place processes to provide for or cooperate in the remediation of negative impacts on people in its own workforce that the undertaking is connected with, as

well as channels available to its own workforce to raise concerns and have them addressed, when disclosing information under AR 30 (b) it shall disclose:

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

AR 42. The undertaking may disclose whether and how it assesses that people in its **own workforce** are aware of, and trust, these structures or processes as a way to raise their concerns or needs and have them addressed. In addition, the undertaking shall disclose whether the undertaking has policies in place regarding the protection of individuals that use them against retaliation.

AR 43. If the undertaking cannot disclose the above required information because it has not implemented those processes, it may disclose a timeframe in which it aims to have such processes to be in place.

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

AR 44. In fulfilling the requirements set out in AR 41 to AR 43, the undertaking may be guided by the content of the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct focused on **remediation** and **grievance mechanisms**.

AR 45. Channels for raising concerns or needs include **grievance mechanisms**, hotlines, trade unions (where people in the workforce are unionised), works councils, dialogue processes or other means through which the undertaking’s own workforce or **workers’ representatives** can raise concerns about impacts or explain needs that they would like the undertaking to address. This could include both channels provided by the undertaking directly and channels provided by the entities where their own workforce is working, in addition to any other mechanisms an undertaking may use to gain insight into the management of impacts on its own workforce, value chain workers, affected communities, consumers and end-users, such as compliance audits. Where the undertaking is relying solely on information about the existence of such channels provided by its **business relationships** to answer this requirement, it may state that.

AR 46. These channels could be provided by an industry wide initiative in which the undertaking takes part of, or by other third party mechanisms such as the ones operated by the government or NGOs. The undertaking may disclose whether these are accessible to all of its own workforce (or **workers’ representatives** or, in their absence, individuals or organisations acting on their behalf or who are otherwise in a position to be aware of negative impacts).

AR 47. The undertaking may disclose its processes through which it supports or requires the availability of such channels in the workplace of its own workforce, in the workplace of value chain workers, by its business partners for affected communities and consumers and end-users.

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AR 48. In explaining whether and how the undertaking knows that people in its **own workforce** are aware of and trust any of these channels, the undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of the people concerned. Examples of sources of information are surveys of people in the undertaking's workforce that have used such channels and their levels of satisfaction with the process and outcomes. To illustrate the usage level of such channels, the undertaking may disclose the number of complaints received from consumers and/or end-users during the reporting period.

AR 49. The undertaking may disclose how it tracks and monitors issues raised and addressed, and, how it ensures the effectiveness of the channels, including through the involvement of **stakeholders** who are intended **users**.

AR 50. In describing the effectiveness of channels for its **own workforce** and **workers' representatives** to raise concerns, the undertaking may be guided by the following questions, based on the "effectiveness criteria for non-judicial **grievance mechanisms**", as laid out in the UN Guiding Principles on Business and Human Rights, in particular principle 31. The considerations below may be applied to individual channels or to a collective system of channels:

(a) do the channels have legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust?

(b) are the channels known and accessible to **stakeholders**?

(c) do the channels have clear and known procedures, with indicative timeframes?

(d) do the channels ensure reasonable access for stakeholders to sources of information, advice and expertise?

(e) do the channels offer transparency by providing sufficient information both to complainants and, where applicable, to meet any public interest?

(f) do outcomes achieved through the channels accord with internationally recognised human rights?

(g) does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future impacts?

(h) does the undertaking focus on dialogue with complainants as the means to reach agreed solutions, rather than seeking to unilaterally determine the outcome?

The undertaking shall consider whether and how people in its own workforce that may be affected and their **workers' representatives** are able to access channels at the level of the undertaking they are employed by, or contracted to work for, in relation to each material impact. Relevant channels may include hotlines, trade unions (where people in the workforce are unionised) or works councils, or other **grievance mechanisms** operated by the relevant undertaking or by a third party.

~~AR 77. When describing its **policies** on **own workforce**, the undertaking shall consider stating whether:~~

~~a. the policies explicitly address **forced labour** or compulsory labour and **child labour**;~~

~~b. the undertaking has specific policies aimed at the elimination of **discrimination**, including harassment, promoting equal opportunities and other ways to advance diversity and inclusion;~~

~~the policies cover the following grounds for **discrimination**: racial and ethnic origin, colour, sex, sexual orientation, gender identity, disability, age, religion, political opinion, national extraction or social origin, other forms of discrimination covered by EU regulation and national law.~~

Actions on material impacts on own workforce

~~AR 78.~~ When disclosing information on actions on material **impacts** related to **own workforce**, the undertaking shall ~~consider~~ describe~~ing~~:

AR 51.

a. **actions** taken, planned or underway to prevent or mitigate material negative impacts on its own workforce;

~~b. whether and how it has taken action to provide or enable remedy in relation to an actual material impact;~~

~~e.b. the~~ processes through which it identifies what **action** is needed and appropriate in response to a particular actual or potential negative impact on its own workforce.

~~AR 79.~~ When disclosing information on **actions** on material **risks** related to **own workforce**, the undertaking shall consider describing what **action** is planned or underway to mitigate material **risks** for the undertaking arising from its impacts and **dependencies** on its **own workforce**.

~~AR 80-AR 52.~~ The undertaking shall ~~may consider~~ disclose~~ing~~ whether and how it ensures that its own practices do not cause or contribute to material negative impacts on **own workforce**, including, where relevant, its practices in relation to procurement, sales and data use. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.

Policies ~~and Actions for~~ related to Value value chain workers

~~AR 81-AR 53.~~ When describing its **policies** on **value chain workers**, the undertaking shall consider focusing on those matters that are material in relation to, as well as its general approach to:

~~a. respect for the human rights, including labour rights, of workers;~~

~~b.a.~~ engagement with value chain workers (refer to AR 54 to AR 55); and

~~e.b.~~ measures to provide and/or enable **remedy** for human rights impacts (refer to AR 58 to AR 60).

~~AR 82. When describing its policies on **value chain workers**, the undertaking shall consider stating whether the policies explicitly address **forced labour** or compulsory labour and **child labour**.~~

Processes for engaging with value chain workers about impacts

~~AR 54. If the undertaking engages with value chain workers and their representatives, when disclosing information under AR 53 (a), the undertaking shall disclose:~~

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

~~AR 55. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with own workers, **value chain workers, affected communities and consumers and end-users**, it may disclose a timeframe in which it aims to have such a process to be in place.~~

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

~~AR 56. When preparing the disclosures described in AR 54 b), the following illustrations may be considered:~~

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

~~AR 57. To illustrate how the perspectives of **value chain workers** have informed specific decisions or activities, the undertaking may provide examples from the current reporting period.~~

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

AR 58. If the undertaking has in place processes to provide for or cooperate in the remediation of negative impacts on value chain workers that the undertaking is connected with, as well as channels available to value chain workers to raise concerns and have them addressed, when disclosing information under AR 53 (b) it shall report:

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

AR 59. The undertaking may disclose whether and how it assesses that **value chain workers** are aware of, and trust, these structures or processes as a way to raise their concerns or needs and have them addressed. In addition, the undertaking shall disclose whether the undertaking has policies in place regarding the protection of individuals that use them against retaliation.

AR 60. If the undertaking cannot disclose the above required information because it has not implemented those processes, it may disclose a timeframe in which it aims to have such processes to be in place.

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

AR 61. In fulfilling the requirements set out in AR 58 to AR 60, the undertaking may be guided by the content of the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct focused on **remediation** and **grievance mechanisms**.

AR 62. Channels for raising concerns or needs include **grievance mechanisms**, hotlines, trade unions (where workers are unionised), dialogue processes or other means through which the **value chain** workers or their **legitimate representatives** can raise concerns about impacts or explain needs that they would like the undertaking to address. This could include both channels provided by the undertaking directly and channels provided by the entities where value chain workers are working, in addition to any other mechanisms an undertaking may use to gain insight into the management of impacts on workers, such as compliance audits. Where the undertaking is relying solely on information about the existence of such channels provided by its **business relationships** to answer this requirement, it may state that.

AR 63. These channels could be provided by an industry wide initiative in which the undertaking takes part of, or by other third-party mechanisms such as the ones operated by the government or NGOs. The undertaking may disclose whether these are accessible to all workers who may be potentially or actually materially impacted by the undertaking, or individuals or organisations acting on their behalf or who are otherwise in a position to be aware of negative impacts.

AR 64. The undertaking may disclose its processes through which it supports or requires the availability of such channels in the workplace of value chain workers.

AR 65. In disclosing whether and how the undertaking knows that **value chain workers** are aware of and trust any of these channels, the undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of the people concerned.

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Examples of sources of information are surveys of value chain workers that have used such channels and their levels of satisfaction with the process and outcomes.

AR 66. The undertaking may disclose how it tracks and monitors issues raised and addressed, and, how it ensures the effectiveness of the channels, including through the involvement of stakeholders who are intended users.

AR 67. In describing the effectiveness of channels for value chain workers to raise concerns, the undertaking may be guided by the following questions, based on the “effectiveness criteria for non-judicial grievance mechanisms”, as laid out in the UN Guiding Principles on Business and Human Rights, in particular principle 31. The considerations below may be applied to individual channels or to a collective system of channels:

(a) do the channels have legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust?

(b) are the channels known and accessible to stakeholders?

(c) do the channels have clear and known procedures, with indicative timeframes?

(d) do the channels ensure reasonable access for stakeholders to sources of information, advice and expertise?

(e) do the channels offer transparency by providing sufficient information both to complainants and, where applicable, to meet any public interest?

(f) do outcomes achieved through the channels accord with internationally recognised human rights?

(g) does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future impacts?

(h) does the undertaking focus on dialogue with complainants as the means to reach agreed solutions, rather than seeking to unilaterally determine the outcome?

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

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

Actions on material impacts on value chain workers

~~AR 83-AR 70.~~ When disclosing information on actions on material impacts related to value chain workers, the undertaking shall ~~consider~~ describing:

a. actions taken, planned or underway to prevent or mitigate material negative impacts on value chain workers;

~~b. whether and how it has taken action to provide or enable remedy in relation to an actual material impact;~~

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~~e.b.~~ the processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on **value chain workers**;

~~d.~~ its approach to taking action in relation to specific material negative impacts on value chain workers, including any action in relation to its own purchasing or other internal practices, as well as capacity building or other forms of engagement with entities in the value chain, or forms of collaborative action with industry peers or other relevant parties; and

~~e.~~ how it ensures that processes to provide or enable **remedy** in the event of material negative impacts are available and effective in their implementation and outcomes.

~~AR 84.~~ When disclosing information on actions on material risks related to value chain workers, the undertaking shall consider describing what action is planned or underway to mitigate material risks for the undertaking arising from its impacts and dependencies on value chain workers.

~~AR 85-AR 71.~~ The undertaking shall ~~consider disclosing~~ whether and how it takes action to avoid causing or contributing to material negative impacts on **value chain** workers through its own practices, including, where relevant, in relation to procurement, sales and data use. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.

Policies ~~and Actions for~~ related to Affected ~~affected~~ communities

~~AR 86-AR 72.~~ When describing its **policies** on **affected communities**, the undertaking shall consider focusing on those matters that are material in relation to, as well as its general approach to:

~~a.~~ respect for the human rights of communities, and indigenous peoples specifically;

~~b.a.~~ engagement with affected communities (~~refer to AR 72 to AR 74~~); and

~~e.b.~~ measures to provide and/or enable **remedy** for human rights impacts (~~refer to AR 79 to AR 81~~).

~~AR 87-AR 73.~~ The undertaking shall disclose any particular **policy** provisions for preventing and addressing impacts on **indigenous peoples**.

Processes for engaging with affected communities

~~AR 74.~~ If the undertaking engages with affected communities and their representatives, when disclosing information under AR 70 (a), the undertaking shall disclose:

~~a.~~ its general processes for engaging **where relevant** with affected communities and their representatives about actual and potential material impacts on them;

~~b.~~ whether and how the perspectives of **affected communities** inform its decisions or activities aimed at managing the actual and potential material impacts on them. This shall include, where relevant, an explanation of:

~~c.~~ whether engagement occurs with affected communities or their legitimate representatives directly, or with credible proxies that have insight into their situation;

d. the stage(s) at which engagement occurs, the type of engagement and frequency of the engagement;

AR 75. Where affected communities are **indigenous peoples**, the undertaking shall also disclose how it takes into account and ensures respect of their particular rights in its **stakeholder engagement** approach, including their right to **free, prior and informed consent** with regard to their cultural, intellectual, religious and spiritual property; activities affecting their lands and territories; and legislative or administrative measures that affect them. In particular, where engagement occurs with indigenous peoples, the undertaking shall also disclose whether and how indigenous peoples have been consulted on the mode and parameters of the engagement (for example, in designing the agenda, nature, and timeliness of the engagement).

AR 76. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with affected communities, it may disclose a timeframe in which it aims to have such a process to be in place.

Guidance on “Processes for engaging with affected communities”:

AR 77. When preparing the disclosures described in AR 72 b), the following illustrations may be considered:

(a) examples of stages at which engagement occurs are i) determining the approach to mitigation and ii) evaluating the effectiveness of mitigation;

(b) for type of engagement, these could be participation, consultation and/or information; and

(c) for the frequency of the engagement, information may be provided on whether engagement occurs on a regular basis, at certain points in a project or business process, for example, when a new harvest season begins or a new production line is opened), as well as whether it occurs in response to legal requirements and/or in response to **stakeholder** requests and whether the result of the engagement is being integrated into the undertaking's decision-making processes.

AR 78. To illustrate how the perspectives of **affected communities** have informed specific decisions or activities, the undertaking may provide examples from the current reporting period.

~~AR 88.~~ AR 79. The undertaking shall consider how the engagement includes a good faith negotiation with affected **indigenous peoples** to obtain their **free, prior and informed consent** where the undertaking affects the lands, territories or resources that indigenous peoples customarily own, occupy or otherwise use; or relocates them from land or territories subject to traditional ownership or under customary use or occupation; or affects or exploits their cultural, intellectual, religious and spiritual property.

~~AR 89.~~ Explanations of how the undertaking takes into account and ensures respect of the particular right of **indigenous peoples** to **free, prior and informed consent**, may include information about processes to consult with indigenous peoples to obtain their free prior and informed consent.

AR 80.

————Processes to remediate negative impacts and channels for affected communities to raise concerns

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AR 81. If the undertaking has in place processes to provide for or cooperate in the remediation of negative impacts on affected communities that the undertaking is connected with, as well as channels available to them to raise concerns and have them addressed, when disclosing information under AR 70 (b) it shall disclose:

c) its approach to and processes for providing or contributing to **remedy** where it is connected with a material negative impact on people in its own workforce, value chain workers, affected communities, consumers and end-users, including whether and how the undertaking assesses that remedy provided is effective;

d) any channels it has in place for **affected communities** to raise their concerns or needs.

AR 82. The undertaking may disclose whether and how it assesses that **affected communities** are aware of, and trust, these structures or processes as a way to raise their concerns or needs and have them addressed. In addition, the undertaking shall disclose whether the undertaking has policies in place regarding the protection of individuals that use them against retaliation.

AR 83. If the undertaking cannot disclose the above required information because it has not implemented those processes, it may disclose a timeframe in which it aims to have such processes to be in place.

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

AR 84. In fulfilling the requirements set out in AR 79 to AR 81, the undertaking may be guided by the content of the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct focused on **remediation** and **grievance mechanisms**.

AR 85. Channels for raising concerns or needs include **grievance mechanisms**, hotlines, dialogue processes or other means through which affected communities or their legitimate representatives can raise concerns about impacts or explain needs that they would like the undertaking to address. This could include both channels provided by the undertaking directly, in addition to any other mechanisms an undertaking may use to gain insight into the management of impacts on communities, such as compliance audits. Where the undertaking is relying solely on information about the existence of such channels provided by its **business relationships** to answer this requirement, it may state that.

—————To provide greater insight into the information covered in this Disclosure Requirement regarding affected communities, the undertaking may provide insight into whether and how communities that may be affected are able to access channels at the level of the undertaking they are affected by, in relation to each material impact. Relevant insights include information on whether affected communities can access channels in a language they understand, and whether they have been consulted in the design of such channels.

AR 86. _____

AR 87. Channels could be provided by an industry wide initiative in which the undertaking takes part of, or by other third party mechanisms such as the ones operated by the government or NGOs. The undertaking may disclose whether these are accessible to all affected communities who may be potentially or actually materially impacted by the undertaking, or

individuals or organisations acting on their behalf or who are otherwise in a position to be aware of negative impacts.

AR 88. The undertaking may disclose its processes through which it supports the availability of such channels by its business relationships.

AR 89. In relation to the protection of individuals that use the mechanisms against retaliation, the undertaking may describe whether it treats grievances confidentially and with respect to the rights of privacy and data protection; and whether the mechanisms can be used anonymously (for example, through representation by a third party).

AR 90. When disclosing processes related to providing and enabling **remedy** for **indigenous peoples**, relevant information includes whether and how the undertaking has considered their customs, traditions, rules and legal systems.

AR 91. In disclosing whether and how the undertaking knows that **affected communities** are aware of and trust any of these channels, the undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of the people concerned. Examples of sources of information are surveys of community members that have used such channels and their levels of satisfaction with the process and outcomes.

AR 92. The undertaking may disclose how it tracks and monitors issues raised and addressed, and, how it ensures the effectiveness of the channels, including through the involvement of **stakeholders** who are intended **users**.

AR 93. In describing the effectiveness of channels for **affected communities** to raise concerns, the undertaking may be guided by the following questions, based on the “effectiveness criteria for non-judicial **grievance mechanisms**”, as laid out in the UN Guiding Principles on Business and Human Rights, in particular principle 31. The considerations below may be applied to individual channels or to a collective system of channels:

(a) do the channels have legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust?

(b) are the channels known and accessible to **stakeholders**?

(c) do the channels have clear and known procedures, with indicative timeframes?

(d) do the channels ensure reasonable access for stakeholders to sources of information, advice and expertise?

(e) do the channels offer transparency by providing sufficient information both to complainants and, where applicable, to meet any public interest?

(f) do outcomes achieved through the channels accord with internationally recognised human rights?

(g) does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future impacts?

(h) does the undertaking focus on dialogue with complainants as the means to reach agreed solutions, rather than seeking to unilaterally determine the outcome?

Actions on material impacts on affected communities

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~~AR 90-AR 94.~~ When disclosing information on **actions** on material impacts related to **affected communities**, the undertaking shall ~~consider describing~~:

- a. actions taken, planned or underway to prevent or mitigate material negative **impacts** on affected communities;
- ~~b. whether and how it has taken action to provide or enable **remedy** in relation to an actual material impact;~~
- ~~e.b.~~ the processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on affected communities.
- ~~d. its approach to taking action in relation to specific material negative impacts on communities, including any action in relation to its own practices regarding land acquisition, planning and construction, operation or closure practices, as well as whether wider industry or collaborative action with other relevant parties will be required; and~~
- ~~e. how it ensures that processes to provide or enable remedy in the event of material negative impacts are available and effective in their implementation and outcomes.~~

~~AR 91.~~ When disclosing information on actions on material risks related to affected communities, the undertaking shall consider describing what action is planned or underway to mitigate material risks for the undertaking arising from its **impacts** and **dependencies** on **affected communities**.

~~AR 92-AR 95.~~ The undertaking shall ~~consider disclosing~~ whether and how it takes action to avoid causing or contributing to material negative impacts on **affected communities** through its own practices, including, where relevant, in relation to planning, land acquisition and exploitation, finance, extraction or production of raw materials, use of natural resources, and management of environmental impacts. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.

Policies ~~and Actions for related to Consumers~~ consumers and end-users

~~AR 93-AR 96.~~ When describing its **policies** on **consumers** and **end-users**, the undertaking shall consider focusing on those matters that are material in relation to, as well as its general approach to:

- ~~a. respect for the human rights of consumers and/or end-users;~~
- ~~b.a.~~ engagement with consumers and/or end-users (refer to AR 96 to AR 97); and
- ~~e.b.~~ measures to provide and/or enable **remedy** for human rights impacts (refer to AR 101 to AR 103).

Processes for engaging with consumers and end-users

AR 97. If the undertaking engages with **consumers and end-users**, when disclosing information under AR 95 (a), the undertaking shall disclose:

- a. its general processes for engaging **where relevant** with consumers and end-users and their representatives about actual and potential material impacts on them;
- b. whether and how the perspectives of its **consumers and end-users** inform its decisions or activities aimed at managing the actual and potential material impacts on them. This shall include, where relevant, an explanation of:
 - i. whether engagement occurs with consumers and end-users or their legitimate representatives directly, or with credible proxies that have insight into their situation;
 - ii. the stage(s) at which engagement occurs, the type of engagement and frequency of the engagement;

AR 98. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with **consumers and end-users**, it may disclose a timeframe in which it aims to have such a process to be in place.

Guidance on “Processes for engaging with consumers and end-users”:

AR 99. When preparing the disclosures described in AR 96 b), the following illustrations may be considered:

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

AR 100. To illustrate how the perspectives of **consumers and end-users** have informed specific decisions or activities, the undertaking may provide examples from the current reporting period.

~~AR 94.~~ **Credible proxies** who have knowledge of the interests, experiences or perspectives of **consumers and end-users** could include national consumer protection bodies for some consumers.

AR 101.

~~Processes to remediate negative impacts and channels for consumers and end-users to raise concerns~~

AR 102. If the undertaking has in place processes to provide for or cooperate in the remediation of negative impacts on consumers and end-users, that the undertaking is connected with, as well as channels available to them to raise concerns and have them addressed, when disclosing information under AR 95 (b) it shall disclose:

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

AR 103. The undertaking may disclose whether and how it assesses that **consumers and end-users** are aware of, and trust, these structures or processes as a way to raise their concerns or needs and have them addressed. In addition, the undertaking shall disclose whether the undertaking has policies in place regarding the protection of individuals that use them against retaliation.

AR 104. If the undertaking cannot disclose the above required information because it has not implemented those processes, it may disclose a timeframe in which it aims to have such processes to be in place.

Guidance on “Processes to remediate negative impacts and channels for consumers and end-users to raise concerns”:

AR 105. In fulfilling the requirements set out in AR 101 to AR 103, the undertaking may be guided by the content of the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct focused on **remediation** and **grievance mechanisms**.

AR 106. Channels for raising concerns or needs include **grievance mechanisms**, hotlines, dialogue processes or other means through which consumers and end-users or their legitimate representatives can raise concerns about impacts or explain needs that they would like the undertaking to address. This could include channels provided by the undertaking directly and is to be disclosed in addition to any other mechanisms an undertaking may use to gain insight into the management of impacts on consumers and/or end-users, such as compliance audits. Where the undertaking is relying solely on information about the existence of such channels provided by its **business relationships** to answer this requirement, it may state that.

AR 107. These channels could be provided by an industry wide initiative in which the undertaking takes part of, or by other third party mechanisms such as the ones operated by the government or NGOs. The undertaking may disclose whether these are accessible to all consumers and/or end-users who may be potentially or actually materially impacted by the undertaking, or individuals or organisations acting on their behalf or who are otherwise in a position to be aware of negative impacts.

AR 108. The undertaking may disclose its processes through which it supports or requires the availability of such channels by its business relationships for consumers and end-users.

AR 109. In disclosing whether and how the undertaking knows that **consumers** and/or **end-users** are aware of and trust any of these channels, the undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of the people concerned. Examples of sources of information are surveys of consumers and/or end-users that have used such channels and their levels of satisfaction with the process and outcomes. To illustrate the usage level of such channels, the undertaking may disclose the number of complaints received from consumers and/or end-users during the reporting period.

AR 110. The undertaking may disclose how it tracks and monitors issues raised and addressed, and, how it ensures the effectiveness of the channels, including through the involvement of **stakeholders** who are intended **users**.

AR 111. In describing the effectiveness of channels for **consumers** and/or **end-users** to raise concerns, the undertaking may be guided by the following questions, based on the “effectiveness criteria for non-judicial **grievance mechanisms**”, as laid out in the UN Guiding Principles on Business and Human Rights, in particular principle 31. The considerations below may be applied to individual channels or to a collective system of channels:

(a) do the channels have legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust?

(b) are the channels known and accessible to **stakeholders**?

(c) do the channels have clear and known procedures, with indicative timeframes?

(d) do the channels ensure reasonable access for stakeholders to sources of information, advice and expertise?

(e) do the channels offer transparency by providing sufficient information both to complainants and, where applicable, to meet any public interest?

(f) do outcomes achieved through the channels accord with internationally recognised human rights?

(g) does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future impacts?

(h) does the undertaking focus on dialogue with complainants as the means to reach agreed solutions, rather than seeking to unilaterally determine the outcome?

AR 112. To provide greater insight into the information covered in this Disclosure Requirement regarding **consumers** and **end-users**, the undertaking may provide insight into whether and how consumers and/or end-users that may be affected are able to access channels at the level of the undertaking they are affected by, in relation to each material impact.

AR 113. In relation to the protection of individuals that use the mechanisms against retaliation, the undertaking may describe whether it treats grievances confidentially and with respect to the rights of privacy and data protection; and whether the mechanisms can be used anonymously (for example, through representation by a third party).

Actions on material impacts on consumers and end-users

AR-95-AR 114. When disclosing information on actions on material impacts related to consumers and end-users, the undertaking shall ~~consider~~ describing:

a. **actions** taken, planned or underway to prevent, mitigate or remediate material negative impacts on **consumers** and/or **end-users**;

~~b. whether and how it has taken action to provide or enable **remedy** in relation to an actual material impact;~~

~~e.b.~~ the processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on consumers and/or end-users;

~~d.~~ its approaches to taking action in relation to specific material negative impacts on consumers and/or end-users, including any action in relation to its own practices regarding product design, marketing or sales, as well as whether wider industry or collaborative action with other relevant parties will be required; and

~~e.~~ how it ensures that processes to provide or enable **remedy** in the event of material negative impacts are available and effective in their implementation and outcomes.

~~AR 96.~~ When disclosing information on actions on material risks related to **consumers** and/or **end-users**, the undertaking shall consider describing what **action** is planned or underway to mitigate material **risks** for the undertaking arising from its impacts and **dependencies** on consumers and/or end-users.

~~AR 97.~~ AR 115. The undertaking shall disclose whether and how it takes action to avoid causing or contributing to material negative impacts on **consumers** and/or **end-users** through its own practices, including, where relevant, in relation to marketing, sales and data use. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.

BUSINESS CONDUCT

Policies and actions for Business conduct

~~AR 98-AR 116.~~ When disclosing the information on **policies** related to business conduct, the undertaking shall ~~consider to~~ disclose:

- ~~e)a)~~ The role of the **administrative, management and supervisory bodies** related to business conduct; and
- ~~d)b)~~ The expertise of the administrative, management and supervisory bodies on business conduct matters;
- ~~e)c)~~ Whether it has policies on anti-**corruption** or anti-**bribery**;
- ~~f)d)~~ Where the undertaking has no policies, it shall state this and whether it has plans to implement them and the timetable for implementation;
- ~~g)e)~~ Whether it has policies on the protection of whistle-blowers;
- ~~h)f)~~ Where applicable, whether the undertaking has in place policies with respect to animal welfare.

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

~~AR 99.~~ **AR 117.** When disclosing the information on targets if the undertaking has targets on GHG emission reduction, required under paragraph 50, it shall disclose, if material, undertaking shall consider the information reported in the table below.

ID	Application Requirement	Sustainability topic	Targets - T	EU Data Points
1	The undertaking shall disclose its GHG emission reduction targets for scope 1, 2 and 3	climate change	T	SFDR Tab. 2 KPI 4 Climate benchmark regulation, Art. 6

~~AR 100.~~ When disclosing its targets, the undertaking shall consider:

- ~~i) the relationships of the target to the IRO or **policy** objectives;~~
- ~~j) the defined level of ambition (quantitative and qualitative depending on the nature of the target) to be achieved, including, where applicable, whether the target is absolute or relative and in which unit it is measured;~~
- ~~k) the scope of the target (operations, **value chain** and geographical boundaries or activities);~~
- ~~l) if applicable, the baseline value and base year from which progress is measured;~~
- ~~m) the timeframe to achieve the target;~~
- ~~n) the methodologies and significant assumptions used to define targets, including where applicable, the selected **scenario**, data sources, alignment with science-based methodologies, and national, EU or international policy goals;~~
- ~~o) any changes in targets or underlying methodologies and assumptions adopted within the defined time horizon together with an explanation of the rationale for those changes and their effect on comparability;~~
- ~~p) the overall progress towards the defined target.~~

~~AR 101.~~ When disclosing the information according to paragraph 66, the undertaking shall consider publicly claimed targets, or targets communicated to investors or lenders.

~~AR 102.~~ The targets may cover the undertaking's own operations and/or the **value chain**.

~~AR 103.~~ **AR 118.** When disclosing **targets** related to the prevention or mitigation of environmental impacts, the undertaking may prioritise targets related to the reduction of the impacts in absolute terms rather than in relative terms. When targets address the prevention or mitigation of social impacts, they may be specified in terms of the effects on human rights, welfare or positive outcomes for affected **stakeholders**.

~~AR 104-AR 119.~~ The information on progress made towards achieving the targets may be presented in a comprehensive table, including information on the baseline and target value, milestones, and achieved performance over the prior periods.

~~AR 105-AR 120.~~ When disclosing on targets related to environmental matters, the undertaking shall identify those that are science-based.

~~AR 106-AR 121.~~ ~~When setting targets, if the undertaking has targets it may disclose additional topic specific information defined in the following paragraphs, the undertaking may also consider the information defined in the following paragraphs.~~

~~In particular:~~

ENVIRONMENT

Targets for Climate change

~~AR 107-AR 122.~~ Regarding **GHG emission reduction targets** for scope 1, 2, and 3, the undertaking ~~may~~ shall disclose:

- ~~a)g)~~ GHG emission reduction targets in absolute value (either in tonnes of CO₂eq or as a percentage of the **emissions** of a base year) and, where relevant, in intensity value;
- ~~f)h)~~ GHG emission reduction targets for **Scope 1, 2, and 3 GHG emissions**, either separately or combined. The undertaking shall specify, in case of combined **GHG emission reduction targets**, which GHG emission Scopes (1, 2 and/or 3) are covered by the target;
- ~~e)j)~~ the current base year and baseline value of the target, and from 2030 onwards, update the base year for its GHG emission reduction targets after every five-year period thereafter;
- ~~t)l)~~ whether the GHG emission reduction targets are science-based and compatible with limiting global warming to 1.5°C, including information on which framework or methodology has been used to determine these targets including whether they are derived using a sectoral decarbonisation pathway and what the underlying climate and **policy scenarios** are and whether they have been externally assured;
- ~~u)k)~~ the expected **decarbonisation levers** and their overall quantitative contributions to achieve the GHG emission reduction targets (e.g., energy or material efficiency and consumption reduction, fuel switching, use of **renewable energy**, phase out or substitution of product and process).

~~AR 108-AR 123.~~ When setting climate change science-based targets or disclosing them, the undertaking may consider indications contained in resources like the Science Based Targets initiative (SBTi) for Small and Medium-Sized Enterprises (SMEs) by CDP, the United Nations Global Compact, the World Resources Institute, WWF; publication issued by WWF and BCG (2020), and *Beyond Science-Based Targets: A Blueprint for Corporate Action on Climate and Nature*.

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~~AR-109-AR 124.~~ When disclosing the information related to GHG **emission reduction targets**, the undertaking may specify the share of the target related to each respective **GHG emission Scope (1, 2 or 3)**. The undertaking may specify the method used to calculate Scope 2 GHG **emissions** included in the target (i.e., either the location-based or market-based method). If the boundary of the GHG **emission reduction target** diverges from that of the GHG **emissions**, the undertaking may disclose the respective percentage of Scope 1, 2, 3 and total GHG emissions covered by the target.

~~AR-110-AR 125.~~ When disclosing the information on base year and baseline value:

- (a) the undertaking may briefly explain how it has ensured that the baseline value against which the progress towards the target is measured is representative in terms of the activities covered and the influences from external factors (e.g., temperature anomalies in a certain year influencing the amount of energy consumption and related GHG emissions). This can be done by the normalisation of the baseline value, e.g., by using a baseline value that is derived from a 3-year average if this increases the representativeness and allows a more faithful representation;
- (b) the baseline value and base year shall not be changed unless significant changes in either the target or reporting boundary occur. In such a case, the undertaking may explain how the new baseline value affects the new target, its achievement and presentation of progress over time. To foster comparability, when setting new **targets**, the undertaking may select a recent base year that does not precede the first reporting year of the new target period by longer than 3 years. For example, for 2030 as the target year and a target period between 2025 and 2030, the base year shall be selected from the period between 2022 and 2025;
- (c) when presenting climate-related targets, the undertaking may disclose the progress in meeting these targets made before its current base year.

~~AR-111-AR 126.~~ The undertaking may present the information over the target period with reference to a sector-specific, if available, or a cross-sector emission pathway compatible with limiting global warming to 1.5°C. For this purpose, the undertaking may calculate a 1.5°C aligned reference target value for Scope 1 and 2 (and, if applicable, a separate one for Scope 3) against which its own **GHG emission reduction targets** or interim targets in the respective Scopes can be compared.

~~AR-112-AR 127.~~ The reference target value may be calculated by multiplying the GHG emissions in the base year with either a sector-specific (sectorial decarbonisation methodology) or cross-sector (contraction methodology) **emission reduction** factor. These emission reduction factors can be derived from different sources. The undertaking should ensure that the source used is based on an emission reduction pathway compatible with limiting global warming to 1.5°C.

~~AR-113-AR 128.~~ The **emission reduction** factors are subject to further development. Consequently, undertakings are encouraged to only use updated publicly available information.

2030	2050
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Cross-sector (ACA) reductions pathway based on the year 2020 as the reference year	-42%	-90%
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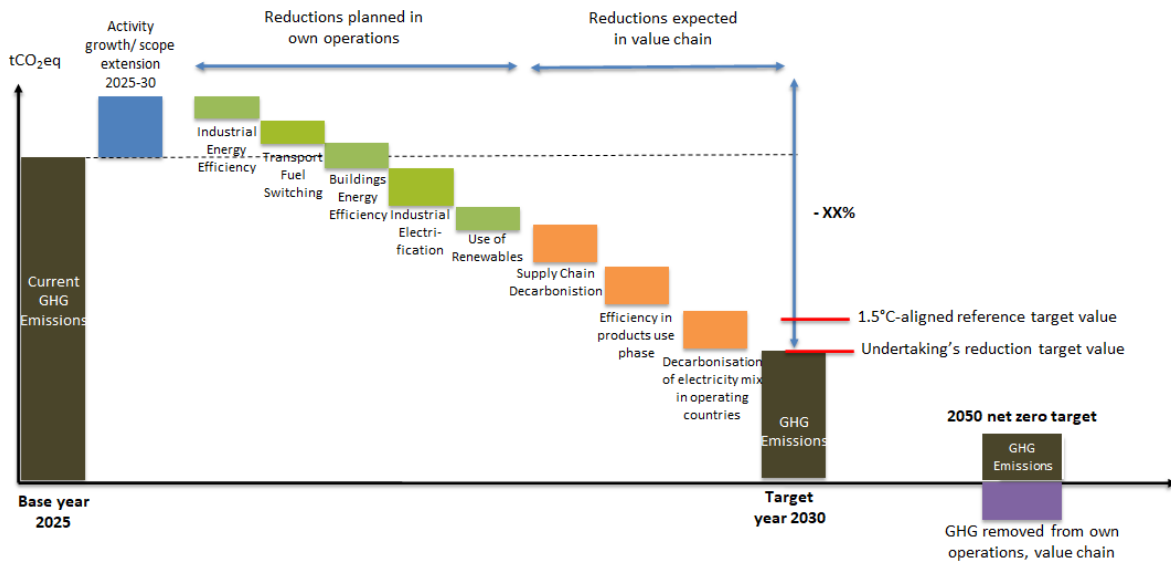
Source: based on Pathways to Net-zero –SBTi Technical Summary (Version 1.0, October 2021)

~~AR-114-AR 129.~~ The reference target value is dependent on the base year and baseline **emissions** of the undertaking’s GHG **emission reduction** target. As a result, the reference target value for undertakings with a recent base year or from higher baseline emissions may be less challenging to achieve than it will be for undertakings that already have taken ambitious past **actions** to reduce GHG emissions. Therefore, undertakings that have in the past achieved GHG emissions reductions compatible with either a 1.5°C-aligned cross-sector or sector-specific pathway, may adjust their baseline emissions accordingly to determine the reference target value. Accordingly, if the undertaking is adjusting the baseline emissions to determine the reference target value, it shall not consider GHG emission reductions that precede the year 2020 and it should provide appropriate evidence of its past achieved GHG emission reduction.

~~AR-115-AR 130.~~ When disclosing the information related to expected decarbonisation levers the undertaking may explain:

- (a) by reference to its **climate change mitigation actions**, the **decarbonisation levers** and their estimated quantitative contributions to the achievement of its GHG **emission reduction targets** broken down by each Scope (1, 2 and 3);
- (b) whether it plans to adopt new technologies and the role of these to achieve its GHG emission reduction targets; and
- (c) whether and how it has considered a diverse range of climate **scenarios**, at least including a climate scenario compatible with limiting global warming to 1.5°C, to detect relevant environmental-, societal-, technology-, market- and policy-related developments and determine its decarbonisation levers.

~~AR-116-AR 131.~~ The undertaking may present its GHG **emission reduction targets** together with its **climate change mitigation actions** (see paragraph AR 20) as a table or graphical pathway showing developments over time. The following figure and table provide examples combining targets and decarbonisation levers:



	Base year (e.g., 2025)	2030 target	2035 target	...	Up to 2050 target
GHG emissions (ktCO 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	-		

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

Targets for Pollution

~~AR-117~~AR 132. When disclosing information on targets that are related to pollution, the undertaking may specify whether and how its targets relate to the prevention and control of air pollutants and respective **specific loads, emissions** to water and respective specific loads, **pollution to soil** and respective specific loads, and **substances of concern** and **substances of very high concern**.

~~AR-118~~AR 133. If the undertaking refers to **ecological thresholds** when setting **targets**, it may refer to the guidance provided by the Science-Based Targets Initiative for Nature (SBTN) in its interim guidance (Initial Guidance for Business, September 2020, or any other guidance with a scientifically acknowledged methodology that allows setting of science-based targets by identifying ecological thresholds and, if applicable, entity-specific allocations. Ecological thresholds can be local, national and/or global.

~~AR-119~~AR 134. 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 the Taxonomy Regulation (Regulation EU 2020/852).

Targets for Water and marine resources

~~AR-120~~AR 135. When disclosing information on **targets** that are related to water and marine resources, the undertaking **may shall** indicate whether and how its targets relate to:

- ~~v~~a) the management of material **impacts, risks** and (**opportunities**) related to **areas at water risk**, including improvement of the water quality;
- ~~w~~b) the responsible management of **marine resources** impacts, risks and (opportunities) including the nature and quantity of marine resources-related commodities (such as gravels, deep-sea minerals, seafood) used by the undertaking; and
- ~~x~~c) the reduction of **water consumption**, including an explanation of how those targets relate to areas at water risk, including areas of high water-stress.

~~AR-121~~AR 136. If the undertaking refers to **ecological thresholds** when setting **targets**, it may refer to the guidance provided by the Science-Based Targets Initiative for Nature (SBTN)

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in its interim guidance (Initial Guidance for Business, September 2020). It may also refer to any other guidance with a scientifically acknowledged methodology that enables the setting of science-based targets by identifying ecological thresholds and, if applicable, organisation-specific allocations. Ecological thresholds can be local, national and/or global.

~~AR 122-AR 137.~~ _____ The undertaking may provide **targets** related to:

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

~~AR 123-AR 138.~~ _____ If the undertaking provides **targets** on withdrawals, it may include **water withdrawal** from polluted **soils** and aquifers, and water withdrawn and treated for **remediation** purposes.

~~AR 124-AR 139.~~ _____ If the undertaking provides **targets** on **discharges**, it may include **water discharges** to **groundwater** such as reinjection to aquifers, or water returning to a groundwater source via a soakaway or a swale.



Targets for Biodiversity and ecosystems

~~AR 125-AR 140.~~ _____ When disclosing information on **targets** that are related to **biodiversity** and **ecosystems**, the undertaking may specify whether and how these targets are related to:

- ~~y)a)~~ contribution to direct impact drivers on **biodiversity loss**;
- ~~z)b)~~ **impacts** on the state of species (i.e., species population size, species global extinction risk);
- ~~aa)c)~~ impacts on the extent and condition of **ecosystems** including through **land degradation, desertification** and **soilsealing**;
- ~~bb)d)~~ impacts and dependencies on ecosystem services.

~~AR 126-AR 141.~~ _____ When disclosing information on targets that are related to biodiversity and ecosystems, the undertaking may specify:

- ~~ee)a)~~ whether **ecological thresholds** and allocations of impacts to the undertaking were applied when setting **targets**;
- ~~dd)b)~~ whether the targets are informed by, and / or aligned with the **Kunming-Montreal Global Biodiversity Framework**, relevant aspects of the EU Biodiversity Strategy for 2030 and other **biodiversity** and **ecosystem**-related national **policies** and legislation;
- ~~ee)c)~~ the geographical scope of the targets, if relevant;
- ~~ff)d)~~ whether or not the undertaking used biodiversity offsets; and
- ~~gg)e)~~ to which of the layers of the mitigation hierarchy the target can be allocated (i.e., avoidance, minimisation, restoration and rehabilitation, compensation or offsets).

AR 127-AR 142. 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 128-AR 143. The targets related to material impacts may be presented in a table as illustrated below:

Type of target according to mitigation hierarchy	Baseline value and base year	Target value and geographical scope			Connected policy or legislation if relevant
		2025	2030	Up to 2050	
Avoidance					
Minimisation					
Rehabilitation and restoration					
Compensation or offsets					

The **targets** related to aspects listed in paragraph AR 122 of this section, may be presented in a table as illustrated below:

Type of target according to sustainability matter	Baseline value and base year	Target value and geographical scope			Connected policy or legislation if relevant
		2025	2030	Up to 2050	

AR 129-AR 144. Measurable **targets** related to **biodiversity** and **ecosystems** may be expressed as:

- (a) size and location of all **habitat** areas protected or restored, whether directly or indirectly controlled by the undertaking, and whether the success of the restoration measure was or is approved by independent external professionals;
- (b) recreated surfaces (environments in which management initiatives are implemented so as to create a habitat on a **site** where it did not exist initially); or
- (c) number or percentage of projects / sites whose ecological integrity was improved (e.g., installation of fish passes, wildlife corridors).

Targets for Resource use and circular economy

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~~AR 130-AR 145.~~ _____ When disclosing information on targets that are related to resource use and circular economy, the undertaking ~~may shall~~ specify:

~~hh)a)~~ _____ whether and how its **targets** relate to **resource inflows** and **resource outflows**, including **waste** and products and materials;

~~ii)b)~~ _____ which layer of the **waste hierarchy** the target relates;

~~jj)c)~~ _____ whether **ecological thresholds** and entity-specific allocations were taken into consideration when setting **targets**.

~~AR 131-AR 146.~~ _____ If the undertaking refers to **ecological thresholds** to set **targets**, it may refer to the guidance provided by the Science-Based Targets Initiative for Nature (SBTN) in its interim guidance (Initial Guidance for Business, September 2020) or any other guidance with a scientifically acknowledged methodology that allows to set science-based targets by identifying ecological thresholds and, if applicable, organisation-specific allocations. Ecological thresholds can be local, national and/or global.

~~AR 132-AR 147.~~ _____ When providing information on **targets** related to resource use and circular economy, the undertaking ~~may shall~~ prioritise targets in absolute value.

SOCIAL

Targets for Own workforce

~~AR 133-AR 148.~~ _____ When disclosing information on **targets** that are related to **own workforce**, the undertaking may disclose a summarised description of the time-bound and outcome-oriented targets it may have set related to:

~~kk)a)~~ _____ reducing negative impacts on its own workforce; and/or

~~ll)b)~~ _____ advancing positive impacts on its own workforce; and/or

~~mm)c)~~ _____ managing material risks and opportunities related to its own workforce.

~~AR 134-AR 149.~~ _____ The undertaking may disclose the process for setting the **targets**, including whether and how the undertaking engaged directly with its own workforce or **workers' representatives** in:

~~nn)a)~~ _____ setting any such targets;

~~oo)b)~~ _____ tracking the undertaking's performance against them; and

~~pp)c)~~ _____ identifying any lessons or improvements as a result of the undertaking's performance.

Targets for Value chain workers

~~AR 135-AR 150.~~ _____ When disclosing information on **targets** that are related to **value chain workers**, the undertaking may disclose a summarised description of the time-bound and outcome-oriented targets it may have set related to:

~~qq)a)~~ _____ reducing negative impacts on value chain workers; and/or

- ~~rr~~)b) advancing positive impacts on value chain workers; and/or
- ~~ss~~)c) managing material risks and opportunities related to value chain workers.

~~AR-136-AR 151.~~ The undertaking may disclose the process for setting the **targets**, including whether and how the undertaking engaged directly with workers in the value chain, their legitimate representatives, or with **credible proxies** that have insight into their situation in:

- ~~tt~~)a) setting any such targets;
- ~~uu~~)b) tracking the undertaking's performance against them; and
- ~~vv~~)c) identifying any lessons or improvements as a result of the undertaking's performance.

Targets for Affected communities

~~AR-137-AR 152.~~ When disclosing information on **targets** that are related to **affected communities**, the undertaking may disclose a summarised description of the time-bound and outcome-oriented targets it may have set related to:

- ~~ww~~)a) reducing negative impacts on affected communities; and/or
- ~~xx~~)b) advancing positive impacts on affected communities; and/or
- ~~yy~~)c) managing material risks and opportunities related to affected communities.

~~AR-138-AR 153.~~ The undertaking may disclose the process for setting the **targets**, including whether and how the undertaking engaged directly with affected communities, their legitimate representatives, or with **credible proxies** that have insight into their situation in:

- ~~zz~~)a) setting any such targets;
- ~~aaa~~)b) tracking the undertaking's performance against them; and
- ~~bbb~~)c) identifying, any, lessons or improvements as a result of the undertaking's performance.

Targets for Consumers and end-users

~~AR-139-AR 154.~~ When disclosing information on **targets** that are related to **consumers** and **end-users**, the undertaking may disclose a summarised description of the time-bound and outcome-oriented targets it may have set related to:

- ~~eee~~)a) reducing negative impacts on consumers and/or end-users; and/or
- ~~ddd~~)b) advancing positive impacts on consumers and/or end-users; and/or
- ~~eee~~)c) managing material risks and opportunities related to consumers and/or end-users.

~~AR 140-AR 155.~~ The undertaking may disclose the process for setting the **targets**, including whether and how the undertaking engaged directly with **consumers** and/or **end-users**, their legitimate representatives, or with **credible proxies** that have insight into their situation in:

- ~~fff)a)~~ setting any such targets;
- ~~ggg)b)~~ tracking the undertaking's performance against them; and
- ~~hhh)c)~~ identifying, if any, lessons or improvements as a result of the undertaking's performance.

~~**Disclosure Requirement 13 (IR-5) – Processes for engaging with own workforce, value chain workers, affected communities, consumers and end-users, and their representatives about impacts**~~

~~AR 141. When preparing the disclosures described in paragraph 1869 b), the following illustrations may be considered:~~

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

~~AR 142. To illustrate how the perspectives of its **own workforce, value chain workers, affected communities, and consumers and end-users** have informed specific decisions or activities, the undertaking may provide examples from the current reporting period.~~

~~**Additional Application Requirements only for S1 Own Workforce**~~

~~AR 143. Where the undertaking has agreements with national, European or international trade unions or works councils related to the rights of people its own workforce, this can may be disclosed to illustrate how the agreement enables the undertaking to gain insight into the perspectives of such people.~~

~~AR 144. **Where possible, the undertaking shall consider providing** may provide examples from the reporting period to illustrate how the perspectives of its **own workforce and workers' representatives** have informed specific decisions or activities of the undertaking.~~

~~AR 145. The undertaking shall consider the following aspects when fulfilling this Disclosure Requirement:~~

- ~~(a) the type of engagement (for example, information, consultation or participation) and its frequency (for example, ongoing, quarterly, annually);~~
- ~~(b) how feedback is recorded and integrated into decision-making, and how people in the workforce are informed about the way in which their feedback has influenced decisions;~~
- ~~(c) whether engagement activities take place at the organisational level or at a lower level, such as at the site or project level, and in the latter case, how information from engagement activities is centralised;~~
- ~~(d) the resources (for example, financial or human resources) allocated to engagement; and~~
- ~~(e) how it engages with people in its workforce and workers' representatives on the impacts on its own workforce that may arise from reducing carbon emissions and transitioning to greener and climate-neutral operations, in particular restructuring, employment loss or creation, training and up/reskilling, gender and social equity, and health and safety.~~

~~AR 146. The undertaking may also disclose the following information in relation to paragraph 25 on diversity:~~

- ~~(a) how it engages with at-risk or persons in vulnerable situations (for example whether it takes specific approaches and gives special attention to potential barriers);~~
- ~~(b) how it takes into account potential barriers to engagement with people in its workforce (for example, language and cultural differences, gender and power imbalances, divisions within a community or group);~~
- ~~(c) how it provides people in its workforce with information that is understandable and accessible through appropriate communication channels;~~
- ~~(d) any conflicting interests that have arisen among its workforce and how the undertaking has resolved these conflicting interests; and~~
- ~~(e) how it seeks to respect the human rights of all stakeholders engaged, for example, their rights to privacy, freedom of expression, and peaceful assembly and protest.~~

~~AR 147. The undertaking may also report information about the effectiveness of processes for engaging with its **own workforce** from previous reporting periods. This applies in cases where the undertaking has assessed the effectiveness of these processes or derived lessons during the current reporting period. Processes used to track the effectiveness can include internal or external auditing or verification, impact assessments, measurement systems, **stakeholder** feedback, **grievance mechanisms**, external performance ratings, and benchmarking.~~

~~*Additional Application Requirements only for S4 Consumers and end-users*~~

~~AR 148. **Credible proxies** who have knowledge of the interests, experiences or perspectives of **consumers** and **end-users** could include national consumer protection bodies for some consumers.~~

~~*Additional Application Requirements only for S3 Affected communities*~~

AR 149. The undertaking shall consider how the engagement includes a good faith negotiation with affected **indigenous peoples** to obtain their **free, prior and informed consent** where the undertaking affects the lands, territories or resources that indigenous peoples customarily own, occupy or otherwise use; or relocates them from land or territories subject to traditional ownership or under customary use or occupation; or affects or exploits their cultural, intellectual, religious and spiritual property.

AR 150. Explanations of how the undertaking takes into account and ensures respect of the particular right of **indigenous peoples** to **free, prior and informed consent**, may include information about processes to consult with indigenous peoples to obtain their free prior and informed consent.

~~Disclosure Requirement 14 (IR-6) – Processes to remediate negative impacts and channels for own workers, value chain workers, affected communities, consumers and end-users to raise concerns~~

AR 151. In fulfilling the requirements set out by the Disclosure Requirement 23XX, the undertaking may be guided by the content of the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct focused on **remediation** and **grievance mechanisms**.

AR 152. Channels for raising concerns or needs include **grievance mechanisms**, hotlines, trade unions (where people in the workforce are unionised), works councils, dialogue processes or other means through which the undertaking's own workforce, workers in the value chain, affected communities, consumers and end-users, or their legitimate representatives can raise concerns about impacts or explain needs that they would like the undertaking to address. This could include both channels provided by the undertaking directly and channels provided by the entities where their own workforce or value chain workers, respectively, are working, in addition to any other mechanisms an undertaking may use to gain insight into the management of impacts on its own workforce, value chain workers, affected communities, consumers and end-users, such as compliance audits. Where the undertaking is relying solely on information about the existence of such channels provided by its **business relationships** to answer this requirement, it may state that.

AR 153. Third party mechanisms could include those operated by the government, NGOs, industry associations and other collaborative initiatives. The undertaking may disclose whether these are accessible to all of its own workforce (or **workers' representatives** or, in their absence, individuals or organisations acting on their behalf or who are otherwise in a position to be aware of negative impacts).

AR 154. The undertaking may disclose its processes through which it supports or requires the availability of such channels in the workplace of its own workforce, in the workplace of value chain workers, by its business partners for affected communities and consumers and end-users.

AR 155. In explaining/disclosing whether and how the undertaking knows that people in its **own workforce, value chain workers, affected communities** and **consumers** and/or **end-users** are aware of and trust any of these channels, the undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of the people concerned. Examples of sources of information are surveys of people in the undertaking's

~~workforce/value chain workers/community members/consumers and/or end-users that have used such channels and their levels of satisfaction with the process and outcomes. To illustrate the usage level of such channels, the undertaking may disclose the number of complaints received from consumers and/or end-users during the reporting period.~~

~~AR 156. The undertaking may disclose how it tracks and monitors issues raised and addressed, and, how it ensures the effectiveness of the channels, including through the involvement of **stakeholders** who are intended **users**.~~

~~AR 157. In describing the effectiveness of channels for its **own workforce** and **workers' representatives, value chain workers, affected communities** and **consumers** and/or **end-users** to raise concerns, the undertaking may be guided by the following questions, based on the "effectiveness criteria for non-judicial **grievance mechanisms**", as laid out in the UN Guiding Principles on Business and Human Rights, in particular principle 31. The considerations below may be applied to individual channels or to a collective system of channels:~~

~~(a) do the channels have legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust?~~

~~(b) are the channels known and accessible to **stakeholders**?~~

~~(c) do the channels have clear and known procedures, with indicative timeframes?~~

~~(d) do the channels ensure reasonable access for stakeholders to sources of information, advice and expertise?~~

~~(e) do the channels offer transparency by providing sufficient information both to complainants and, where applicable, to meet any public interest?~~

~~(f) do outcomes achieved through the channels accord with internationally recognised human rights?~~

~~(g) does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future impacts?~~

~~(h) does the undertaking focus on dialogue with complainants as the means to reach agreed solutions, rather than seeking to unilaterally determine the outcome?~~

~~Additional Application Requirements only for S1 Own Workforce~~

~~AR 158. The undertaking shall consider whether and how people in its **own workforce** that may be affected and their **workers' representatives** are able to access channels at the level of the undertaking they are employed by, or contracted to work for, in relation to each material impact. Relevant channels may include hotlines, trade unions (where people in the workforce are unionised) or works councils, or other **grievance mechanisms** operated by the relevant undertaking or by a third party.~~

~~Additional Application Requirements only for S2 Value chain workers, S3 Affected communities and S4 Consumers and end-users~~

~~AR 159. To provide greater insight into the information covered in this Disclosure Requirement regarding workers in the value chain, the undertaking may explain whether and how **value**~~

~~chain~~ workers that may be affected are able to access channels at the level of the undertaking they are employed by, or contracted to work for, in relation to each material impact.

~~AR 160. To provide greater insight into the information covered in this Disclosure Requirement regarding affected communities, the undertaking may provide insight into whether and how communities that may be affected are able to access channels at the level of the undertaking they are affected by, in relation to each material impact. Relevant insights include information on whether **affected communities** can access channels in a language they understand, and whether they have been consulted in the design of such channels.~~

~~AR 161. To provide greater insight into the information covered in this Disclosure Requirement regarding **consumers** and **end-users**, the undertaking may provide insight into whether and how consumers and/or end-users that may be affected are able to access channels at the level of the undertaking they are affected by, in relation to each material impact.~~

~~AR 162. In relation to the protection of individuals that use the mechanisms against retaliation, the undertaking may describe whether it treats grievances confidentially and with respect to the rights of privacy and data protection; and whether the mechanisms can be used anonymously (for example, through representation by a third party).~~

~~*Additional Application Requirements only for S3 Affected communities*~~

~~AR 163. When disclosing processes related to providing and enabling **remedy** for **indigenous peoples**, relevant information includes whether and how the undertaking has considered their customs, traditions, rules and legal systems.~~

~~Appendix B: List of datapoints in cross-cutting and topical sections that are required by EU law~~



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