

## EFRAG SECRETARIAT ANALYSIS OF THE COMMENTS – Survey 1 – ESRS S2-S4

### Q46: ESRS S2 – *Workers in the value chain*

n.	Comment	Type	Already in TEG survey/ISSB/GRI alignment	EFRAG Secretariat comments	EFRAG Secretariat conclusion (*)	Issue paper needed?
1.1	<ul style="list-style-type: none"> <li>Progressive approach: phase in some of the DRs given that they are very detailed (e.g., explanation of targets or actions taken on material impacts)</li> <li>Phasing-in of S2-S4 as stakeholders are less mature disclosures</li> <li>Prioritize DR S2-1, S2-2 and S2-3 in the first year and postpone DR S2-4, S2-5 and S2-6 because of average level of maturity</li> <li>Deprioritise ESRS S2; especially DRs that involve third-party data providers</li> </ul>	<p>Phase in disclosure requirements over time</p> <p>(Phasing-in / prioritization)</p>	Yes - [TEG.S2-5]	Discussion on phasing-in / prioritization in TEG and Board is taking place to strike a balance between user needs and preparers' concerns.	The proposals are included in Template 2 Individual analysis by DR.	No

1.2	<ul style="list-style-type: none"> <li>• EFRAG should be more flexible and allow companies to prioritise the disclosure of information on their own operations and the consolidation scope.</li> <li>• Companies should be enabled to prioritise risk activities and the ESRS should show greater consideration of the level of leverage that companies have (there is generally much less with customers than suppliers)</li> </ul>					
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2	<ul style="list-style-type: none"> <li>• Legal restrictions to share personal data between companies to fulfil the DRs</li> <li>• Explicit reference should be made to compliance with data protection legislation when collecting and publishing in the standard</li> <li>• Risk re sensitive information</li> </ul>	<p>Risk of disclosing sensitive information</p> <p>(Value chain considerations)</p>	Yes – [OR.S2.Objective]	<p>This can be addressed by including a stronger reference to data protection legislation and clarification that there is no expectation for preparers to publish information in violation of data protection rights.</p>	To be aligned. <sup>1</sup>	No
3	<ul style="list-style-type: none"> <li>• Provide clear guidance on boundaries</li> <li>• Should be made clearer that the required information is that related to the value chain previously defined by the undertaking in its due diligence assessment in ESRS 2 (DR 2 – IRO 1). The current wording of the AGs suggests that required information covers the entire value chain of the undertaking</li> </ul>	<p>Difficult to collect information on value chain</p> <p>(Data accessibility (incl. value chain data))</p>	No	<p>Issue paper on value chain reporting boundaries. S2 does not require the disclosure of quantitative KPIs.</p>	To be discussed	Value chain

<sup>1</sup> Change AG 39 from may to shall AG 39. “The undertaking may explain whether these various mechanisms treat grievances confidentially and with respect to the rights of privacy and data protection and whether they allow for workers to use them anonymously (for example, through representation by a third party).”

	<ul style="list-style-type: none"> <li>• For upstream, many undertakings are not able to collect information on tier 4 or 5 subcontractors; for downstream, information collection is in general difficult.</li> <li>• Disclosures on (indirect) suppliers currently difficult for financial industry</li> <li>• Reporting on upstream and downstream value chain should be limited to areas and topics where the undertaking has actual influence</li> <li>• Data collection &amp; availability of reliable and verifiable information in the value chain</li> </ul>					
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4	<ul style="list-style-type: none"> <li>• Verifiability of information</li> <li>• The DRs as currently drafted may result in important disclosure divergences in terms of form, type, content, structure, which may require different assurance procedures. For undertakings with global supply chains verification of processes and procedures will be rather complex and will involve significant audit work.</li> </ul>	Assurance considerations	No	ESRS S2 focuses on qualitative disclosures given the company-specific nature of human rights due diligence; sector-specific standards will cover quantitative information. But a harmonization and simplification exercise are underway for ESRS.	No action	No
5	<ul style="list-style-type: none"> <li>• Qualitative information not comparable, and hence not usable to their full potential by investors</li> </ul>	Lots of qualitative information required		Sector-specific standards will include quantitative KPIs; quantitative KPIs for S2-S4 are not appropriate at sector-agnostic level given the company and industry-specific nature of human rights IROs.	No action	No

6	<ul style="list-style-type: none"> <li>• It would improve the inter- and intra-sectoral comparability of companies regarding value chain workers to supplement the qualitative and narrative disclosures with some quantitative indicators.</li> <li>• Include performance-related disclosures regarding value chain workers, affected communities and users of products and services in next set of draft standards, particularly focused on sector-specific standards</li> <li>• DRs need to be supplemented with some quantitative key performance indicators, if not on a sector-agnostic, then for a wide variety of sectors.</li> </ul>	Quantitative indicators	Yes – [TEG.S2-4]	It is anticipated that a number of proposed sector-specific standards will include quantitative KPIs. The general conclusion of the EFRAG PTF was caution regarding quantitative KPIs for S2-S4 at sector-agnostic level given the company and industry-specific nature of human rights IROs.	No action	No
7	<ul style="list-style-type: none"> <li>• SMEs</li> </ul>	SMEs do not have requested information  (SME considerations)	No	Listed SMEs have the option to use simpler, proportionate standards and possibility to opt-out for 2 years after entry into application.	No action	No

8	<ul style="list-style-type: none"> <li>For new undertakings under CSRD scope, unreasonable costs due to the very significant DRs and a significant risk of "trickle down" effects to the supply chain</li> <li>Auditing</li> <li>The main concern is the high difficulty and excessive costs for companies in finding information on workers throughout the value chain due to the broad definition of 'value chain' and 'workers in the value chain'.</li> </ul>	<p>High burden for reporting companies</p> <p>(Questionable cost-benefit ratio)</p>	No	<p>Cost-benefit analysis in progress. In general, this will be considered in the context of discussions on reducing complexity, phasing-in and prioritisation.</p>	Ongoing	No
9	<ul style="list-style-type: none"> <li>No legal status yet; DRs should be required by law</li> </ul>	<p>Alignment with EU and international frameworks /initiatives - <b>Social Taxonomy</b></p>	No	<p>The basis of ESRS S2 derives from Art 19 a) and Art 29 a).</p>	No action	No
10	<ul style="list-style-type: none"> <li>Clarify how ESRS S2 shall be reported in relation to further regulation; Include table reflecting interlinkages and alignment with the current Taxonomy and the PSF's final report</li> </ul>	<p>Alignment with EU and international frameworks /initiatives - <b>Taxonomy</b></p>	No	<p>Table available in the ESRS S2 Basis for Conclusion (mapping of DRs against CSRD, SFDR, OECD Guidelines and UNGPs as well as other reporting frameworks such as GRI). The taxonomy is a draft and therefore we cannot align to legislation not yet</p>	No action	No

				adopted and therefore subject to change.		
11	<ul style="list-style-type: none"> <li>Information required in ESRS S2 should be coherent with what will be required by the CSDDD. It is essential not to anticipate the Directive that is not effective yet.</li> </ul>	<p>Ensure consistency with CSDDD</p> <p>(Alignment with EU and international frameworks /initiatives – <b>CSDDD</b>)</p>	No	It is not foreseen to include disclosure requirements in ESRS that anticipate final legislative decisions. However, the ESRS should be adjusted as appropriate after law comes into force.	No action	No
12	<ul style="list-style-type: none"> <li>Alignment issue</li> <li>Difference in underlying principles, i.e., double materiality and enterprise value perspective, and different set of stakeholder groups assumed; doubts whether sufficient alignment of the standards can be achieved at all</li> </ul>	<p>Alignment with EU and international frameworks /initiatives - <b>ISSB</b></p>	No	There is no social standard yet under ISSB to take into account. The comment is more relevant for the discussion of higher alignment in CCS in SRB / SRT.	No action	No



13	<ul style="list-style-type: none"> <li>Information required in ESRS S2 will have to be coherent with that required in the CSDDD when adopted. At this stage, suggestion that the assessment of the impacts on workers in the value chain be performed by reference to the OECD guidelines in which the impacts are prioritised regarding their risk and the analysis of the strategy, the means and the results.</li> <li>Standard requires disclosure at “value chain” level, i.e., wider than supply chain and including customer-side. Disclosure obligations in this area should be grounded in relevant international standards (UNGPs and OECD guidelines).</li> </ul>	<p>Align with GRI standard and other international standards from UN and OECD</p> <p>(Alignment with EU and international frameworks /initiatives – <b>UNGPs &amp; OECD Guidelines</b>)</p>	No	<p>ESRS S2 has been drafted in alignment with UNGPs and OECD Guidelines. Further work is being conducted on how to adequately cover due diligence-related disclosures at ESRS level. Issue paper on due diligence.</p>	To be discussed	Due diligence
14	<ul style="list-style-type: none"> <li>More guidance needed</li> </ul>	Guidance for reporting	Yes – [DG.S2.Objective; DG.S2.AG5]	Consider additional guidance in future sets.	No action	No

15	<ul style="list-style-type: none"> <li>Remove requirements from AG</li> </ul>	Application guidance should only contain explanations	Yes – [DG.S2.Objective; DG.S2.AG5]	Will be adjusted where possible, but it should be noted that many AG ‘shall’ requirements refer to the calculation of a KPI and are more appropriate in AG than in the body of the DR.	Ongoing	No
16	<ul style="list-style-type: none"> <li>Impacts frequently vary significantly across countries</li> </ul>	Add country-by-country reporting  (Adapt country-by-country basis)	No	The level of granularity for the disclosures is connected with how granular the IRO assessment is given where geography is a consideration.	No action	No
17	<ul style="list-style-type: none"> <li>Excessive number/granularity of DRs</li> </ul>	Excessive granularity  (Reduce complexity)	Yes (TEG.S2-2.P20e)	The disclosure requirements are focused on Policies, targets, action plans and resources. When undertakings do not have in place policies/targets/action plans they comply with the DR stating this fact. Accordingly, they are subject to the level of granularity of the undertaking’s IRO assessment (it is expected that then a IRO is material there is a policy/target/action in place).	No action	No

18	<ul style="list-style-type: none"> <li>There are different sectors with different average conditions and characteristics, that can be hardly managed, controlled or even monitored by each undertaking without incurring severe costs. The existence of “suppliers of suppliers” may, in some cases, make comparability across sectors quite difficult or even misleading.</li> <li>Comparability of info</li> </ul>	<p>Lack of comparability of requested information</p> <p>(Enhanced comparability)</p>	No	<p>The approach to S2-S4 was long discussed; the standards support transparency on companies’ processes to address impacts, risks and opportunities. Quantitative KPIs are challenging at this stage. Increased comparability between sectors will be possible with sector-specific standards. Comments will be reflected in the issue paper being developed on users’ needs.</p>	No action	No
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19	<ul style="list-style-type: none"> <li>• Potentially duplicative information: e.g., information required under S1-5 and S1-4 might already be encompassed in S1-2 and S1-3</li> <li>• More logical structure would be to base all social disclosures around themes</li> <li>• Homogenise with the information required in ESRS 2 DR 2 GOV 5 “Statement on due diligence” and in ESRS 2 DR IRO 1 “Description of the process to identify material sustainability impacts, risks and opportunities” (§74, b i)), as some piece of information required in ESRS S2 is overlapping with information required in ESRS 2 in which the undertaking describes its materiality assessment in a due diligence perspective.</li> <li>• Merge             <ul style="list-style-type: none"> <li>- ESRS S2-1, S2-2</li> <li>- ESRS S2-4, S2-5 and S2-6</li> <li>- ESRS S1-3, S2-3, S3-3 and S4-3</li> </ul> </li> </ul>	Architecture of Social standards	Yes – [GRI.S2-1.P15a+c; GRI.S2-2; GRI.S2-3]	<p>The social standards have been drafted and structured in alignment with UNGPs and OECD Guidelines. Further work is being conducted on how to address due diligence-related disclosures at ESRS level. Issue paper on due diligence.</p> <p>A thematic approach is not recommended at sector-agnostic level.</p>	To be discussed	Yes
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20	<ul style="list-style-type: none"> <li>Many requirements would better fit sectoral standards</li> <li>Needs further elaboration in the sector specific standards for more transparency on the value chain</li> </ul>	Include sector-specific standards  (Sector-specific)	No	ESRS S2 has been drafted to ensure applicability at sector-agnostic level. Sector-specific standards to address sector-specific considerations.	No action	No
21	<ul style="list-style-type: none"> <li>ESRS S2 is regularly referenced in the disclosure of information required by the ESRS S3 and ESRS S4. More work must be done to avoid double reporting in the same set of DRs</li> </ul>	Duplication with other standards  (Potential duplication of standards)	Yes – [TEG.S2-1; TEG.S2-6]	This reflects the structure of standards per stakeholder group with cross-references to other ESRS where applicable.	No action	No
22	<ul style="list-style-type: none"> <li>broad definition of ‘value chain’ and ‘workers in the value chain’</li> <li>Need of common definition of value chain workers at EU level</li> <li>Include practical examples in S1 &amp; S2 AG on boundary between ‘own workforce’ and ‘workers in the value chain’ to understand scope of each standard</li> </ul>	Unclear definition of the term value chain worker	No	Definition of ‘value chain workers’ is aligned with ‘own workforce’ definition. Issue papers on both value chain and definition of affected stakeholder groups in the social standards.	To be discussed	Value chain  Affected stakeholder groups

23	<ul style="list-style-type: none"> <li>Definition of "affected stakeholder" is not aligned with the definition included in ESRS 1 (paragraph 44a).</li> </ul>	Unclear terminology	No	Review definition of affected stakeholder.	To be aligned	No
24	<ul style="list-style-type: none"> <li>More attention for disclosing issues of decent work for parents and caregivers, including maternity protections in supply chains; access to childcare; issues related to workers with left-behind children as well as those on move because of their parents/caregivers' labour migration; standard should refer to "workers and their families" as impacts on workers will likely have impacts on their families.</li> <li>More targeted focus on young workers in the value chains</li> <li>Definitions of "child", "child labour" and "young workers" needed</li> </ul>	Workers' families are not sufficiently considered	No	Consider reviewing AG to include examples of decent work for parents, referring to "workers and their families". Consider including a definition for "young workers" (the definition for "child labour" is already included in ESRS S1).	To be aligned	No

25	<ul style="list-style-type: none"> <li>• Risk oriented; include disclosure about opportunities that may be of importance for readers</li> <li>• The word “impact” is sometimes qualified by “material”, “high”, “specific”, “adverse”, leading to a misunderstanding about the scope of the information required</li> <li>• Standard should be better articulated with standards on responsible procurement that should be developed, and it should be limited to the existence of human rights policy covering the value chain, and to the description of actions implemented or planned</li> </ul>	Definition adjustment /rephrasing required	No	One of the objectives of S2 is clearly defined as the disclosure of opportunities linked to value chain workers. S2 includes a number of DRs where undertakings may disclose related opportunities (S2-4 targets and S2-6).	No action	Yes
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**Q47: ESRS S3 – Affected communities**

n.	Comment	Type	Already in TEG survey/ISSB alignment/GRI alignment	EFRAG Secretariat comments	EFRAG Secretariat conclusion (*)	Issue paper needed?
1	<ul style="list-style-type: none"> <li>Gradual phase-in of the requirements which are more detailed than what is currently required to be reported based on the most commonly used sustainability reporting standards, most notably GRI (e.g., explanation of targets or actions taken on material impacts)</li> <li>Some DRs should have a reduced level of granularity and be deprioritised for the moment, especially those that involve third-party data providers</li> </ul>	Consider phase-in of disclosure requirements  (Phasing-in / prioritization)	No	Outcome of the analysis at DR level (Template 2)	To be discussed	No
2	<ul style="list-style-type: none"> <li>Deprioritise ESRS S3; especially DRs that involve third-party data providers</li> </ul>	Deprioritise S3	No	Phasing-in / prioritization needs to be aligned with the CSRD. For third party data refer to the discussion on Value Chain.	No action	No



3	<ul style="list-style-type: none"> <li>Paragraph 1 appears very broad and not aligned with the proportionality approach established in the CSRD final version (Art. 29b, par. 2b)</li> </ul>	Goes beyond the scope of the CSRD	No	Par. 1 considers the reporting areas (material impacts/risks/opportunities), policies, actions as per the CSRD. ESRS S3 is to be read in conjunction with cross-cutting standards. ESRS 1, Appendix C provides guidance in relation to due diligence and the issue of undertakings' involvement with identified potential and actual impacts.	No action	No
4	<ul style="list-style-type: none"> <li>Scope of the information required in ESRS S3 is broad and it may be difficult for undertakings to collect this information even if it is only a descriptive one.</li> </ul>	Data is very difficult to collect	No	ESRS S3 content and scope are aligned with international standards that clarify how due diligence concerns different affected stakeholder groups. Issue paper on due diligence.	No action	Yes

5	<ul style="list-style-type: none"> <li>• Data collection &amp; availability of reliable and verifiable information in the value chain</li> <li>• Doubts on the verifiability of all new disclosures given the numerous, detailed, and very specific DRs and the timetable of the European Commission. Reporting boundaries incl. upstream and downstream value chain increases complexity and burden on undertakings</li> <li>• Reporting information about the value chain could be very complex and burdensome, also with regard to costs, and lead to an information overload and unclarity.</li> </ul>	<p>Collection and verification of data from supply chains is difficult</p> <p>(Data accessibility (incl. value chain data))</p>	No	<p>The CSRD provides for a longer timeframe to report on value chain issues and thus prepare for data collection. It is also important to note that ESRS S2-S3-S4 do not require the disclosure of quantitative KPIs; these will be included at a later stage in sector-specific standards. Sector-agnostic DRs provide for the disclosure of info on systems and processes set up by undertakings' themselves.</p>	No action	Value chain
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6	<ul style="list-style-type: none"> <li>• Qualitative information not comparable, and hence not usable to their full potential by investors</li> <li>• Include performance-related disclosures regarding value chain workers, affected communities and users of products and services in next set of draft standards, particularly focused on sector-specific standards</li> <li>• Quantitative information</li> </ul>	Add quantitative indicators  (Quantitative indicators)	No	It is anticipated that a number of proposed sector-specific standards will include quantitative KPIs. The general conclusion of the EFRAG PTF was caution regarding quantitative KPIs for S2-S4 at sector-agnostic level given the company and industry-specific nature of human rights IROs.	No action	No
7	<ul style="list-style-type: none"> <li>• Verifiability of information</li> <li>• The DRs as currently drafted may result in important disclosure divergences in terms of form, type, content, structure, which may require different assurance procedures. For undertakings with global supply chains verification of processes and procedures will be rather complex and will involve significant audit work.</li> </ul>	Assurance considerations	No	ESRS S2 focuses on qualitative disclosures given the company-specific nature of human rights due diligence; it is anticipated that a number of sector-specific standards will include quantitative KPIs.	No action	No

8	<ul style="list-style-type: none"> <li>• Include definition of free, prior and informed consent (FPIC), e.g., with reference to the definition used by the UN Food and Agriculture Organisation</li> </ul>	Include definition of FPIC	Yes – [GRI.S3.Definitions]	Include definition of FPIC.	Ongoing	No
9	<ul style="list-style-type: none"> <li>• Definition of “affected communities” should be more precise: currently communities that can live near the organisation’s operations and also those living at a distance. Hence, it may be difficult for undertakings to figure out who are the affected communities</li> <li>• Need of common definition of affected communities at EU level</li> </ul>	Vague definition of the term affected communities	No	Fine-tune definition of affected communities. Issue paper on definitions.	Ongoing	Yes
10	<ul style="list-style-type: none"> <li>• Focus on risks, to some extent ignoring opportunities. Possible to ask the company for information on its impact on local economic activity, for example in the area of employment. Relations with the undertaking's stakeholders such as international NGOs and academics could also be considered</li> </ul>	No information on opportunities is required, the standard focuses only on risks	No	One of the objectives of S3 is clearly defined as the disclosure of opportunities linked to affected communities. S3 includes a number of DRs where undertakings may disclose related opportunities (S3-4 targets and S3-6).	No actions	No

11	<ul style="list-style-type: none"> <li>Align definitions to international standards/initiatives on affected communities and human rights, e.g., the UN definition of Human Rights.</li> </ul>	Align with definitions of key concepts from UN	Yes – [CSRD.S3.Objective; GRI.S3.Definitions]	Relevant issue paper on due diligence.	Ongoing	Yes
12	<ul style="list-style-type: none"> <li>Need of explicit reference to the needs and rights of groups in vulnerable and/or marginalised situations, including children (S3-1, 2,3); AG 10 should also include "age" as one of the intersectionality characteristics</li> </ul>	Definition adjustment /rephrasing required	No	Consider including reference to the needs and rights of groups in vulnerable and/or marginalised situations, including children in S3-1, 2, 3. Include "age" as one of the intersectionality characteristics in AG 10.	To be amended	No
13	<ul style="list-style-type: none"> <li>Scope of social &amp; environmental standards with regard to impact on local communities: environmental impact should be governed by environmental standards and on human rights by social standards (e.g., climate change, pollution etc.)</li> </ul>	Restructure the standards	Yes – [GRI.S3-1.P14a+c; GRI.S3-2; GRI.S3-3]	Relevant paper on environment and communities.	Ongoing	Yes

14	<ul style="list-style-type: none"> <li>• Merge ESRS S2-S4 in a single ESRS</li> <li>• More logical structure would be to base all social disclosures around themes</li> <li>• Merge: <ul style="list-style-type: none"> <li>- S3-1, S3-2</li> <li>- S3-4, S3-5 and S3-6</li> <li>- S1-3, S2-3, S3-3 and S4-3</li> </ul> </li> <li>• Merge S3 and S4 given the large overlaps</li> <li>• Potential duplication of standards</li> </ul>	Restructure the standards  (Architecture of Social standards)	Yes – [GRI.S3-1.P14a+c; GRI.S3-2; GRI.S3-3]	This reflects the structure of standards per affected stakeholder groups on social matters with cross-references to other ESRS where applicable.  A thematic approach is not recommended at sector-agnostic level.	No action	No
15	<ul style="list-style-type: none"> <li>• Unreasonable costs due to the significant DRs and a significant risk of "trickle down" effects to the supply chain</li> <li>• Auditing</li> </ul>	High burden for reporting entities  (Questionable cost-benefit ratio)	No	Cost-benefit analysis in progress. In general, this will be considered in the context of discussions on reducing complexity, phasing-in and prioritisation. Analysis at DR level.	Ongoing	No
16	<ul style="list-style-type: none"> <li>• No legal status yet; DRs should be required by law</li> </ul>	Alignment with EU and international frameworks /initiatives - <b>Social Taxonomy</b>	No	ESRS S3 derives from Art 19 a) and 29 a) of the final CSRD.	No action	No

17	<ul style="list-style-type: none"> <li>No legal status yet; DRs should be required by law</li> </ul>	Align with CSDDD  (Alignment with EU and international frameworks /initiatives – <b>CSDDD</b> )	No	It is not foreseen to include disclosure requirements in ESRS that anticipate final legislative decisions. However, the ESRS should be adjusted as appropriate after law comes into force.	No action	No
18	<ul style="list-style-type: none"> <li>Difference in underlying principles, i.e., double materiality and enterprise value perspective, and different set of stakeholder groups assumed; doubts whether sufficient alignment of the standards can be achieved at all</li> </ul>	Lack of consistency with other international standards  (Alignment with EU and international frameworks /initiatives – <b>ISSB</b> )	No	There is no social standard yet under ISSB to take into account. The comment is more relevant for the discussion of higher alignment in CCS in SRB / SRT.	No action	No

19	<ul style="list-style-type: none"> <li>Excessive number/granularity of DRs</li> </ul>	<p>Excessive granularity</p> <p>(Reduce complexity)</p>	Yes – [TEG.S3-1; TEG.S3-3.P23; OR.S3-3]	ESRS S3 focuses on qualitative disclosures given the company-specific nature of human rights due diligence; sector-specific standards will cover quantitative information. The level of granularity will correspond to the undertaking’s centric IRO assessment. When the undertaking doesn’t have in place Policies/Targets/Action Plans it complies just stating this fact. No additional burden for companies and based on materiality.	No actions	Yes
20	<ul style="list-style-type: none"> <li>Remove requirements from AG</li> </ul>	<p>Application guidance should be limited to explanations</p> <p>(Guidance for reporting)</p>	Yes – [UT.AG]	Will be adjusted where possible but it should be noted that many AG ‘shall’ requirements refer to the calculation of a KPI and are more appropriate in AG than in the body of the DR.	Ongoing	No
21	<ul style="list-style-type: none"> <li>Many requirements would better fit sectoral standards</li> <li>Needs further elaboration in the sector specific standards, especially for high-risk sectors</li> </ul>	<p>Elaborate sector-specific standards</p> <p>(Sector-specific)</p>	Yes – [TEG.S3-2]	Sector standards under development.	No action	No



**Q48: ESRS S4 – Consumers and end-users**

n.	Comment	Type	Already in TEG survey/ISSB alignment/GRI alignment	EFRAG Secretariat comments	EFRAG Secretariat conclusion (*)	Issue paper needed?
1	<ul style="list-style-type: none"> <li>S4-4, S4-5 and S4-6 only optional for the first application</li> <li>Deprioritise ESRS S4; especially DRs that involve third-party data providers</li> <li>Gradual phase-in of DRs which are more detailed than what is currently required to be reported based on the most commonly used sustainability reporting standards, most notably GRI (e.g., explanation of process for setting targets or actions taken on material impacts).</li> </ul>	Phase in disclosure requirements over time  (Phasing-in / prioritization)	Yes – [TEG.S4-1]	Discussion on phasing-in / prioritization in TEG and Board is taking place to strike a balance between user needs and preparers' concerns.	Analysis at DR level	No
2	<ul style="list-style-type: none"> <li>Rebuttable presumption should not apply to S4, at least for the sectors that are consumer facing</li> </ul>	Rebuttable presumption should not apply to S4	No	Pending outcome of discussions on materiality/rebuttable presumption.	To be discussed	No

3	<ul style="list-style-type: none"> <li>• Trickle-down effects regarding data collection in the value chain</li> <li>• Reporting boundaries incl. upstream and downstream value chain increases complexity and burden on undertakings</li> <li>• Reporting on the value chain (S4-1, par. 9) should be limited to the most essential use cases</li> </ul>	<p>Difficulties in reporting along the value chain</p> <p>(Value chain considerations)</p>	No	Issue paper on reporting boundaries.	To be discussed	Yes
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4	<ul style="list-style-type: none"> <li>• Need of common definition of consumers and end-users on EU level</li> <li>• Unclear distinction between consumers and end-users; provide examples</li> <li>• Simplify by defining and using one term (e.g., customers) that covers both groups.</li> <li>• The framing around 'consumers' and 'end users' risks leaving out situations where children who are not consumers or end users of digital services can still have their rights violated by their use, e.g., in the case of infants depicted in child sexual abuse material. A framing around 'impacts on people through end-use' would be more inclusive of the various possible adverse impacts.</li> </ul>	<p>Clarify definitions  (Definition adjustment /rephrasing required)</p>	<p>Yes – [TEG.S4-2.P18b; TEG.S4-4.P24]</p>	<p>Fine-tune definitions. Issue paper on definitions.  Include examples on scope of stakeholder groups “consumers” and “end-users”; checking whether framing around 'impacts on people through end-use' (e.g., children; impacts in digital environment) could be included.</p>	<p>To be discussed  To be considered</p>	<p>Yes- affected stakeholders' definition  No</p>
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5	<ul style="list-style-type: none"> <li>Adjust paragraph 2 (a): information-related impacts for consumers/end users, in particular privacy, freedom of expression, <b>quality of the information</b>, access to information, <b>complaints management and marketing practices</b>;</li> <li>Most companies have a digital presence, so impacts in the digital environment are not only relevant for technology companies but for all companies that in some way interact with children online (e.g., toy companies that offer connected toys or digital play experiences). As such, the standards should clarify that they also apply to impacts in the digital environment (S4-1).</li> <li>Business activities in the digital environment can have a significant impact on children’s rights relating to a variety of online risks and harms, also outside the EU. Companies developing or deploying digital technologies have a responsibility to respect children’s rights in the digital environment and to conduct</li> </ul>	<p>Clarify reporting requirements</p> <p>(Definition adjustment /rephrasing required)</p>	<p>Yes – [TEG.S4-2.P18b; TEG.S4-4.P24]</p>	<p>Amend paragraph 2 (a) and respective AG</p> <p>Add reference to digital environment</p> <p>Ensure appropriate reference to groups in vulnerable and/or marginalized situations, including children</p>	<p>To be aligned</p>	<p>No</p>
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	<p>human rights and environmental due diligence. As such, ESRS S4 would benefit from an explicit lens on non-discrimination and on groups in vulnerable and/or marginalized situations, including children for what concerns policies, processes to engage stakeholders and mechanisms to raise concerns (S4-1,2,3).</p> <ul style="list-style-type: none"> <li>• Focus more on risks than opportunities, e.g., information about customer satisfaction using some KPIs such as customer satisfaction rate or customer retention rates could be included</li> <li>• Moreover, the link with the Sustainable Development Goals (SDGs) could be highlighted.</li> </ul>			<p>One of the objectives of S4 is clearly defined as the disclosure of opportunities linked to value chain workers. S4 includes a number of DRs where undertakings may disclose related opportunities (S4-4 targets and S4-6). ESRS S2 will be further reviewed for inclusion of suggested amendments/additions where possible.</p> <p>Where appropriate, consider including reference to SDGs</p>		
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6	<ul style="list-style-type: none"> <li>• In the case of consumers, some KPIs could easily be added related to complaint management, such as number of complaints received, number of complaints solved, average time to solve it, etc. Or the number of consumer-related complaints about greenwashing, anti-competition, etc.</li> <li>• KPIs should be defined to limit risks of green washing by the undertaking</li> <li>• Include performance-related disclosures regarding value chain workers, affected communities and users of products and services in next set of draft standards, particularly focused on sector-specific standards</li> <li>• Qualitative information not comparable, and hence not usable to their full potential by investors</li> </ul>	<p>Include quantitative indicators</p> <p>(Quantitative indicators)</p>	No	<p>It is anticipated that a number of proposed sector-specific standards will include quantitative KPIs. The general conclusion of the EFRAG PTF was caution regarding quantitative KPIs for S2-S4 at sector-agnostic level given the company and industry-specific nature of human rights IROs.</p>	No action	No
7	<ul style="list-style-type: none"> <li>• Unreasonable costs due to the significant DRs</li> <li>• Auditing</li> <li>• Some DRs such as S4-4, S4-5, S4-6 are hard to meet; cost benefits balance is thus not guaranteed</li> </ul>	<p>High or disproportionate burden for reporting entities</p> <p>(Questionable cost-benefit ratio)</p>	No	<p>Cost-benefit analysis in progress. In general, this will be considered in the context of discussions on reducing complexity, phasing-in and prioritisation. Analysis at DR level.</p>	Ongoing	No

8	<ul style="list-style-type: none"> <li>• CSRD does not ask for information about end-users or consumers, hence undertakings may have difficulties to complete the information required.</li> <li>• AG 9 not in line with CSRD proportionality approach</li> </ul>	Requirements go beyond CSRD requirements	No	CSRD requires disclosure of impacts along the undertaking's value chain; and requires standards to specify disclosures for a given list of international frameworks / conventions. One of these, the Charter of Fundamental Rights of the European Union, includes consumer protection under Art. 38.	No action	No
9	<ul style="list-style-type: none"> <li>• No legal status yet; DRs should be required by law</li> </ul>	Alignment with EU and international frameworks /initiatives - Social Taxonomy	No	It is not foreseen to include disclosure requirements in ESRS that anticipate final legislative decisions. However, the ESRS should be adjusted as appropriate after law comes into force.	No action	No
11	<ul style="list-style-type: none"> <li>• difference in underlying principles, i.e., double materiality and enterprise value perspective, and different set of stakeholder groups assumed; doubts whether sufficient alignment of the standards can be achieved at all</li> </ul>	Alignment with EU and international frameworks /initiatives - ISSB	No	There is no social standard yet under ISSB to take into account. The comment is more relevant for the discussion of higher alignment in CCS in SRB / SRT.	No action	No

12	<ul style="list-style-type: none"> <li>• Explicit reference should be made to compliance with data protection legislation when collecting and publishing in the standard</li> <li>• Many existing regulations related to distribution and consumer protection and consumer information. To this extent, articulation between such requirements and the current DR should be revised. For instance, insurance activities are highly regulated and the relations with policyholders are subject to strict requirements. It is thus unclear how insurers should report on consumers / end-users besides limiting themselves to state compliance with existing rules.</li> </ul>	Alignment with EU and international frameworks /initiatives	No	Where relevant, include reference to respective legislation.	To be aligned	No
13	<ul style="list-style-type: none"> <li>• Remarks re the DRs being excessive in number/granularity</li> </ul>	Excessive granularity  (Reduce complexity)	Yes – [OR.S4.Objective]	The content reflects the CSRD requirements. No suggestions for amendments. Where possible, text will be simplified.	To be aligned. Text to be simplified	Yes



14	<ul style="list-style-type: none"> <li>Verifiability of information</li> </ul>	<p>Difficulties in auditing &amp; verifying the disclosures</p> <p>(Assurance considerations)</p>	No	ESRS S4 focuses on qualitative disclosures given the company-specific nature of human rights due diligence; sector-specific standards will cover quantitative information.	No action	No
15	<ul style="list-style-type: none"> <li>Remove requirements from AG</li> </ul>	<p>Limit the application guidance to explanations</p> <p>(Guidance for reporting)</p>	No	Will be adjusted where possible, but it should be noted that many AG 'shall' requirements refer to the calculation of a KPI and are more appropriate in AG than in the body of the DR.	Ongoing	No
16	<ul style="list-style-type: none"> <li>Merge S3 and S4 given the large overlaps</li> <li>Merge S4-1, S4-2, S4-4, S4-5 and S4-6 in ERS2 - DR2 - IRO 1 (§74, b i)) and translate into sub-topics: (1) Policies and Processes and (2) Targets, Actions and Approaches.</li> <li>Merge S1-3, S2-3, S3-3 and S4-3 in one single DR regarding the channels for raising concerns for employees, non-employees, workers in the value chain, consumers and end-users.</li> <li>Consider merging S3 and S4 given the large overlaps between these two standards</li> <li>Risk of double reporting</li> </ul>	<p>Architecture of Social standards</p> <p>Risk of double reporting – duplication</p>	Yes – [GRI.S4-1.P13a+c; GRI.S4-2; GRI.S4-3]	This reflects the structure of standards per stakeholder group with cross-references to other ESRS where applicable. Discussions on amending the CCS and simplification are going on at SRT and SRB.	To be discussed	No

17	<ul style="list-style-type: none"> <li>More logical structure would be to base all social disclosures around themes</li> </ul>	Organise the social ESRS thematically	No	Thematic approach not possible at sector-agnostic level.	No action	No
18	<ul style="list-style-type: none"> <li>Required information sector-specific since (1) the regulations protecting the customers are different from one sector to another, and (2) the relevant information about the impact of the products and goods is different from one sector to another. Include in sector-specific standards.</li> </ul>	Consider including S4 or certain DRs under sector-specific standards		ESRS S4 has been drafted to ensure applicability at sector-agnostic level. Sector-specific standards to address sector-specific considerations (incl. specific legislation).	No action	No