

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

Exposure Draft

DRAFT EUROPEAN SUSTAINABILITY REPORTING STANDARD

SECTION 2 GENERAL DISCLOSURES

and

SECTION 3 POLICIES, ACTIONS AND TARGETS

CHANGES PROPOSED BY LAURENCE RIVAT (ANC) AND OTHER SRB MEMBERS

IN YELLOW: CHANGES PROPOSED BY LAURENCE RIVAT THAT NECESSITATE A SPECIFIC SRB DECISION

IN GREY CHANGES PROPOSED BY OTHER SRB MEMBERS IN THE MEETING ON 24 OCTOBER

IN MARKUP OTHER CHANGES PROPOSED BY LAURENCE RIVAT

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 November 2023.

The markup shows changes to the SR TEG approved version, that were suggested during the SRB meeting on 24 October (in grey in this document). In particular :

- ***Paragraph 9 : the disclosure of the reasons to deviate from standard time-horizons has been included***
- ***Paragraph 20: content about GOV 1 has been enhanced***
- ***Paragraph 20: content about GOV 2 has been included. - -***
- ***AR 11 editorial (alignment with Set 1)***

In addition this markup shows changes proposed in written by Laurence Rivat (ANC), in order to further streamline and reduce the requirements and the discussions of SRB on 24 October 2023. Some of them require an explicit decision of the EFRAG SRB (they are marked in yellow as SRB discussion points). In particular:

- ***Granular datapoints in SBM-3 (conflicting views)***
- ***SBM-3 financial effects***

Other changes modify the substance of the ED as approved by SR TEG. For information purposes we list them below:

- 1) ***the following modify the digital tagging of the disclosure. If the SRB accepts to take onboard these suggestions, the EFRAG Secretariat recommends a specific question in the consultation on whether this creates a reduction in digital usability:***
 - ***Para. 19: the grouping of different original datapoints about diversity in the administrative management and supervisory body into a single datapoint, that will trigger less granularity in the XBLR tagging;***
 - ***Para. 32 (a): the grouping of different original datapoints into a single datapoint, that will trigger less granularity in the XBLR tagging;***
 - ***Para. 35 (a) (i): the grouping of different original datapoints into a single datapoint, that will trigger less granularity in the XBLR tagging. In addition in the SRB meeting on 24 October one SRB member was against the merger of these***
- 2) ***In addition, the elimination of the following AR paragraphs have been suggested: Climate, AR 17, 18, 19. EFRAG Secretariat considers that this may be counterproductive, as these paragraphs are ‘may’, so they do not add burden, and actually help to contextualise what the undertaking is supposed to do when preparing the relevant disclosure. Should the SRB accept these changes, EFRAG Secretariat suggests to cover these 3 ARs specifically in the consultation to check their usefulness with entities in scope***
- 3) ***On SBM-1 par. 28 b): Included “where the company or its subsidiaries operate or can potentially have a material impact”***
- 4) ***Simplification of para. 35 b) SBM 3***

SIMPLIFICATION COMPARED TO SET 1 IN THIS MODULE

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

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SECTION 2 – GENERAL DISCLOSURES

Objective

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

1. Basis for preparation

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

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

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

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

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

Time horizons

8. When 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:
- (a) its definitions of medium- or long-term time horizons.
 - (b) the reasons for applying those definitions.

Value chain estimation

9. When **metrics** include upstream and/or downstream **value chain** data, including data of the subsidiaries, estimated using indirect sources, such as sector-average data or other proxies, the undertaking shall:
- (a) identify the metrics; and
 - (b) describe the basis for preparation, including how data of the subsidiaries have been considered.

Sources of estimation and outcome uncertainty

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

~~(a) identify the quantitative metrics and monetary amounts it has disclosed that are subject to a high level of measurement uncertainty and disclose information to enable users to understand those uncertainties (such as the description of the sources of uncertainties and the key assumptions made in the measurement). It may also disclose additional information to enable users to understand the most significant uncertainties;~~

~~— In relation to each quantitative metric and monetary amount identified:~~

~~— 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~~

~~— Disclose the assumptions, approximations and judgements the entity has made in measuring it.~~

~~11.10.~~ 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

~~12.11.~~ When changes in the preparation and presentation of sustainability information occur compared to the previous reporting period(s), (see [draft] Section 1 chapter 6.4 *Changes in preparation or presentation in sustainability information*), the undertaking shall:

- (a) explain the changes; and
- (b) where possible with reasonable effort, provide restated comparative figures.

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

Reporting errors in prior periods

~~43.12.~~ When material prior period errors exist (see [draft] Section 1 chapter 6.5 *Reporting errors in prior periods*), the undertaking shall disclose:

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

Disclosures stemming from local legislations or generally accepted sustainability reporting pronouncements

~~44.13.~~ When the undertaking includes in its individual **sustainability statement** information stemming from other legislation which requires the undertaking to disclose sustainability information or from generally accepted sustainability reporting standards and frameworks (see [draft] Section 1 chapter 7.2 *Content and structure of the sustainability statements*), in addition to the information prescribed by [draft] ESRS, it shall disclose this fact. In case of partial application of other reporting standards or frameworks, the undertaking shall provide a precise reference to the paragraphs of the standard or framework applied.

Incorporation by reference

~~45.14.~~ When the undertaking incorporates information by reference (see [draft] Section 1 chapter 8.1 *Incorporation by reference*), it shall disclose a list of the disclosure requirements of [draft] ESRS, or the specific datapoints mandated by a Disclosure Requirement, that have been incorporated by reference.

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

~~46.15.~~ If an undertaking decides to apply phased-in provisions according to Section 1 Appendix C in relation to the topics biodiversity, own workforce, value chain workers, affected communities, consumers and end-users, it shall nevertheless disclose whether the aforementioned-respective sustainability topics have been assessed to be material as a result of the undertaking's materiality assessment. In addition, if one or more of these topics has been assessed to be material, the undertaking shall, for each material topic:

- (a) disclose the list of matters (i.e. topic, sub-topic or sub-sub-topic) in AR 15 Section 1 Appendix A that are assessed to be material and how the undertaking's **business model** and strategy take account of the impacts of the undertaking related to those matters. The undertaking may identify the matter at the level of topic, sub-topic or sub-sub-topic;
- (b) If the undertaking has set sustainability-related targets in relation to the matters in question, it shall disclose the progress it has made towards achieving those targets, and

whether its targets related to **biodiversity** and **ecosystems** are based on conclusive scientific evidence;

- (c) briefly describe its **policies** in relation to the matters in question;
- (d) briefly describe **actions** it has taken to identify, monitor, prevent, mitigate, remediate or bring an end to actual or potential adverse impacts related to the matters in question, and the result of such actions; and
- (e) disclose **metrics** relevant to the matters in question.

2. Governance

~~17.16.~~ The objective of this chapter is to set disclosure requirements that enable an understanding of the governance processes, controls and procedures put in place to monitor, manage and oversee sustainability matters.

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

~~18.17.~~ The undertaking shall disclose the composition of the administrative, management and supervisory bodies, their roles and responsibilities and access to expertise and skills with regard to sustainability matters.

~~19.18.~~ The objective of this Disclosure Requirement is to provide an understanding of:

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

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

~~20.~~ (a) ~~if applicable, the number of executive and non-executive members, the representation of employees and other workers, the percentage of independent¹ board members;~~ and:

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

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

¹ 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.

~~(e)~~ percentage by gender and other aspects of diversity that the undertaking considers. The board's gender diversity² shall be calculated as an average ratio of female to male board members; and

~~(d)~~ the percentage of **independent³ board members**.

~~The undertaking shall also disclose the following information about the composition and diversity of the members of its **administrative, management and supervisory bodies**:~~

~~(b)~~ the percentage by gender and other aspects of diversity that the undertaking considers. The board's gender diversity⁴ shall be calculated as an average ratio of female to male board members.

24.20. The undertaking shall disclose a description of management's role in the governance processes, controls and procedures used to monitor, manage and oversee impacts, risks and opportunities, including: :

(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;

~~(b)(c)~~ whether dedicated controls and procedures are applied to the management of impacts and risks and, if so, how they are integrated with other internal functions; and

~~(e)(d)~~ whether, by whom and how frequently the administrative, management and supervisory bodies, including their relevant committees when present, are informed about material impacts, risks and opportunities and, if applicable, about the policies, actions, targets adopted to address them and the respective results and metrics; ~~and~~

~~(d)(e)~~ If applicable, a brief description of how the administrative, management and supervisory bodies determine whether appropriate skills and expertise are available or will be developed to oversee **sustainability matters**.

Disclosure Requirement 4 (GOV-2) - Due diligence

22.21. The undertaking shall disclose whether it has adopted a due diligence process with regard to sustainability matters.

²This 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.

³This 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.

⁴This 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.

~~23.22.~~ The objective of this Disclosure Requirement is to facilitate an understanding of the undertaking's due diligence process(es) with regard to **sustainability matters**.

~~24.23.~~ The undertaking shall disclose whether it has adopted due diligence process(es) or not⁵.

~~25.24.~~ If the undertaking has implemented such processes, it shall briefly illustrate how and where the due diligence process(es) are reflected in its sustainability statements.

~~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

~~27.25.~~ This chapter sets disclosure requirements that enable an understanding of:

- (a) the elements of the undertaking's strategy that relate to or affect **sustainability matters**, its business model(s) and its value chain;
- (b) the outcome of the undertaking's assessment of material **impacts** and **risks** including how they inform its strategy and business model(s).

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

~~28.26.~~ The undertaking shall disclose the elements of its strategy that relate to or impact sustainability matters, its business model and its value chain.

~~29.27.~~ The objective of this Disclosure Requirement is to describe the key elements of the undertaking's general strategy that relate to or affect **sustainability matters**, and the key elements of the undertaking's **business model** and **value chain**, in order to provide an understanding of the undertaking's exposure to **impacts** and **risks** and where they originate.

~~30.28.~~ The undertaking shall disclose the following information about the key elements of its general strategy that relate to or affect **sustainability matters**:

- (a) a description of:
 - i. significant groups of products and/or services offered, including changes in the reporting period (new/removed products and/or services);
 - ii. significant markets and/or customer groups served, including changes in the reporting period (new/removed markets and/or customer groups);
 - iii. main countries of operation of the parent undertaking and of the subsidiaries that are connected with material impacts or risks; and
 - iv. where applicable and material, products and services that are banned in certain markets.

⁵ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts 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").

- (b) the list of significant ESRS sectors ~~where the company or its subsidiaries operate or can potentially have a material impact in which the undertaking and, where appropriate based on the outcome of the materiality assessment, its subsidiaries are active.~~ The list of sectors shall be consistent with the way sectors have been considered by the undertaking when performing its **materiality** assessment (which as part of the value chain also includes its subsidiaries) and with the way it discloses material sector information;
- (c) where applicable, a statement indicating, together with the related revenues, that the undertaking is active in:
- i. the **fossil fuel** (coal, oil and gas) sector⁶, 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 Council⁷, 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 2021/2178⁸;
 - ii. chemicals production⁹, i.e., its activities fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006;
 - iii. controversial weapons¹⁰ (anti-personnel mines, cluster munitions, chemical weapons and biological weapons); and/or
 - iv. the cultivation and production of tobacco¹¹;
- (d) its sustainability-related goals, if applicable, in terms of significant groups of products and services, customer categories, geographical areas and relationships with **stakeholders**.

⁶ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts set out by indicator #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”).

⁷ 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).

⁸ 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).

⁹ 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”).

¹⁰ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse 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)”).

¹¹ 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.

~~34.29.~~ The undertaking shall disclose a description of its **business model** and **value chain**, including:

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

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

~~32.30.~~ If the undertaking engages with stakeholders, it shall disclose how their interests and views are taken into account by the undertaking's strategy and business model.

~~33.31.~~ The objective of this Disclosure Requirement is to understand the extent to which **stakeholders'** interests and views inform the undertaking's strategy and **business model**.

~~34.32.~~ If the undertaking engages with its key stakeholders, it shall disclose a summarized description of:

- (a) its stakeholder engagement, including the undertaking's key **stakeholders**, whether engagement with them occurs and for which categories of stakeholders and how its outcome is taken into account by the undertaking, where applicable, in amending its strategy and/or business model.

~~i. the undertaking's key **stakeholders**;~~

~~ii. whether engagement with them occurs and for which categories of stakeholders; and~~

~~iii. how its outcome is taken into account by the undertaking, where applicable, in amending its strategy and / or its business model;~~

- (b) the undertaking's understanding of the interests and views of its key **stakeholders** as they relate to the undertaking's strategy and **business model**, to the extent that these were analysed during the **materiality** assessment process (see Disclosure Requirement IR-1 of this [draft] ESRS).

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

~~35.33.~~ The undertaking shall disclose its material negative impacts and risks and how they interact with its strategy and business model.

~~36.34.~~ The objective of this Disclosure Requirement is to provide an understanding of the material negative **impacts** and **risks** as they result from the undertaking's **materiality** assessment and how they originate from and trigger adaptation of the undertaking's strategy

and **business model** including its resources allocation. The information to be disclosed about the management of the undertaking's material negative impacts and risks is prescribed in Section 2 of this [draft] ESRS.

~~37.35.~~ The undertaking shall disclose its material negative **impacts** and **risks** resulting from its **materiality** assessment (see Disclosure Requirement IR-1 of this [draft] ESRS). The disclosure shall include the following:

(a) the undertaking's material negative impacts, including:

~~i. a brief description of how its material impacts affect (or, in the case of potential impacts, are likely to affect) people or the environment; ;~~

~~ii.i. whether and how its material impacts originate from or are connected to the undertaking's strategy and business model and whether the undertaking is involved with the material impacts through its activities or because of its **business relationships** (including its subsidiaries); and~~

~~iii. whether the undertaking is involved with the material impacts through its activities or because of its **business relationships** (including its subsidiaries); and~~

~~iv.ii. the reasonably expected time horizons of the impacts.~~

(b) ~~if the undertaking has adjusted or plans to adjust its strategy and/or business model to address a material sustainability matter, it shall describe the current or planned changes to its strategy or business model(s); the current and anticipated effects of material impacts and risks on its strategy and decision-making, including how the undertaking is responding to these effects. In this context, the undertaking shall disclose any changes it has made, or plans to make, to its strategy or business model(s) as part of its actions to address particular material impacts or risks;~~

(c) the **current financial effects** of the undertaking's material risks on its financial position, financial performance and cash flows and the material risks for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements;

(d) the **anticipated financial effects** of the undertaking's material risks on its financial position, financial performance and cash flows over the short-, medium- and long-term, including the reasonably expected time horizons for those effects. This may include how the undertaking expects its financial position, financial performance and cash flows to change over the short, medium- and long-term, given its strategy to manage risks, taking into consideration:

i. its investment and disposal plans (for example, capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas and asset retirements), including plans the undertaking is not contractually committed to; and

ii. its planned sources of funding to implement its strategy.

(e) changes to the material impacts and risks compared to the previous reporting period; and

- (f) specification of those negative impacts and risks that are covered by Disclosure Requirements included in this [draft] ESRS as opposed to those covered by the undertaking using additional entity-specific disclosure.
- ~~38-36.~~ The undertaking may disclose the descriptive information required in paragraph 35 alongside the disclosures provided under the corresponding topical Sections of this [draft] ESRS. If the undertaking decides to do so, it shall still present a statement of its material negative **impacts** and **risks** alongside its disclosures prepared under this chapter.
- ~~39-37.~~ When disclosing information on material impacts and risks resulting from its materiality assessment, the undertaking shall apply the topic specific information in Application Requirements SBM-3, for the topics that are material.
- ~~40-38.~~ In particular some information (summarised in Table of AR 16 of this Section) are related to Appendix B of this 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

- ~~41-39.~~ The undertaking may disclose its material sustainability related positive impacts and/or its material sustainability related financial **opportunities**.
- ~~42-40.~~ Regarding opportunities, the undertaking shall not report on those for which the undertaking has not put in place or does not plan to put in place concrete **actions** to pursue them, accompanied by the necessary resources.
- ~~43-41.~~ When disclosing on its material positive impacts and/or material opportunities for environmental, social and business conduct sustainability matters, the undertaking shall include:
- a description of them, how they originate, the sustainability matter to which they are linked and their expected time horizon;
 - how it results in financial effects for the undertaking; and
 - the actions that the undertaking has put or plans to put in place to pursue the opportunity, including the resources that have been mobilised.
- ~~44-42.~~ Quantitative **financial effects** deriving from opportunities may be disclosed only when they meet the qualitative characteristics of information, including reliability and shall be accompanied by an illustration of the methodology for calculation and main assumptions used.

4. Impact and risk management

- ~~45-43.~~ This chapter sets disclosure requirements that enable an understanding of:
- the processes to identify material **impacts** and **risks**; and
 - 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

- ~~46.44.~~ The undertaking shall provide a description of its processes to identify its impacts and risks and to assess which ones are material.
- ~~47.45.~~ The objective of this Disclosure Requirement is to provide an understanding of the process through which the undertaking identifies **impacts** and **risks** and assesses their **materiality**, as the basis for determining the disclosures in its sustainability reporting (see Section 1 of this [draft] ESRS chapter 3 and its related Application Requirements, which set out requirements and principles regarding the process to identify and assess material impacts and risks based on the principle of double materiality). If the undertaking discloses on a voluntary basis positive impacts or opportunities, it shall disclose the process through which it identifies them and assesses their materiality.
- ~~48.46.~~ The undertaking shall disclose the following information:
- an overview of the process to identify, assess and prioritise the undertaking's potential and actual negative **impacts** in relation to sustainability matters (a list of sustainability matters is defined in Section 1 AR 15) based on their relative severity and, for potential impacts, also likelihood (see [draft] section 1, chapter 3.4 *Impact materiality*);
 - an overview of the process to identify, assess and prioritise **risks** that have or may have **financial effects** (see draft Section 1 chapter 3.5 *Financial materiality*).
 - the input parameters it uses (for example, data sources, the scope of operations covered and the detail used in assumptions); and
 - 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.
- ~~49.47.~~ The undertaking shall include the datapoints that derive from other EU legislation set in AR AR 17 and AR 28 of this Section 2.
- ~~50.48.~~ When disclosing information on the processes to identify and assess material negative impacts and risks, the undertaking shall apply the topic specifications set in *Application Requirements IR-1* (paragraphs from AR 28 to AR 44 of this Section 2).
- ~~51.49.~~ Regarding the process of assessing impacts, the undertaking may include an explanation of whether and how the process:
- focuses on specific areas due to heightened risk of adverse impacts;
 - considers the impacts with which the undertaking is involved through its own operations or as a result of its business relationships, including its subsidiaries;
 - include(s) consultation with affected **stakeholders** to understand how they may be impacted and with external experts; and

- (d) prioritises negative impacts based on their relative severity and likelihood, (see [draft] Section 1 chapter. 3.4 *Impact materiality*) and determines which sustainability matters are material for reporting purposes, including the qualitative or quantitative thresholds and other criteria used as prescribed by Section 1 par, 3.4 *Impact materiality*.
- ~~52.50.~~ Regarding the process of assessing risks, the undertaking may include a description of:
- (a) how the undertaking assesses the likelihood, magnitude, and nature of effects of the identified risk (such as the qualitative or quantitative thresholds and other criteria used as prescribed by Section 1 chapter 3.5 *Financial materiality*); and
 - (b) how the undertaking prioritises sustainability-related risks relative to other types of risks, including its use of risk-assessment tools.
- ~~53.51.~~ The undertaking may address all sustainability matters in the same location or present the relevant information separately in the topical sections of the sustainability statement.

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

- ~~54.52.~~ The undertaking shall report on the Disclosure Requirements complied with in its sustainability statement.
- ~~55.53.~~ The objective of this Disclosure Requirement is to provide an understanding of the Disclosure Requirements included in the undertaking’s sustainability reporting and of the topics that have been omitted as not material, as a result of the **materiality** assessment.
- ~~56.54.~~ The undertaking shall include a list of the Disclosure Requirements complied with in preparing the **sustainability statement**, following the outcome of the **materiality** assessment (see Section 1 of this [draft] ESRS, chapter 3 *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.
- ~~57.55.~~ If the undertaking concludes that climate change is not material and therefore omits all disclosure requirements in ESRS E1 Climate change, it shall disclose a detailed explanation of the conclusions of its materiality assessment with regard to climate change (see Section 1 paragraph 34) including a forward-looking analysis of the conditions that could lead the undertaking to conclude that climate change is material in the future.
- ~~58.56.~~ 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.
- ~~59.57.~~ The undertaking shall provide an explanation of how it has determined the material information to be disclosed in relation to the **impacts** and **risks** that it has assessed to be

material, including the use of thresholds and/or how it has implemented the criteria in Section 1 chapter 3.2 *Material matters and materiality of information*.

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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**;

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

Disclosure Requirement 4 (GOV-2) – Due diligence

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

3. Strategy

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

AR 6-AR 7. To provide the information on sectors required by paragraph 30, the undertaking shall map its significant activities in accordance with ESRS sectors. If a code for a sub-sector does not exist, the caption "others" shall be used.

AR 7-AR 8. For the purposes of disclosures required in paragraph 30, a group of products and/or services offered, a group of markets and/or customer groups served, or an ESRS sector, is significant for the undertaking if it meets one or both of the following criteria:

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

AR 8-AR 9. In preparing disclosures relating to its business model and **value chain**, the undertaking shall consider:

- (a) its key **business relationships**, including with customers, and their key characteristics, its key activities, key **suppliers**, key resources, key distribution channels, and key customer segments;
- (b) the cost structure and revenue of its business segments, in line with IFRS 8 disclosure requirements in the financial statements, where applicable;

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

AR-9-AR 10. Contextual information may be particularly relevant for users of the undertaking’s sustainability statement, to understand to what extent the reported disclosures include upstream and/or downstream value chain information. The description of the main features of the upstream and/or downstream value chain and where applicable the identification of key value chains should support an understanding of how the undertaking applies the requirements of [draft] Section 1 chapter 4 and the **materiality** assessment performed by the undertaking in line with [draft] Section 1 chapter 3. The description may provide a high-level overview of the key features of value chain entities indicating their relative contribution to the undertaking’s performance and positions and explaining how they contribute to the value creation of the undertaking.

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

AR-10-AR 11. If the undertaking engages with stakeholders, their views and interests that are expressed as part of the undertaking’s engagement activities, also through its due diligence process if the undertaking has adopted it, may be relevant to one or more aspects of its strategy or business model. As such, they may affect the undertaking’s decisions regarding the future direction of the strategy or business model.

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

AR-11-AR 12. When describing where in its upstream and/or downstream **value chain**, including its subsidiaries, material **impacts and risks ~~(and opportunities)~~** are concentrated, the undertaking shall consider: geographical areas, facilities or types of assets, inputs, outputs and distribution channels.

AR-12-AR 13. This disclosure may be expressed in terms of a single impact or risk (or opportunity) or by aggregating groups of material **impacts and risks ~~(and opportunities)~~**, when this provides more relevant information and does not obscure material information.

AR-13-AR 14. When disclosing the information required under paragraph 37 of this Section on its material impacts and risks, the undertaking shall disclose the topic specific information reported in the table below.

In particular, specifying:

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

ID	Application Requirement	Sustainability topic	EU related Data Points
3	whether it has operations that affect threatened species	Biodiversity	SFDR Tab. 2 KPI 14.1
4	operations at significant risk of 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
5	operations at significant risk of incidents of child labour either in terms of type of operation (such as manufacturing plant) or countries or geographic areas with operations considered at risk	Own workforce	SFDR Tab. 3 KPI 12
6	any geographies (at country level or other levels) or commodities for which there is a significant risk of 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 14-AR 15.~~ In addition, when disclosing its material impacts and risks, the undertaking shall disclose the additional topic specific information defined in the following paragraphs:

ENVIRONMENT

Climate change

~~AR 15-AR 16.~~ When disclosing the information on material impacts and risks related to climate change, the undertaking shall explain for each climate-related risk it has identified, whether it considers the risk to be a **climate-related physical risk** or **climate-related transition risk**.

~~AR 16-AR 17.~~ The undertaking shall describe the resilience of its strategy and **business model** in relation to climate change. This description may include:

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

~~AR 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**

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

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

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

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

~~AR 21-AR 19.~~ In describing the main types of people in its **own workforce** who are or could be negatively affected, based on the **materiality** assessment, the undertaking shall disclose whether and how it has developed an understanding of how people with particular characteristics, those working in particular contexts, or those undertaking particular activities may be at greater risk of harm.

~~AR 22-AR 20.~~ The undertaking shall disclose which, if any, of its material **risks and opportunities** arising from **impacts** and **dependencies** on people in its **own workforce** relate to specific

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

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

AR-24-AR 22. In describing the main types of people in its own workforce who are or could be negatively affected, based on the **materiality** assessment, the undertaking shall disclose whether and how it has developed an understanding of how people with particular characteristics, those working in particular contexts, or those undertaking particular activities may be at greater risk of harm.

AR-25-AR 23. 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-AR 24. When disclosing the information on material impacts and risks related to affected communities, the undertaking shall provide the following information:

- a) whether and how actual and potential negative impacts on **affected communities** originate from or are connected to the undertaking's strategy and business models, and inform and contribute to adapting the undertaking's strategy and business model;

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

Consumer and/or end-users

AR-27-AR 25. When disclosing the information on material impacts and risks related to consumer and/or end-users, the undertaking shall provide the following information:

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

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

4. Impact and risk management

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

~~AR 28-AR 26.~~ With reference to par. 48 on the processes to identify and assess material impacts and risks, the undertaking shall disclose for material impacts and risks additional topic specific information defined in the following paragraphs.

ENVIRONMENT

Climate change

~~AR 29-AR 27.~~ When describing the process to identify and assess climate-related **impacts** and **risks** the undertaking shall cover the following:

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

~~AR 30-AR 28.~~ When disclosing the information on the processes to identify and assess climate impacts as required under AR ~~2630~~ (a), the undertaking shall explain how it has:

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

~~AR 31-AR 29.~~ When disclosing the information on the processes to identify and assess **physical risks** as required under AR 26 (b), the undertaking shall explain whether and how:

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



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

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-AR 30.~~ When disclosing the information on the processes to identify **climate-related transition risks** ~~and, when it reports on a voluntary basis on opportunities~~, as required by AR 26 (c), the undertaking shall explain whether and how it has:

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

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

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

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

Climate-related scenario analysis

AR 33-AR 31. When disclosing the information required under paragraph AR 26, the undertaking shall explain if and how it has used climate-related **scenario analysis** that is commensurate to its circumstances to inform the identification and assessment of **physical** and **transition risks** and **opportunities** (voluntary) over the short-, medium- and long-term, including:

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

AR 34-AR 32. When conducting **scenario analysis**, the undertaking may consider the following guidance: TCFD Technical Supplement on “The Use of Scenario Analysis in Disclosure of

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

~~AR 35-AR 33.~~ The undertaking shall briefly explain how the climate **scenarios** used are compatible with the critical climate-related assumptions made in the financial statements.

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

~~AR 36-AR 34.~~ The undertaking shall describe the process to identify and assess **impacts** and **risks** related to pollution and water and marine resources, including:

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

~~AR 37-AR 35.~~ The undertaking shall describe its process to identify material impacts and risks related to biodiversity. The description of the process shall include whether and how the undertaking:

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

~~AR 38-AR 36.~~ The undertaking shall specifically disclose whether or not it has **sites** located in or near **biodiversity-sensitive areas** and whether activities related to these sites negatively affect these areas.

~~AR 39-AR 37.~~ The undertaking shall describe its process to identify material impacts and risks related to Resource use and circular economy (E5), including:

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

LEAP Approach

~~AR 40-AR 38.~~ When conducting a materiality assessment on environmental subtopics other than climate change, the undertaking may consider the four phases below, also known as the LEAP approach:

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

~~AR-41-AR 39.~~ The **materiality** assessment for such matters corresponds to the first three phases of this LEAP approach, the fourth phase addresses the outcome of the process.

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

~~AR-42-AR 40.~~ Notwithstanding the basis for the presentation of the information about **sustainability matters** included in [draft] ESRS Section 1 chapter 8 *Structure of sustainability statements*, the undertaking may disclose the list of the Disclosure Requirements complied with in preparing the **sustainability statement** (see paragraph XX) in the general information part or in other parts of the sustainability statement as it deems appropriate. The undertaking may use a content index, i.e., a tabular list of the Disclosure Requirements included in the sustainability statement, with the indication of where they are located (page/paragraphs).

Appendix B: List of datapoints in cross-cutting and topical 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.

Disclosure Requirement and related datapoint	SFDR¹² reference	Pillar 3¹³ reference	Benchmark Regulation¹⁴ reference	EU Climate Law¹⁵ reference
Section 2 GOV-1 Board's gender Diversity paragraph 20 (c)	Indicator number 13 of Table #1 of Annex 1		Commission Delegated Regulation (EU) 2020/1816 ¹⁶ , Annex II	
Section 2 GOV-1 Percentage of board members who are independent paragraph 20 (d)			Delegated Regulation (EU) 2020/1816, Annex II	
Section 2 GOV-2 Statement on due diligence paragraph 24	Indicator number 10 Table #3 of Annex 1			
Section 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 30 (c) i	Indicators number 4 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU)	Delegated Regulation (EU) 2020/1816, Annex II	

¹² 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).

¹³ 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).

¹⁴ 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).

¹⁵ 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).

¹⁶ 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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Disclosure Requirement and related datapoint	SFDR¹² reference	Pillar 3¹³ reference	Benchmark Regulation¹⁴ reference	EU Climate Law¹⁵ reference
		2022/2453 ¹⁷ Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on Social risk		
Section 2 SBM-1 Involvement in activities related to chemical production paragraph 30 (c) ii	Indicator number 9 Table #2 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II	
Section 2 SBM-1 Involvement in activities related to chemical production paragraph 30 (c) iii	Indicator number 14 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1818 ¹⁸ , 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)

¹⁷ 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.).

¹⁸ 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 Paris-aligned Benchmarks (OJ L 406, 3.12.2020, p. 17).

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Disclosure Requirement and related datapoint	SFDR¹² reference	Pillar 3¹³ reference	Benchmark Regulation¹⁴ reference	EU Climate Law¹⁵ reference
Section 3 AR 6 ID 20 Undertakings excluded from Paris-aligned Benchmarks		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book-Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 12.1 (d) to (g), and Article 12.2	
Section 3 AR 67 ID 1 GHG emission reduction targets	Indicator number 4 Table #2 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 6	
Section 4 E1-1 Energy consumption from fossil sources paragraph 7a)	Indicator number 5 Table #1 and Indicator n. 5 Table #2 of Annex 1			

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Disclosure Requirement and related datapoint	SFDR¹² reference	Pillar 3¹³ reference	Benchmark Regulation¹⁴ reference	EU Climate Law¹⁵ reference
Section 4 E1-1 Disaggregated and separated non-renewable energy production and renewable energy production in MWh (paragraph 7d)	Indicator number 5 Table #1 of Annex 1			
Section 4 E1-1 Energy intensity associated with activities in high climate impact sectors (paragraphs 8 to 10)	Indicator number 6 Table #1 of Annex 1			
Section 4 E1-2 Gross Scope 1, 2, 3 and Total GHG emissions (paragraph 11)	Indicators number 1 and 2 Table #1 of Annex 1	Article 449a; Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 5(1), 6 and 8(1)	
Section 4 E1-2 Gross Scope 1, 2, 3 and Total GHG emissions (paragraph 20 and 21)	Indicators number 3 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453	Delegated Regulation (EU) 2020/1818, Article 8(1)	

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Disclosure Requirement and related datapoint	SFDR¹² reference	Pillar 3¹³ reference	Benchmark Regulation¹⁴ reference	EU Climate Law¹⁵ reference
		Template 3: Banking book – Climate change transition risk: alignment metrics		
Section 4 E1-3 GHG removals and carbon credits paragraph 22				Regulation (EU) 2021/1119, Article 2(1)
Section 4 E1-4 Exposure of the benchmark portfolio to climate-related physical risks paragraph 29			Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II	
Section 4 E1-4 Disaggregation of Monetary amounts by acute and chronic physical risk paragraph 29 (a) Section 4 E1-4 Location of significant assets at material physical risk paragraph 29 (c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.		
Section 4 E1-4 Breakdown of the carrying value of its real estate assets by energy- efficiency		Article 449a Regulation (EU) No 575/2013; Commission Implementing		

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Disclosure Requirement and related datapoint	SFDR¹² reference	Pillar 3¹³ reference	Benchmark Regulation¹⁴ reference	EU Climate Law¹⁵ reference
classes paragraph 30 (c).		Regulation (EU) 2022/2453 Paragraph 34; Template 2: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral		
Section 4 E1-4 Degree of exposure of the portfolio to climate-related opportunities paragraph 33			Delegated Regulation (EU) 2020/1818, Annex II	
Section 4 E2-1 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 36 (a)	Indicator number 8 Table #1 of Annex 1 Indicator number 2 Table #2 of Annex 1 Indicator number 1 Table #2 of Annex 1 Indicator number 3 Table #2 of Annex 1			
Section 3 AR 6 ID 3 Water and marine	Indicator number 7			

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Disclosure Requirement and related datapoint	SFDR¹² reference	Pillar 3¹³ reference	Benchmark Regulation¹⁴ reference	EU Climate Law¹⁵ reference
resources	Table #2 of Annex 1			
Section 3 AR 6 ID 4 Water and marine resources	Indicator number 8 Table 2 of Annex 1			
Section 3 AR 6 ID 8 Sustainable oceans and seas	Indicator number 12 Table #2 of Annex 1			
Section 4 E3-1 Total water recycled and reused paragraph 44 (c).	Indicator number 6.2 Table #2 of Annex 1			
Section 4 E3-1 Total water consumption in m3 per net revenue on own operations paragraph 45	Indicator number 6.1 Table #2 of Annex 1			
Section 2 AR 28 ID 1 sites located in or near biodiversity-sensitive areas and activities related to these sites negatively affect these areas	Indicator number 7 Table #1 of Annex 1			
Section 2 AR 28 ID 2 negative impacts with regards to land degradation, desertification or soil sealing	Indicator number 10 Table #2 of Annex 1			
Section 2 AR 28 ID 3 operations affecting threatened species	Indicator number 14 Table #2 of Annex 1			

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Disclosure Requirement and related datapoint	SFDR¹² reference	Pillar 3¹³ reference	Benchmark Regulation¹⁴ reference	EU Climate Law¹⁵ reference
Section 3 AR 6 ID 5 Sustainable land / agriculture practices or policies	Indicator number 11 Table #2 of Annex 1			
Section 3 AR 6 ID 8 Sustainable oceans/ seas practices or policies	Indicator number 12 Table #2 of Annex 1			
Section 3 AR 6 ID 7 Policies to address deforestation	Indicator number 15 Table #2 of Annex 1			
Section 4 E5-2 Non-recycled waste paragraph 62	Indicator number 13 Table #2 of Annex 1			
Section 4 E5-2 Hazardous waste and radioactive waste paragraph 64	Indicator number 9 Table #1 of Annex 1			
Section 2 AR 17 ID 1 Risk of incidents of forced labour	Indicator number 13 Table #3 of Annex I			
Section 2 AR 17 ID 2 Risk of incidents of child labour	Indicator number 12 Table #3 of Annex I			
Section 3 AR 6 ID 16 Human rights policy commitments	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I			
Section 3 AR 6 ID 11 Due diligence			Delegated Regulation (EU)	

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Disclosure Requirement and related datapoint	SFDR¹² reference	Pillar 3¹³ reference	Benchmark Regulation¹⁴ reference	EU Climate Law¹⁵ reference
policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8,			2020/1816, Annex II	
Section 3 AR 6 ID 15 Processes and measures for preventing trafficking in human beings	Indicator number 11 Table #3 of Annex I			
Section 3 AR 6 ID 10 Workplace accident prevention policy or management system	Indicator number 1 Table #3 of Annex I			
Section 3 AR 6 ID 9 grievance/complaints handling mechanisms	Indicator number 5 Table #3 of Annex I			
Section 5 S1-7 Number of fatalities and number and rate of work-related accidents Paragraph 35(a) and 35(b)	Indicator number 2 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II	
Section 5 S1-7 Number of days lost to injuries, accidents, fatalities or illness paragraph 35(c)	Indicator number 3 Table #3 of Annex I			
Section 5 S1-8 Unadjusted gender pay gap Paragraph 39 (a)	Indicator number 12 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II	
Section 5 S1-8 Excessive CEO pay ratio paragraph Paragraph 39 (b)	Indicator number 8 Table #3 of Annex I			

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Disclosure Requirement and related datapoint	SFDR¹² reference	Pillar 3¹³ reference	Benchmark Regulation¹⁴ reference	EU Climate Law¹⁵ reference
Section 5 S1-9 Incidents of discrimination Paragraph 45 (a)	Indicator number 7 Table #3 of Annex I			
Section 3 AR 6 ID 2 and ID 13 Non-respect of UNGPs on Business and Human Rights and OECD	Indicator number 10 Table #1 and Indicator n. 14 Table #3 of Annex		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818 Art 12 (1)	
Section 2 AR 17 ID 3 Significant risk of child labour or forced labour in the value chain	Indicators number 12 and n. 13 Table #3 of Annex I			
Section 3 AR 6 ID 1 and 16 Human rights policy commitments	Indicator number 9 Table #3 and Indicator n. 11 Table #1 of Annex 1			
Section 3 AR 6 ID 14 and ID 15 Policies related to value chain workers	Indicator number 11 and n. 4 Table #3 of Annex 1			
Section 3 AR 6 ID 2 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)	
Section 3 AR 6 ID 12 Due diligence policies on issues addressed by the fundamental International Labor			Delegated Regulation (EU) 2020/1816, Annex II	

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Disclosure Requirement and related datapoint	SFDR¹² reference	Pillar 3¹³ reference	Benchmark Regulation¹⁴ reference	EU Climate Law¹⁵ reference
Organisation Conventions 1 to 8				
Section 3 AR 6 ID 13 Human rights issues and incidents connected to its upstream and downstream value chain	Indicator number 14 Table #3 of Annex 1			
Section 3 AR 6 ID 1 and ID 16 Human rights policy commitments	Indicator number 9 Table #3 of Annex 1 and Indicator number 11 Table #1 of Annex 1			
Section 3 AR 6 ID 2 Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines	Indicator number 10 Table #1 Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)	
Section 3 AR 6 ID 13 Human rights issues and incidents	Indicator number 14 Table #3 of Annex 1			
Section 3 AR 6 ID 1 and ID 16 Policies related to consumers and end-users	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex 1			
Section 3 AR 6 ID 2 Non-respect of UNGPs on Business and Human Rights	Indicator number 10 Table #1 of Annex 1			

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Disclosure Requirement and related datapoint	SFDR¹² reference	Pillar 3¹³ reference	Benchmark Regulation¹⁴ reference	EU Climate Law¹⁵ reference
and OECD guidelines				
Section 3 AR 6 ID 3 Human rights issues and incidents	Indicator number 14 Table #3 of Annex 1			
Section 3 AR 6 ID 18 United Nations Convention against corruption	Indicator number 15 Table #3 of Annex 1			
Section 3 AR 6 ID 17 Protection of whistle-blowers	Indicator number 6 Table #3 of Annex 1			
Section 6 G1-2 Fines for violation of anti-corruption and anti-bribery laws Paragraph 9(a)	Indicator number 17 Table #3 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II)	
Section 6 G1-2 Standards of anti-corruption and anti-bribery Paragraph 9 (b)	Indicator number 16 Table #3 of Annex 1			

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SECTION 3 – POLICIES, ACTIONS AND TARGETS

Objective

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

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

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.**
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.
6. For each sustainability matter that it considers material, the undertaking shall disclose:
 - (a) Policies that it has in place to prevent, mitigate and remediate actual and potential **impacts** and to address **risks**;
 - (b) Key actions taken and/or planned to address material impacts and risks, and where applicable achieve the objectives of related **policies**.
7. When providing disclosures on **policies**, the undertaking shall include the following information:

- a) A description of the key contents of the **policy**, including its general objectives and which material **impacts** or **risks** the policy is relating to;
 - b) A description of the scope of the policy in terms of activities, **value chain**, geographies and, if relevant, affected **stakeholder groups**;
 - c) The most senior level in the undertaking's organisation that is accountable for the implementation of the policy;
 - d) A reference, if relevant, to the third-party standards or initiatives the undertaking commits to respect through the implementation of the policy;
 - e) If relevant, a description of the consideration given to the interest of key **stakeholders** in setting the policy; and
 - f) If relevant, whether and how the undertaking makes the policy available to potentially affected stakeholders, and stakeholders who need to help implement it.
8. When providing disclosures on **actions**, the undertaking shall disclose the following information:
- a) the list of key actions taken in the reporting year and planned for the future, and their expected outcomes;
 - b) the scope of the key actions (i.e., coverage in terms of activities, **value chain** geographies and, where applicable, affected **stakeholder** groups);
 - c) the time horizons under which the undertaking intends to complete each key action;
 - d) if applicable, key actions taken (along with results) to provide for and cooperate in or support the provision of **remedy** for those harmed by actual material impacts;
 - e) if applicable, quantitative and qualitative information regarding the progress of actions or action plans disclosed in prior periods.
9. Where the implementation of an action plan requires significant operational expenditures (Opex) and/or capital expenditures (Capex) the undertaking shall:
- a) describe the type of current and future financial and other resources allocated to the action plan, including if applicable, the relevant terms of sustainable finance instruments, such as green bonds, social bonds and green loans, the environmental or social objectives, and whether the ability to implement the actions or action plan depends on specific preconditions, e.g., granting of financial support or public policy and market developments;
 - b) provide the amount of current financial resources and explain how they relate to the most relevant amounts presented in the financial statements; and
 - c) provide the amount of future financial resources.
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.

11. When disclosing information on policies and actions in relation to a material sustainability, subject to paragraphs 33 and 34 of Section 1 of this [draft] ESRS, the undertaking shall apply the additional topical requirements set in Application Requirements IR-3 (AR XX to AR XX).
12. In particular, for policies and actions in relation to a material matter, the undertaking shall include the datapoints derived from EU legislation (summarised in Table of AR 51).
13. If the undertaking has not adopted **policies** and/or **actions** with reference to the specific material **sustainability matter** concerned, it shall state this to be the case. It may also disclose the timeline for implementing them, if it has such plans.

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

14. **If the undertaking has set sustainability-related targets, it shall disclose information about these targets.**
15. The objective of this Disclosure Requirement is to provide an understanding on how the undertaking has set measurable time-oriented **targets** to monitor progresses overtime and track effectiveness of its actions in relation to material sustainability impacts and risks, if such targets have been implemented.
16. If the undertaking has implemented targets with regards to each material sustainability matter, it shall disclose the following:
 - a) the relationships of the target to the relevant **policy** objectives;
 - b) the defined level of ambition (quantitative and qualitative depending on the nature of the target) to be achieved, including, where applicable, whether the target is absolute or relative and in which unit it is measured;
 - c) the scope of the target (operations, upstream and/or downstream **value chain**, subsidiaries, geographical boundaries or activities);
 - d) if applicable, the baseline value and base year from which progress is measured;
 - e) the timeframe to achieve the target;
 - f) the methodologies and significant assumptions used to define targets, including where applicable, the selected **scenario**, data sources, alignment with science-based methodologies, and national, EU or international policy goals;
 - g) any changes in targets or underlying methodologies and assumptions adopted within the defined time horizon together with an explanation of the rationale for those changes and their effect on comparability;
 - h) the overall progress towards the defined target.
17. 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**.
19. When disclosing the information required by paragraph 67, the undertaking shall apply the requirements set in the topic-specific Application Requirements IR 4.

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

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

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

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

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

As an illustration:

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

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

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

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

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

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

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

In particular:

ENVIRONMENT

Policies and Actions for Climate change

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

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

Guidance / Additional information for Policies on Climate change

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

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

Actions for Climate change

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

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

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

Policies and Actions for Pollution

- AR 17. When describing its policies on pollution, the undertaking shall indicate whether and how its **policies** address the following areas, where material:
- (a) mitigating negative **impacts** related to **pollution** of air, water and **soil** including prevention and control;
 - (b) substituting and minimising the use of **substances of concern** and phasing out **substances of very high concern**, in particular for non-essential societal use and in **consumer** products; and
 - (c) avoiding **incidents** and emergency situations, and if and when they occur, controlling and limiting their impact on the people and the environment.
- AR 18. When describing its **policies** on pollution, the undertaking shall consider including information on the **pollutant(s)** or **substance(s)** covered.

Guidance / Additional information for Policies on Pollution

- AR 19. When disclosing information on policies related to pollution, the undertaking may include contextual information on the relations between its policies implemented and how they may contribute to the EU Action Plan “Towards a Zero Pollution for Air, Water and Soil” with for instance elements on:
- (a) how it is or may be affected by the **targets** and measures of the EU Action Plan and the revision of existing directives (e.g., the Industrial Emissions Directive);
 - (b) how it intends to reduce its **pollution** footprint to contribute to these targets.

Policies and Actions for Water and marine resources

- AR 20. When disclosing the information on **policies** related to water and marine resources, the undertaking shall indicate, where material, whether and how its **policies** address:
- a) water management including:
 - i. the use and sourcing of **water and marine resources** in its own operations;
 - ii. water treatment as a step towards more sustainable sourcing of water; and
 - iii. the prevention and abatement of water **pollution** resulting from its activities.
 - b) product and service design in view of addressing water-related issues and the preservation of marine resources; and
 - c) commitment to reduce material **water consumption** in **areas at water risk** in its own operations and along the upstream and downstream **value chain**.

Actions for Water and marine resources

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

Guidance / Additional information for Actions on Water and marine resources

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

Policies and Actions for Biodiversity and ecosystems

Guidance / Additional information for Policies on Biodiversity and ecosystems

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

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

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

Actions for Biodiversity and ecosystems

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;

Guidance / Additional information for Actions on Biodiversity and ecosystems

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

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Policies for Resource use and circular economy

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.

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

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) the **waste hierarchy**: (a) prevention; (b) preparing for re-use; (c) **recycling**; (d) other **recovery**, e.g., energy recovery; and (e) disposal. In this context, the **waste** treatment cannot be considered as a recovery;
- b) the prioritisation of the avoidance or minimisation waste (Re-use, Repair, Refurbish, Remanufacture and Repurpose) over waste treatment strategies (Recycling). The concepts of eco-design²⁰, waste as a resource or post-**consumer** waste (at the end of a consumer-product lifecycle), should also be taken in consideration.

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

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

SOCIAL

Policies related to own workforce

²⁰ As established by the Directive 2009/125/EC

AR 30. When describing its **policies** on **own workforce**, the undertaking shall disclose, for those matters that are material, its general approach to:

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

AR 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, 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,

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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).

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- 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.
- 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.

Actions on material impacts on own workforce

AR 51. When disclosing information on actions on material **impacts** related to **own workforce**, the undertaking shall describe:

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

Guidance / Additional information for Actions on own workforce

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

Guidance / Additional information for Policies related to value chain workers

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

Processes for engaging with value chain workers about impacts

AR 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**.

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

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

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

Policies related to affected communities

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

Guidance / Additional information for Policies related to affected communities

AR 73. When describing its **policies** on **affected communities**, the undertaking shall consider focusing on those matters that are material in relation to, as well as its general approach to:

- a. engagement with affected communities (refer to AR 72 to AR 74); and
- b. measures to provide and/or enable **remedy** for human rights impacts (refer to AR 79 to AR 81).

Processes for engaging with affected communities

AR 74. If the undertaking engages with affected communities and their representatives, when disclosing information under AR 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:
 - i. whether engagement occurs with affected communities or their **legitimate representatives** directly, or with **credible proxies** that have insight into their situation;
 - ii. the stage(s) at which engagement occurs, the type of engagement and frequency of the engagement;

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

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

Guidance on “Processes for engaging with affected communities”:

AR 77. When preparing the disclosures described in AR 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 79. The undertaking shall consider how the engagement includes a good faith negotiation with affected **indigenous peoples** to obtain their **free, prior and informed consent** where the undertaking affects the lands, territories or resources that indigenous peoples customarily own, occupy or otherwise use; or relocates them from land or territories subject to traditional ownership or under customary use or occupation; or affects or exploits their cultural, intellectual, religious and spiritual property.

AR 80. Explanations of how the undertaking takes into account and ensures respect of the particular right of **indigenous peoples** to **free, prior and informed consent**, may include information

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about processes to consult with indigenous peoples to obtain their free prior and informed consent.

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

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

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

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

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

Guidance on “Processes to remediate negative impacts and channels for 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.

AR 86. To provide greater insight into the information covered in this Disclosure Requirement regarding affected communities, the undertaking may provide insight into whether and how communities that may be affected are able to access channels at the level of the undertaking they are affected by, in relation to each material impact. Relevant insights include information on whether affected communities can access channels in a language they understand, and whether they have been consulted in the design of such channels.

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

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communities who may be potentially or actually materially impacted by the undertaking, or individuals or organisations acting on their behalf or who are otherwise in a position to be aware of negative impacts.

- AR 88. The undertaking may disclose its processes through which it supports the availability of such channels by its business relationships.
- AR 89. In relation to the protection of individuals that use the mechanisms against retaliation, the undertaking may describe whether it treats grievances confidentially and with respect to the rights of privacy and data protection; and whether the mechanisms can be used anonymously (for example, through representation by a third party).
- AR 90. When disclosing processes related to providing and enabling **remedy** for **indigenous peoples**, relevant information includes whether and how the undertaking has considered their customs, traditions, rules and legal systems.
- AR 91. In disclosing whether and how the undertaking knows that **affected communities** are aware of and trust any of these channels, the undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of the people concerned. Examples of sources of information are surveys of community members that have used such channels and their levels of satisfaction with the process and outcomes.
- AR 92. The undertaking may disclose how it tracks and monitors issues raised and addressed, and, how it ensures the effectiveness of the channels, including through the involvement of **stakeholders** who are intended **users**.
- AR 93. In describing the effectiveness of channels for **affected communities** to raise concerns, the undertaking may be guided by the following questions, based on the “effectiveness criteria for non-judicial **grievance mechanisms**”, as laid out in the UN Guiding Principles on Business and Human Rights, in particular principle 31. The considerations below may be applied to individual channels or to a collective system of channels:
- (a) do the channels have legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust?
 - (b) are the channels known and accessible to **stakeholders**?
 - (c) do the channels have clear and known procedures, with indicative timeframes?
 - (d) do the channels ensure reasonable access for stakeholders to sources of information, advice and expertise?
 - (e) do the channels offer transparency by providing sufficient information both to complainants and, where applicable, to meet any public interest?
 - (f) do outcomes achieved through the channels accord with internationally recognised human rights?
 - (g) does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future impacts?
 - (h) does the undertaking focus on dialogue with complainants as the means to reach agreed solutions, rather than seeking to unilaterally determine the outcome?

Actions on material impacts on affected communities

- AR 94. When disclosing information on **actions** on material impacts related to **affected communities**, the undertaking shall describe:
- a. actions taken, planned or underway to prevent or mitigate material negative **impacts** on affected communities;
 - b. the processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on affected communities.
- AR 95. The undertaking shall disclose whether and how it takes action to avoid causing or contributing to material negative impacts on **affected communities** through its own practices, including, where relevant, in relation to planning, land acquisition and exploitation, finance, extraction or production of raw materials, use of natural resources, and management of environmental impacts. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.

Guidance / Additional information for Policies related to consumers and end-users

- AR 96. When describing its **policies** on **consumers** and **end-users**, the undertaking shall consider focusing on those matters that are material in relation to, as well as its general approach to:
- a. engagement with consumers and/or end-users (refer to AR 96 to AR 97); and
 - 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:

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

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

AR 101. **Credible proxies** who have knowledge of the interests, experiences or perspectives of **consumers** and **end-users** could include national consumer protection bodies for some consumers.

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

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

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

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

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

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

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

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- AR 106. Channels for raising concerns or needs include ***grievance mechanisms***, hotlines, dialogue processes or other means through which consumers and end-users or their legitimate representatives can raise concerns about impacts or explain needs that they would like the undertaking to address. This could include channels provided by the undertaking directly and is to be disclosed in addition to any other mechanisms an undertaking may use to gain insight into the management of impacts on consumers and/or end-users, such as compliance audits. Where the undertaking is relying solely on information about the existence of such channels provided by its ***business relationships*** to answer this requirement, it may state that.
- AR 107. These channels could be provided by an industry wide initiative in which the undertaking takes part of, or by other third party mechanisms such as the ones operated by the government or NGOs. The undertaking may disclose whether these are accessible to all consumers and/or end-users who may be potentially or actually materially impacted by the undertaking, or individuals or organisations acting on their behalf or who are otherwise in a position to be aware of negative impacts.
- AR 108. The undertaking may disclose its processes through which it supports or requires the availability of such channels by its business relationships for consumers and end-users.
- AR 109. In disclosing whether and how the undertaking knows that ***consumers*** and/or ***end-users*** are aware of and trust any of these channels, the undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of the people concerned. Examples of sources of information are surveys of consumers and/or end-users that have used such channels and their levels of satisfaction with the process and outcomes. To illustrate the usage level of such channels, the undertaking may disclose the number of complaints received from consumers and/or end-users during the reporting period.
- AR 110. The undertaking may disclose how it tracks and monitors issues raised and addressed, and, how it ensures the effectiveness of the channels, including through the involvement of ***stakeholders*** who are intended ***users***.
- AR 111. In describing the effectiveness of channels for ***consumers*** and/or ***end-users*** to raise concerns, the undertaking may be guided by the following questions, based on the “effectiveness criteria for non-judicial ***grievance mechanisms***”, as laid out in the UN Guiding Principles on Business and Human Rights, in particular principle 31. The considerations below may be applied to individual channels or to a collective system of channels:
- (a) do the channels have legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust?
 - (b) are the channels known and accessible to ***stakeholders***?
 - (c) do the channels have clear and known procedures, with indicative timeframes?
 - (d) do the channels ensure reasonable access for stakeholders to sources of information, advice and expertise?
 - (e) do the channels offer transparency by providing sufficient information both to complainants and, where applicable, to meet any public interest?
 - (f) do outcomes achieved through the channels accord with internationally recognised human rights?

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

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

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

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

Actions on material impacts on consumers and end-users

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

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

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

BUSINESS CONDUCT

Policies for Business conduct

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

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

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

AR 117. If the undertaking has targets on GHG emission reduction, it shall disclose, if material, the information reported in the table below:

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

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

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

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

AR 121. If the undertaking has targets it may disclose additional topic specific information defined in the following paragraphs,.

ENVIRONMENT

Guidance / Additional information for Targets on Climate change

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

- a) GHG emission reduction targets in absolute value (either in tonnes of CO₂eq or as a percentage of the **emissions** of a base year) and, where relevant, in intensity value;
- b) GHG emission reduction targets for **Scope 1, 2, and 3 GHG emissions**, either separately or combined. The undertaking shall specify, in case of combined **GHG emission reduction targets**, which GHG emission Scopes (1, 2 and/or 3) are covered by the target;
- c) the current base year and baseline value of the target, and from 2030 onwards, update the base year for its GHG emission reduction targets after every five-year period thereafter;

- d) whether the GHG emission reduction targets are science-based and compatible with limiting global warming to 1.5°C, including information on which framework or methodology has been used to determine these targets including whether they are derived using a sectoral decarbonisation pathway and what the underlying climate and **policy scenarios** are and whether they have been externally assured;
 - e) the expected **decarbonisation levers** and their overall quantitative contributions to achieve the GHG emission reduction targets (e.g., energy or material efficiency and consumption reduction, fuel switching, use of **renewable energy**, phase out or substitution of product and process).
- AR 123. When setting climate change science-based targets or disclosing them, the undertaking may consider indications contained in resources like the Science Based Targets initiative (SBTi) for Small and Medium-Sized Enterprises (SMEs) by CDP, the United Nations Global Compact, the World Resources Institute, WWF; publication issued by WWF and BCG (2020), and *Beyond Science-Based Targets: A Blueprint for Corporate Action on Climate and Nature*.
- AR 124. When disclosing the information related to GHG **emission reduction targets**, the undertaking may specify the share of the target related to each respective **GHG emission Scope (1, 2 or 3)**. The undertaking may specify the method used to calculate Scope 2 GHG **emissions** included in the target (i.e., either the location-based or market-based method). If the boundary of the GHG **emission reduction target** diverges from that of the GHG **emissions**, the undertaking may disclose the respective percentage of Scope 1, 2, 3 and total GHG emissions covered by the target.
- AR 125. When disclosing the information on base year and baseline value:
- (a) the undertaking may briefly explain how it has ensured that the baseline value against which the progress towards the target is measured is representative in terms of the activities covered and the influences from external factors (e.g., temperature anomalies in a certain year influencing the amount of energy consumption and related GHG emissions). This can be done by the normalisation of the baseline value, e.g., by using a baseline value that is derived from a 3-year average if this increases the representativeness and allows a more faithful representation;
 - (b) the baseline value and base year shall not be changed unless significant changes in either the target or reporting boundary occur. In such a case, the undertaking may explain how the new baseline value affects the new target, its achievement and presentation of progress over time. To foster comparability, when setting new **targets**, the undertaking may select a recent base year that does not precede the first reporting year of the new target period by longer than 3 years. For example, for 2030 as the target year and a target period between 2025 and 2030, the base year shall be selected from the period between 2022 and 2025;
 - (c) when presenting climate-related targets, the undertaking may disclose the progress in meeting these targets made before its current base year.
- AR 126. The undertaking may present the information over the target period with reference to a sector-specific, if available, or a cross-sector emission pathway compatible with limiting global warming to 1.5°C. For this purpose, the undertaking may calculate a 1.5°C aligned reference target value for Scope 1 and 2 (and, if applicable, a separate one for Scope 3) against which

its own **GHG emission reduction targets** or interim targets in the respective Scopes can be compared.

- AR 127. The reference target value may be calculated by multiplying the GHG emissions in the base year with either a sector-specific (sectorial decarbonisation methodology) or cross-sector (contraction methodology) **emission reduction** factor. These emission reduction factors can be derived from different sources. The undertaking should ensure that the source used is based on an emission reduction pathway compatible with limiting global warming to 1.5°C.
- AR 128. The **emission reduction** factors are subject to further development. Consequently, undertakings are encouraged to only use updated publicly available information.

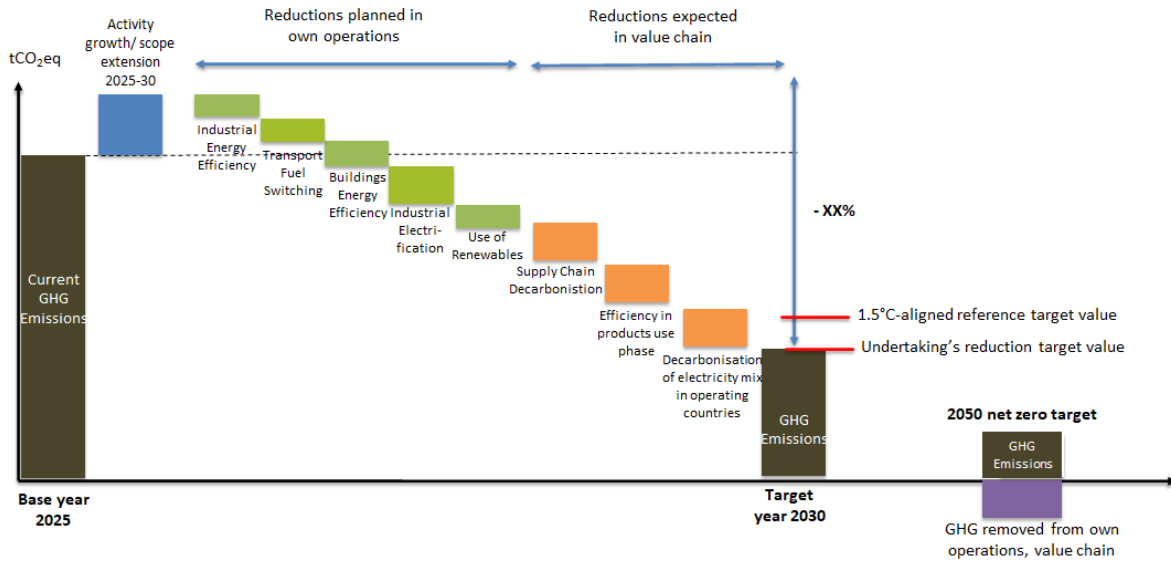
	2030	2050
Cross-sector (ACA) reductions pathway based on the year 2020 as the reference year	-42%	-90%

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

- AR 129. The reference target value is dependent on the base year and baseline **emissions** of the undertaking’s GHG **emission reduction** target. As a result, the reference target value for undertakings with a recent base year or from higher baseline emissions may be less challenging to achieve than it will be for undertakings that already have taken ambitious past **actions** to reduce GHG emissions. Therefore, undertakings that have in the past achieved GHG emissions reductions compatible with either a 1.5°C-aligned cross-sector or sector-specific pathway, may adjust their baseline emissions accordingly to determine the reference target value. Accordingly, if the undertaking is adjusting the baseline emissions to determine the reference target value, it shall not consider GHG emission reductions that precede the year 2020 and it should provide appropriate evidence of its past achieved GHG emission reduction.
- AR 130. When disclosing the information related to expected decarbonisation levers the undertaking may explain:
- (a) by reference to its **climate change mitigation actions**, the **decarbonisation levers** and their estimated quantitative contributions to the achievement of its GHG **emission reduction targets** broken down by each Scope (1, 2 and 3);
 - (b) whether it plans to adopt new technologies and the role of these to achieve its GHG emission reduction targets; and

(c) whether and how it has considered a diverse range of climate **scenarios**, at least including a climate scenario compatible with limiting global warming to 1.5°C, to detect relevant environmental-, societal-, technology-, market- and policy-related developments and determine its decarbonisation levers.

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



	Base year (e.g., 2025)	2030 target	2035 target	...	Up to 2050 target
GHG emissions (ktCO ₂ eq)	100	60	40		
Energy efficiency and consumption reduction	-	-10	-4		
Material efficiency and consumption reduction	-	-5	-		
Fuel switching	-	-2	-		

Electrification	-	-	-10		
Use of renewable energy	-	-10	-3		
Phase out or substitution of product change	-	-8	-		
Phase out or substitution of process change	-	-5	-3		
Other	-	-			

Guidance / Additional information for Targets on Pollution

- AR 132. When disclosing information on targets that are related to pollution, the undertaking may specify whether and how its targets relate to the prevention and control of air pollutants and respective **specific loads, emissions** to water and respective specific loads, **pollution to soil** and respective specific loads, and **substances of concern** and **substances of very high concern**.
- AR 133. If the undertaking refers to **ecological thresholds** when setting **targets**, it may refer to the guidance provided by the Science-Based Targets Initiative for Nature (SBTN) in its interim guidance (Initial Guidance for Business, September 2020, or any other guidance with a scientifically acknowledged methodology that allows setting of science-based targets by identifying ecological thresholds and, if applicable, entity-specific allocations. Ecological thresholds can be local, national and/or global.
- AR 134. The undertaking may specify whether the **target** addresses shortcomings related to the Substantial Contribution criteria for Pollution Prevention and Control as defined in delegated acts adopted pursuant to Article 14(2) of Regulation (EU) 2020/852. Where the Do No Significant Harm (DNSH) criteria for Pollution Prevention and Control as defined in delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), and Article 15(2) of Regulation (EU) 2020/852 are not met, the undertaking may specify whether the target addresses shortcomings related those DNSH criteria.

Guidance / Additional information for Targets on Water and marine resources

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

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

AR 136. If the undertaking refers to **ecological thresholds** when setting **targets**, it may refer to the guidance provided by the Science-Based Targets Initiative for Nature (SBTN) in its interim guidance (Initial Guidance for Business, September 2020). It may also refer to any other guidance with a scientifically acknowledged methodology that enables the setting of science-based targets by identifying ecological thresholds and, if applicable, organisation-specific allocations. Ecological thresholds can be local, national and/or global.

AR 137. The undertaking may provide **targets** related to:

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

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

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

Guidance / Additional information for Targets on Biodiversity and ecosystems

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

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

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

- a) whether **ecological thresholds** and allocations of impacts to the undertaking were applied when setting **targets**;

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

AR 142. 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 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 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).

Guidance / Additional information for Targets on Resource use and circular economy

- AR 145. When disclosing information on targets that are related to resource use and circular economy, the undertaking may specify:
- a) whether and how its **targets** relate to **resource inflows** and **resource outflows**, including **waste** and products and materials;
 - b) which layer of the **waste hierarchy** the target relates;
 - c) whether **ecological thresholds** and entity-specific allocations were taken into consideration when setting **targets**.
- 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 147. When providing information on **targets** related to resource use and circular economy, the undertaking may prioritise targets in absolute value.

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Guidance / Additional information for Targets on Own workforce

- AR 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:
- a) reducing negative impacts on its own workforce; and/or
 - b) advancing positive impacts on its own workforce; and/or
 - c) managing material risks ~~and opportunities~~ related to its own workforce.
- 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:
- a) setting any such targets;
 - b) tracking the undertaking's performance against them; and
 - c) identifying any lessons or improvements as a result of the undertaking's performance.

Guidance / Additional information for Targets on Value chain workers

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:

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

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:

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

Guidance / Additional information for Targets on Affected communities

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:

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

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:

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

Guidance / Additional information for Targets on Consumers and end-users

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:

- a) reducing negative impacts on consumers and/or end-users; and/or
- b) advancing positive impacts on consumers and/or end-users; and/or

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- c) managing material risks ~~and opportunities~~ related to consumers and/or end-users.

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:

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



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