

EFRAG SR TEG MEETING

AGENDA



Thursday 10 July 2025 | 08:30 – 17:00
Square de Meeûs 35 – 1000 Brussels

Decision-making sessions are highlighted in red (other sessions are dedicated to presentation and/or to collect views from members and observers).

In case the discussion ends earlier than expected, the meeting will conclude.

TIME	SESSION	OBJECTIVE	PRESENTER
08:30 – 10:20	Closed session		
08:30 – 10:00	1. Opening and welcome		Chiara Del Prete EFRAG SR TEG Chair
	2. Debrief before the public session		
10:00 – 10:20	Break		
10:20 – 17:00	Public session	[TENTATIVE]	
10:20 – 11:30	3. ESRs 1 V2	Approve	Leadership team
11:30 – 12:30	4. ESRs 2 V2	Approve	Leadership team
12:30 – 13:15	Lunch break		
13:15 – 14:45	5. Topical E standards V2	Approve	Leadership team
14:45 – 15:00	Break		
15:00 – 16:30	6. Topical S standards V2	Approve	Leadership team
16:30 – 17:00	7. Topical G standards V2	Approve	Leadership team

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

Draft Amended ESRs 1 – Exposure Draft UNAPPROVED

Secretariat Working document

[Draft] Amended ESRs 1 – v-1.6

UNAPPROVED DRAFT – SUBJECT TO CHANGE BEFORE BEING ISSUED

DRAFTING PROCESS FOR THE WORKING DOCUMENTS SO FAR

The EFRAG SRB and SR TEG provided written comments on the “V1.1” versions of the Secretariat working drafts prepared between the end of May and the first week of June. Based on those comments, the EFRAG Secretariat prepared the “V1.5” versions which were discussed in meetings mid-June by both EFRAG SR TEG and SRB. Subsequently these versions were amended and critically reviewed by dedicated review panels. The review panels submitted the outcome of their work and the remaining points for discussion to the EFRAG SRB and ST TEG. All agenda papers for the 9/10 July EFRAG SR TEG meeting and 14/16 July SRB meeting (“V1.6”) have been prepared by the Secretariat on the basis of (i) the “V1.5” working documents discussed by the EFRAG SRB and SR TEG, (ii) the review by the respective review panels within the SRB (with SR TEG experts when appropriate) and (iii) the subsequent discussions and decisions in the SRB. Step (i) and (ii) took place in the first week of July. All comments shared by members in written on the “V1.5” working documents have been considered and incorporated when consistent with the SRB decisions.

DISCLAIMER ON THE STATUS OF THIS UNAPPROVED DOCUMENT

This working document does not represent an EFRAG view at this stage. This “V1.6” draft is now made public as Working Document for the SR TEG discussions on 9/10 July and the SRB discussions on 14/16 July 2025. They are not to be considered as Exposure Drafts yet. They are unapproved and still subject to change reflecting the discussions in those meetings and for editorial and quality review that has not yet taken place. In addition, they are not accompanied by the necessary explanatory documents that are still being prepared and will accompany the Exposure Draft.

EFRAG recommends stakeholders that intend to contribute to the consultation to plan their review on the Exposure Drafts once they are issued, as they will benefit from the final content and from explanatory content.

REVISED STRUCTURE AND DRAFTING CONVENTIONS

As compared to the ESRs Set 1 (adopted in July 2023), the structure of the standards has been revised and streamlined. In particular:

- All the “shall disclose/shall include/shall report/shall describe/shall explain” have been considered and simplified. They are presented in the main body of the standard. They have been counted as separate datapoints.
- Below the text of each Disclosure Requirement in topical standards (or section for ESRs 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is still named

“Application Requirements” (AR). This includes “shall consider” as element of methodology for preparing the disclosure and “may (present)” for presentation options.

- Non mandatory appendices have been maintained in ESRS 1 on an exceptional basis, given their importance (former AR 16).
- All the “may” disclosures have been either eliminated or moved to another category (either deleted or moved to guidance), except for a few of them which are exceptionally still being considered.
- All the non-mandatory content has been moved to separate documents named “Non-Mandatory Illustrative Guidance (NMIG). While the four points above are drafted to become part of the delegated act, the legal status of the NMIG remains open from an EFRAG’s standpoint (either as appendices in the delegated act or as documents issued independently of the delegated act) and will be considered by the EC in due course.

How to read the document

The paragraph numbering has been revised to reflect the draft amendments. Where applicable, the previous Set 1 paragraph number is indicated in brackets—for example, ‘4. (24)’ or ‘4 (24 amended)’ in column [Draft] ESRS 1 [as revised 2025].

The ESRS use several terms to indicate the similar concepts: matters, topic, sub-topic, sub-subtopic. Sub-subtopic is eliminated. In addition, following the decision of the SRB subgroup, in order to simplify the content and eliminate one term (matter), now we only refer to topics and sub-topics. For this reason, in all the document ‘matter’ has been replaced by ‘topic’ and ‘topic’ is meant to refer both to topic and sub-topic. When used in this way, we use the bold italic format (***topic***). When used to express one of the 10 topics, we use a normal font.

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STATUS – 7 July 2025 [NOTE FOR SRB / SR TEG MEMBERS AND NOT FOR PUBLIC USE]Error! Bookmark not defined.

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ESRS 1

Objective of the ESRS

1. (1) The European Sustainability Reporting Standards ('ESRS') specify the information that the undertaking shall disclose about sustainability matters and/or factors, as stipulated by Directive 2013/34/EU of the European Parliament and of the Council, as amended by Directive (EU) 2022/2464 of the European Parliament and of the Council.
2. (2 amended) The ESRS use the term sustainability 'topic or sub-topic', to be understood as synonymous with sustainability matters and/or factors. Disclosures in the ESRS are structured into topics. A topic is further disaggregated in sub-topics. In the ESRS, the term '**topic**' is used to indicate either a topic or a sub-topic, depending on the most appropriate level of granularity needed to meet the respective disclosure objective.
3. The objective of sustainability reporting prepared in accordance with the ESRS is to present fairly (see Chapter 2 *Fair presentation and qualitative characteristics of information*) the undertaking's material **impacts** on people and environment, as well as the material **financial effects** of sustainability **risks** and **opportunities** on the undertaking's development, financial performance and position (collectively referred to as 'impacts, risks and opportunities') in relation to environmental, social and governance topics. Reporting under these two perspectives constitutes the **double materiality** principle. An ESRS **sustainability statement** covers governance, strategy, **policies**, **actions**, **targets** and **metrics** for **topics** related to material impacts, risks and opportunities.
4. The ESRS require the undertaking to disclose information that is useful to the **users** of general purpose sustainability statements, which are:
 - (a) primary users of general purpose financial reporting such as existing and potential investors, lenders and other creditors, including asset managers, credit institutions and insurance undertakings; and
 - (b) other users of general purpose **sustainability statements** such as the undertaking's business partners, trade unions and social partners, civil society and non-governmental organisations, governments, analysts and academics. Civil society, non-governmental organisations and trade unions as users are proxies for affected **stakeholders**.
5. (new) The ESRS do not mandate behaviour but set Disclosure Requirements ('DRs') regarding **topics** associated with the material **impacts**, **risks** or **opportunities** connected with the undertaking's own operations, products or services and through **business relationships** in its upstream and downstream **value chain**. Reporting in accordance with the ESRS does not exempt it from other obligations laid down in EU law.
6. (6 amended) This Standard ESRS 1 *General Requirements* explains drafting conventions and sets out general requirements for identification of the undertaking's material **impacts**, **risks** and **opportunities**, as well as for preparing and presenting information about to the **topics** related to them. It also sets out general requirements for the basis of preparation of a sustainability statement.

1. ESRS Standards, reporting areas and drafting conventions

1.1 ESRS standards, reporting areas and entity-specific disclosures

7. (new) The undertaking shall apply this Standard in conjunction with ESRS 2 *General disclosures* (both referred to as 'cross-cutting standards') and with topical standards. The requirements of this Standard are accompanied by mandatory ARs, presented at the end of each section.
8. (7 amended) ESRS 2 *General disclosures* establishes DRs on the information that the undertaking shall provide for **topics** related to material impacts, risks and opportunities on (i) the reporting areas of governance, strategy, **impact**, **risk** and **opportunity** management, as well as (ii) under disclosure requirements for **policies**, **actions**, **targets** and **metrics** when disclosing information in relation to those topics.
9. (8 amended) Topical standards address topics and sub-topics and reflect the same reporting areas as ESRS 2 *General disclosures*. The table in Appendix A *List of topics* provides an overview of the topics and sub-topics covered by topical ESRS.

10. (11) If the undertaking concludes that a **topic** associated with one or more material **impacts, risks** or **opportunities** is not covered, or not covered with sufficient granularity by an ESRS, it shall provide additional entity-specific disclosures on that topic. This may be the case due to sectorial specificities and/or other facts and circumstances relevant to the undertaking itself. Depending on the undertaking's facts and circumstances, there may be topics other than those covered in ESRS topical requirements that the undertaking shall cover, following its materiality assessment.
11. When developing its entity-specific disclosures, the undertaking shall consider comparability over time and with other undertakings that operate in the same sector(s). For this purpose, it may use available best practice and/or available frameworks or reporting standards, such as IFRS industry-based guidance and GRI Sector Standards.

APPLICATION REQUIREMENT – AR

AR 1 for para. 11 (Entity-Specific Disclosures)	When developing entity-specific disclosures, the undertaking shall ensure they: - meet the qualitative characteristics of information as set out in Chapter 2. Fair presentation and qualitative characteristics of information; and - include material information related to the reporting areas of governance, strategy, impact, risk and opportunity management, and metrics and targets (see ESRS 2).
AR 2 for para. 11 (Entity-Specific Disclosures)	When determining the usefulness of metrics for inclusion in its entity-specific disclosures, the undertaking shall consider whether: - its chosen performance metrics provide insight on the impacts, risks and opportunities to be disclosed; - the measured outcomes are sufficiently reliable; and - it has provided sufficient contextual information.

4.2 Drafting conventions

12. (14) In all ESRS:
- Impacts refer to both actual and **potential impacts**;
 - The terms '**risks**' and '**opportunities**' refer to the undertaking's financial risks and opportunities, including those deriving from the undertaking's **impacts** and **dependencies** on natural, human and social resources, as identified through a **financial materiality** assessment (see Section 3.3.2 *Financial materiality assessment*).
13. (15) Throughout the ESRS, the terms that are defined in the Glossary of Definitions (Annex II) are denoted in **bold italic**, except when a defined term is used more than once in the same paragraph.
14. (16) The ESRS structure information to be disclosed under DRs, which consist of one or more distinct datapoints. They are introduced by the term 'shall disclose' to indicate that the provision is prescribed, subject to materiality of information (see Chapter 3.1).
15. (17) In addition to DRs per se, ESRS 2 *General disclosures* and topical standards contain mandatory 'Application Requirements' relating to each DR, included within boxed text. Its content supports the preparation of information and/or disclosures that meet the qualitative characteristics of information (see Appendix B) and has the same authority as other parts of a standard. ARs also include text where the term 'shall consider' is used to indicate issues, resources or methodologies that the undertaking is expected to take into account or to use in the preparation of a given disclosure. They also include presentation options, indicating that a given piece of information may be provided in a tabular form or in narrative text or other similar options.
- 2. Fair presentation and qualitative characteristics of information**
16. (new). Fair presentation requires disclosure of relevant information about the undertaking's material **impacts, risks** and **opportunities** in accordance with Chapter 3 of this Standard, and their faithful representation in accordance with the requirements set out in this Standard.

17. Applying the ESRS is presumed to result in a **sustainability statement** that achieves a fair presentation.
18. (new) Fair presentation requires the undertaking to apply the qualitative characteristics of information, as defined and described in Appendix B of this Standard, i.e.:
- relevance and faithful representation (fundamental characteristics); and
 - comparability, verifiability and understandability (enhancing characteristics).
19. To achieve faithful presentation, the undertaking shall provide a complete, neutral and accurate depiction of its material **impacts, risks** and **opportunities**.

3. Double materiality as the basis for sustainability reporting

20. (21) The undertaking shall report on **topics** based on the **double materiality** principle as defined in paragraph 3 and explained in this Chapter.

3.1 Materiality of information as a general filter for reported information

21. (new) The **sustainability statement** shall include material information. Information is material when omitting, misstating or obscuring that information could reasonably be expected:
- to influence decisions that primary **users** of general purpose financial reports make based on those reports, including financial statements and the **sustainability statement**; or
 - to impair the ability of users of general purpose sustainability statements to understand the undertaking's material **impacts, risks** and **opportunities** and how it identifies and manages them.

APPLICATION REQUIREMENT – AR

AR 3 for para. 21	Users' interests and viewpoints are assessed based on identified groups of users to inform the elaboration of general purpose financial reports as well as general purpose sustainability statements.
AR 4 for para. 21 (new)	Material impacts, risks and opportunities identified under the double materiality principle and therefore reported on in its sustainability statement are understood to be the same as the undertaking's principal impacts, risks and opportunities referred to in the CSRD. Some existing standards and frameworks also use the term 'most significant impacts' when referring to the threshold used to identify the impacts that are described in the ESRS as 'material impacts'.

3.2 Interaction between topics to be reported and material impacts, risks and opportunities

22. The undertaking shall report on a given **topic** when the topic relates to one or more material impacts, risks and opportunities, as identified through its **double materiality** assessment. The information shall be presented either at topical level or at **impacts, risks** and **opportunities** level, depending on what provides the most relevant information, such as reflecting their nature or the way they are managed (refer to the general requirement on level of disaggregation in Section 3.7).
23. The ESRS are structured on the basis of 10 topical standards. Each topical standard covers a number of related topics and is organised as a series of DRs. The **topics** addressed in the ESRS topical standards are set out in Appendix A. In addition, paragraph 10 of this Standard requires the undertaking to report on entity-specific material topics associated with one or several material **impacts, risks** and **opportunities** that are not covered, or not sufficiently covered, by these topical standards.

3.3 Double materiality assessment

24. (25) Performing a **materiality** assessment (see Sections 3.3.1 *Impact materiality assessment* and 3.3.2 *Financial materiality assessment*) is necessary to identify the undertaking's material **impacts, risks** and **opportunities** and the associated **topics** to be reported.

25. (37, 38, 39 revised) **Double materiality** has two dimensions: **impact materiality** and **financial materiality**, which are interrelated. These interdependencies shall be considered in the assessment. An **impact** may be financially material from inception or become financially material when it could reasonably be expected to affect the undertaking's financial position, financial performance, cash flows, its access to finance or cost of capital over the short, medium or long term. Impacts are captured by the impact materiality perspective irrespective of whether or not they are financially material.

26. In general, the starting point is the assessment of **impacts**, although there may also be **material risks** and **opportunities** that are not related to the undertaking's impacts.

27. (42 amended) When applying the criteria set under Sections 3.3.1 and 3.3.2 of this Standard, the undertaking shall set appropriate qualitative and/or quantitative thresholds to determine which **impacts, risks** and **opportunities** are identified and assessed by the undertaking as material and, as a result, to determine the **topics** to be reported.

28. (new) The undertaking shall update the conclusions of the **materiality** assessments conducted in the previous reporting periods to take into account any changed circumstances and/or assumptions. Because of changes in its individual circumstances, or in the external environment, some types of information included in its **ESRS sustainability statement** for prior periods might no longer be material; conversely, some types of information not previously disclosed might become material.

3.3.1 Impact materiality assessment

29. (43 amended) The **impact materiality** assessment corresponds to the identification of information that relates to the undertaking's actual or potential, positive or negative material **impacts** on people or the environment over the short, medium or long term. Impacts include those connected with its own operations, products, or services, including through **business relationships** in its upstream and downstream **value chain**. Business relationships are not limited to direct contractual relationships.

30. For actual negative **impacts, materiality** shall be based on the severity of the impact, while for potential negative impacts, it shall be based on a combination of the severity and likelihood of the impact. Severity shall be based on the following factors: the scale, scope and irremediable character of the impact. In the case of a potential negative human rights **impact**, the severity of the impact takes precedence over its likelihood.

31. (old 46) For positive **actual impacts, materiality** shall be based on the scale and scope of the impact while for **potential impacts** on the basis of scale, scope and likelihood of the impact.

32. The following are usual internal and external sources of evidence and information in conducting an **impact materiality** assessment: the undertaking's sustainability due diligence and risk management processes; engagement with affected **stakeholders**, which is central to the undertaking's ongoing due diligence process (see Chapter 4. Due diligence); industry and peer group experience; external ratings, reports and statistics and scientific data; experts engagement.

33. Affected **stakeholders** are individuals or groups whose interests are affected or could be affected – positively or negatively – by the undertaking's activities and its direct and indirect **business relationships** across its **value chain**.

34. (new) **Materiality of actual impacts** is assessed based on the severity of the **impact** after mitigation and prevention **policies** and **actions** that were implemented prior to the impact. Actual impacts of the reporting period include those remaining from impacts that occurred in past periods.

35. (new) In a case where the undertaking has implemented **policies** and taken **actions** in the reporting period to **remedy** negative **actual impacts**, it shall not consider these **remediation policies** and actions in assessing the **materiality** of the **impact**. If the impact is assessed as material, it shall report on the remediation policies implemented and actions taken, and their expected or realised effects.

36. (new) Mitigation and prevention **policies** and **actions** are taken into account in the materiality assessment, when supportable evidence demonstrates that they reduce its severity and/or the likelihood of occurrence. However, if the undertaking needs to sustain ongoing mitigation and/or prevention policies and actions in order to contain the severity and/or likelihood of the potential impact below a materiality level, to the extent that it needs to take ongoing mitigation and/or prevention policies or actions to reduce the severity and/or the likelihood of occurrence the impact shall be assessed without taking into account the mitigation and/or prevention policies or actions. Future **remediation actions** and remediation policies are not considered in the materiality assessment of potential impacts.

37. (new) The undertaking's positive **impacts** shall be assessed in their own right and shall not be netted off against its negative impacts. The results of the undertaking's mitigation or **remediation policies** and **actions** on negative impacts caused by or contributed to by its compliance with law and regulation are not positive impacts. However, if its business activities, products and services mitigate or remediate negative impacts of another party, this is considered a positive impact of the undertaking.

APPLICATION REQUIREMENTS – AR

AR 5 for para. 29 (Steps of impact materiality assessment)	(former AR 9) The undertaking shall consider the following steps in the impact materiality assessment process, but it may implement either a top-down or bottom-up approach, as described in AR 16 below, through: (a) understanding the context in relation to its impacts including its activities, business relationship , and stakeholders ; (b) identifying actual and potential impacts (both negative and positive); (c) assessing the materiality of actual and potential impacts and determination of the topics to be reported. In this step, the undertaking shall adopt thresholds to determine which impacts will be covered in its sustainability statement .
AR 6 for para. 30 (Characteristics of severity)	(former AR 10 and 11) The severity is assessed based on a combination its factors, i.e. scale, scope and irremediable character. The undertaking shall also take into account the practical considerations mentioned in AR 17(b): (a) scale: how serious the negative impact is or how beneficial the positive impact is for people or the environment; (b) scope: how widespread the negative or positive impacts are. In the case of environmental impacts, the scope may be understood as the extent of environmental damage or a geographical perimeter. In the case of impacts on people, the scope may be understood as the number of people adversely affected; and (c) irremediable character: whether and to what extent the negative impacts could be remediated, i.e. restoring the environment or affected people to their prior state.
AR 7 for para. 30 (Characteristics of severity)	Any of the three characteristics (scale, scope and irremediable character) can make a negative impact severe. The undertaking shall also take into account the practical considerations mentioned in AR 17(b).

Where the undertaking determines that its own operations or supply chain(s) are exposed to factors that give rise to heightened risk of adverse impacts related to pollution, water, biodiversity and ecosystems as well as to resource use and circular economy, it shall consider its site locations, assets, and business activities to be able to further investigate impacts that may be material in the local context.

In particular, it shall consider how its own operations and, where relevant, its supply chain affect the local context for key sites and activities, considering:

- (i) local air, water and soil quality;
- (ii) water availability in areas at water risk; and
- (iii) threatened species and ecosystems in biodiversity-sensitive areas.

The first three phases of the LEAP approach and guidance provided by the TNFD constitute a good reference for how to (i) locate where in own operations and along the value chain the interface with nature takes place, (ii) evaluate the dependencies and impacts, and (iii) assess risks and opportunities.

(new) If potential **impacts** are assessed as material, disclosing on significant planned **remediation actions** and their expected effects shall be considered material information that needs to be reported in accordance with DRs on **actions** and ESRS 2 GDR-A.

Appendix C Assessing *actual and potential impacts for materiality* provides an overview for assessing actual and **potential impacts for materiality**.

(former AR 6) Common categories of affected **stakeholders** are: **employees** and other workers, **suppliers, consumers, customers, end users**, local communities and persons in vulnerable situations.

(former AR 7) Nature may be considered a silent stakeholder.

(former AR 8) If the undertaking engages with **stakeholders** as part of its due diligence process to remediate negative impacts, it is not expected to do it again for the **materiality** assessment. The materiality assessment leverages ongoing dialogue with affected stakeholders, which is part of its **impacts, risks and opportunity** management. The undertaking may engage with affected stakeholders or their representatives (such as **employees** or trade unions), along with **users** of sustainability reporting and other experts. This dialogue provides inputs and/or feedback on the undertaking's conclusions regarding the identification of material impacts, risks and opportunities, as well as regarding the **topics** to be reported. Under the CSRD, the management of the undertaking shall inform the workers' representatives at the appropriate level and discuss with them the relevant information and the means of obtaining and verifying sustainability information. The workers' representatives' opinion shall be communicated, where applicable, to the relevant administrative, management or supervisory bodies.

3.3.2 Financial materiality assessment

38. (48) The **financial materiality** assessment corresponds to the identification of information that is considered material for primary **users** of general purpose financial reports in making decisions relating to providing resources to the undertaking. In particular, information is considered material for primary **users** of general purpose financial reports if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that they make on the basis of its **sustainability statement**.

39. (47 and partially 49) The scope of **financial materiality** for sustainability reporting is an expansion of the scope of **materiality** used in the process of determining which information shall be included in the undertaking's financial statement. The financial materiality of a **topic** is not constrained to topics that are within the control of the undertaking but includes information on **material risks** and **opportunities** attributable to **business relationships** beyond the scope of consolidation used in the preparation of financial statements.

40. (49) A **topic** shall be reported from a financial perspective if it triggers or could reasonably be expected to trigger material **financial effects** on the undertaking. This is the case when the **risks** or **opportunities** related to a **topic** have or could reasonably be expected to have a material influence on its development, financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium or long term. Risks and opportunities may derive from past or future events.

41. (50 amended) **Material risks** and **opportunities** derive from the undertaking's:

- (a) material **impacts**, as identified through the **impact materiality** assessment;
- (b) **dependencies** on natural, human and social resources; and
- (c) other factors, such as exposure to climate hazards or changes in regulation that address **systemic risks**.

42. (40) The undertaking shall consider how it is affected by its **dependencies** irrespective of its **potential impacts** on those resources. Dependencies may influence its ability to continue to use or obtain the resources needed in business processes, as well as the quality and pricing of those resources, and the ability to rely on relationships needed in its business processes on acceptable terms.

43. (51) The **materiality of risks and opportunities** is assessed based on a combination of the likelihood of occurrence and the potential magnitude of the **financial effects**.

APPLICATION REQUIREMENTS – AR

AR 13 for para. 43 (Identification of risks and opportunities, likelihood and magnitude)	In the identification of risks and opportunities , the undertaking shall consider its dependencies as sources of financial effects , either in terms of cash flows or in terms of capital not recognised in financial statements.
AR 14 for para. 43 (Identification of risks and opportunities, likelihood and magnitude)	(AR 15) In assessing risks and opportunities for materiality , the undertaking shall consider their contribution to financial effects in the short, medium and long term based on: (a) scenarios /forecasts that are deemed likely to materialise; and (b) anticipated financial effects that are not (or are not yet) reflected in financial statements and that arise from material impacts, risks and opportunities and related topics . This may derive from situations that do not yet lead to the recognition of assets/liabilities, or income/expenses, in financial statements, in accordance with the accounting recognition criteria.
AR 15 for para. 43 (Identification of risks and opportunities)	Internal risk management processes are a critical source of input for the materiality assessment of risks. Leveraging them contributes to the consistency of financial and sustainability reporting.

3.4 Material impacts or risks arising from actions to address other topics

44. (52) The undertaking's **materiality** assessment may lead to the identification of situations in which its **actions** to address certain **impacts** or **risks**, or to benefit from certain **opportunities** in relation to a topic, might have negative material impacts or cause **material risks** in relation to one or more other **topics**.

45. (53) In such situations, the undertaking (Chapter 9.2 Direct/indirect connectivity with financial statements and consistency of assumptions applies):

- (a) discloses under the other **topic** the negative material impacts or material risks together and the actions that cause them, with a cross-reference to the related topic; and
- (b) provides a description of how the material negative impacts or material risks are addressed under the topic to which they relate.

3.5 Practical considerations in determining the material impacts, risks and opportunities and their associated topics to be reported

46. (new) In conducting its **double materiality** assessment, the undertaking is expected to:

- (a) focus the assessment of the undertaking's operations and **value chains** on areas where material **impacts**, **risks** and **opportunities** are deemed likely to arise based on the **business model**, the nature of the activities, **business relationships**, geographies or other factors; and
- (b) use reasonable and supportable evidence to estimate the levels of severity and likelihood of impacts and the likelihood and magnitude of **financial effects** of risks and opportunities.

47. The undertaking is not required to assess every possible **impact**, **risk** and **opportunity** across all areas of its operations and **value chains** to identify the **topics** to be reported.

48. (new) To identify material **impacts**, **risks** and **opportunities**, the undertaking shall use reasonable and supportable information that is available without undue cost or effort (see Chapter 7.3). Information that is used by the undertaking in preparing its financial statements, operating its **business model**, setting its strategy, conducting its sustainability due diligence, and managing its **impacts**, **risks** and **opportunities** are considered available to the undertaking without undue cost or effort.

49. (new) The undertaking may avoid unnecessary complexity:

- (a) by starting from the topics or sub-topics for which a clear conclusion on the **materiality** of its **impacts**, **risks** and **opportunities** can be derived on the basis of its **business model**, **value chain**, peer analysis and the strategic and business priorities, and therefore no further investigation is necessary to include or exclude them from the **sustainability statement**; and
- (b) by subsequently addressing topics related to other impacts, risks and opportunities, noting that for those likely to be material a limited further assessment may be sufficient.

APPLICATION REQUIREMENT – AR

AR 16 for para. 49(a) (Practical considerations)	The undertaking may adopt a top-down or a bottom-up approach. In the top-down approach, the undertaking starts from the topic (topic or when appropriate sub-topic in Appendix A or entity-specific topic) unless an assessment at the individual level of impacts, risks and opportunities is needed to conclude on their materiality. Once the undertaking concludes on the necessity to report on a topic, it needs to identify the associated material impacts, risks and opportunities, which will be presented in accordance with ESRS 2 IRO-2. In the bottom-up approach, the starting point is the level of potential material impacts, risks and opportunities, which are assessed for materiality. Once identified as material, they are aggregated into topic(s) for reporting purposes, unless not appropriate. Adopting a top-down approach may be more pragmatic and reduce the complexity of the process and is expected to lead to the same outcome of the materiality assessment as the bottom-up approach.
AR 17 for para. 49 (Practical considerations)	Unless more investigation is necessary to be able to determine materiality of impacts, risks and opportunities, the undertaking does not need: (a) to analyse every time horizon for all impacts, risks and opportunities; (b) (for impacts) to analyse separately each characteristic of severity (described in Chapter 3.3.1).
AR 18 for para. 49 (Practical considerations)	The use of quantitative information or quantitative scoring is not required in all cases. A qualitative analysis may be sufficient for the undertaking to reasonably conclude that the impacts, risks and opportunities associated with a given topic are material or not material.

3.6. Determining the information to be reported in accordance with ESRS 2 and topical standards

50. (29 amended) The **sustainability statement** shall include material information in accordance with ESRS 2 and, when necessary, on an entity-specific basis.

51. (30 amended) In addition, in accordance with paragraph 22 above, it shall:

- (a) apply the provisions in ESRS 2 GDR-P, GDR-A, GDR-M, and GDR-T when reporting on material information about **policies**, **actions**, **metrics** and **targets**;
- (b) disclose material information in accordance with the DRs (including ARs) related to that specific topic or sub-topic in the corresponding topical ESRS; and
- (c) disclose any material entity-specific disclosures (see paragraph 10 and related ARs of this Standard).

APPLICATION REQUIREMENT – AR

AR 19 for para. 50 (new) ESRS 2 datapoints and GDR-P, GDR-A, GDR-M, GDR-T	The DRS in ESRS 2 (including GDR-P, GDR-A, GDR-M, GDR-T) are fundamental in nature and therefore likely to result in material information for all undertakings.
AR 20 For para. 51 (Determining the information to be reported at sub- topic level)	When a material impact , risk or opportunity relates to a particular sub-topic, the undertaking needs only to report the material information related to that sub-topic within the relevant topical standard (refer to Section 2 in non-mandatory content).

3.7 Level of aggregation, disaggregation and group reporting

52. (102) When the undertaking is reporting at a consolidated level, it shall perform its assessment of material **impacts**, **risks** and **opportunities** for the entire consolidated group regardless of its group's legal structure. It shall ensure that all subsidiaries are covered in a way that allows for the unbiased identification of material impacts, risks and opportunities at group level.

53. The undertaking shall aggregate or disaggregate the reported information in a way that reflects the appropriate level at which significant variations of material **impacts**, **risks** or **opportunities** materialise. (54 amended) In this context, the undertaking shall consider all facts and circumstances and decide how to aggregate and disaggregate information in its **sustainability statement**, such as significant variations in relation to a specific **topic**, sector, subsidiary, country, key site or asset, in line with the results of its **materiality** assessment. (former 103) Where the undertaking identifies significant differences between material **impacts**, **risks** or **opportunities** at group level and material impacts, risks or opportunities of one or more of its subsidiaries, it shall disaggregate and present information in a way that allows an adequate understanding of the impacts, risks and opportunities, as appropriate, of the subsidiary or subsidiaries concerned.

54. (56 amended) Where information is aggregated, the undertaking shall ensure that this aggregation does not obscure information that is material. Information shall be aggregated if items of information have shared characteristics and shall not be aggregated if they do not have shared characteristics.

55. (new) Activities within the undertaking or group may be excluded from **metric** calculations if, due to their nature, they are not expected to be a significant driver of the **impacts**, **risks** and **opportunities** the metric purports to represent, and their exclusion from the calculation is not expected to impair the relevance of the reported information.

4. Due diligence

56. (59) Due diligence is the process by which the undertaking identifies, prevents, mitigates, remediates and brings to an end actual and potential negative **impacts** on people and the environment connected with its business. The description of such a process is available in the international instruments of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Due diligence is an ongoing practice that responds to and may trigger changes in the undertaking's strategy, **business model**, activities, **business relationships**, operating, sourcing and selling contexts.

57. (58) The ESRS do not impose any conduct requirements in relation to due diligence, nor do they extend or modify the role of the administrative, management or supervisory bodies of the undertaking with regard to the conduct of due diligence.

58. (58) The outcome of the undertaking's sustainability due diligence process (referred to as 'due diligence' in the international instruments) informs the assessment of its negative material **impacts**.

59. (60) The international instruments identify a number of steps in the due diligence process. One of these steps is the identification and assessment of negative **impacts** connected with the undertaking's own operations, products or services, including through **business relationships** in the undertaking's upstream and downstream **value chain**. Where the undertaking cannot address all impacts at once, the due diligence process allows for **action** to be prioritised based on the severity and likelihood of the impacts. It is this aspect of the due diligence process that informs the assessment of material impacts for reporting purposes (see Section 3.3 of this Standard). The identification of negative material impacts also supports the identification of material sustainability **risks** and **opportunities**, which are often a result of such impacts.

APPLICATION REQUIREMENT – AR

AR 21 for para. 59	(61 amended) The due diligence steps laid out by the international instruments detailed in paragraph 59 are: embedding due diligence in governance, strategy and business model; engaging with affected stakeholders; identifying and assessing negative impacts on people and the environment; taking action to address negative impacts on people and the environment; and tracking the effectiveness of these efforts.
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5. Reporting undertaking and value chain

5.1 Reporting undertaking and own operations

60. (62 amended) The **sustainability statement** shall be for the same reporting undertaking as the financial statements. If the parent undertaking prepares a consolidated financial statement, the sustainability statement will be for the group. This requirement does not apply if the undertaking is not required to compile financial statements, or if its consolidated sustainability reporting is prepared in accordance with Article 48(i) of Directive 2013/34/EU.

61. In the case of group reporting, the reporting undertaking usually considers as part of its own operations: the assets and liabilities, income and expense of the parent undertaking and its subsidiaries, located in or outside the EU, as determined in accordance with the applicable accounting requirements. The undertaking may exclude from the sustainability reporting boundary a subsidiary that has been excluded from the scope of the consolidated financial statements due to its non-**materiality** from a financial perspective, unless there are specific facts and circumstances that expose the group to material **impacts**, **risks** and **opportunities** arising from such subsidiary. Paragraphs 62 to 71 provide further provisions and exceptions for determining the reporting boundaries of own operations and **value chain**.

APPLICATION REQUIREMENT – AR

AR 22 for para. 61 (subsidiary with different reporting period)	The undertaking may use the accounting provisions allowing subsidiaries with different reporting periods to be included in the consolidated report under specific treatments.
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5.2 Inclusion of value chain information

62. (former 63) The reported information shall be extended beyond own operations to cover material **impacts**, **risks** and **opportunities** connected with the undertaking's direct and indirect **business relationships** in the upstream and/or downstream **value chain** ('value chain information'). This shall be done, based on reasonable and supportable information that is available without undue cost or effort, when this is necessary to allow an understanding of the undertaking' material impacts, risks and opportunities and to meet the qualitative characteristics of information (see Appendix B of this Standard).

63. The undertaking shall include material **value chain** information:

- (a) following the outcome of its **materiality** assessment as informed by a due diligence process; and
- (b) in accordance with any specific requirements related to the value chain in the ESRS.

64. (69 revised). In the identification of material **impacts, risks and opportunities** that are connected with the undertaking through its **business relationships** in the **value chain**, and when reporting on **metrics** that comprise of value chain information, the undertaking may use information collected directly from counterparties in the value chain, or estimates, depending on practicability and reliability considerations related to the necessary input. When developing estimates, it may use internal and external information, such as data from indirect sources, sector-average data, sample analyses, market and peer groups data, other proxies or spend-based data.

65. In this context, the information required by the ESRS to be obtained from undertakings in the upstream and/or downstream **value chain** shall not exceed the limit set by the relevant EU law and regulation. This limitation also applies to non-EU undertakings.

66. (64) Paragraph 62 does not require information on each and every **actor in the value chain**, but only the inclusion of material upstream and downstream **value chain** information. Different **impacts, risks or opportunities** can be material in relation to different parts of the undertaking's upstream and downstream value chain. The information shall be extended to include value chain information only in relation to the parts of the value chain for which material impacts, risks or opportunities exist or are likely to exist (in line with paragraph 30 above).

67. The **materiality** assessment regarding **value chain** may be conducted without direct information from counterparties, using average regional or sector data, or generally available information about the incidence of **impacts, risks and opportunities** in the given context. Where the **materiality** of specific impacts, risks or opportunities remains unclear, the undertaking may need to seek additional information from entities in its value chain.

68. (66) When determining at which level within its own operations and its upstream and downstream **value chain** a material **impact, risk or opportunity** arises, the undertaking shall use its assessment of impacts, risks and opportunities following the **double materiality** principle (see Chapter 3.3 of this Standard).

69. (71 amended) The information reported about **policies, actions and targets** shall include upstream and/or downstream **value chain** information only when (and to the extent that) those policies, actions and targets address material **impacts, risks and opportunities** in the value chain. With reference to **metrics**, in many cases, in particular for environmental **topics** for which proxies are available, the undertaking may be able to comply with the reporting requirements by using an estimate without collecting data from the actors in its upstream and downstream value chain, especially from SMEs, such as, for instance, when calculating its greenhouse gas ('GHG') Scope 3 emissions (refer also to Chapters 7.2, 7.3 and 7.4).

70. (new) **Business relationships** include shareholding positions in joint ventures or associates.

71. (67) In some cases, associates or joint ventures that are accounted for under the equity method are also part of the undertaking's **value chain** beyond the shareholding relationship, such as when they are also suppliers or customers. In these cases, the undertaking shall include information related to the supply/customer relationship with them, in accordance with paragraph 62, consistent with the approach adopted for the other similar **business relationships** in the value chain. In these cases, when determining **metrics**, the data of the associate or joint venture are not limited to the share of equity held but, while avoiding double counting, it shall also reflect the **impacts** that are connected with the undertaking through the business relationships and the associated **risks and opportunities**.

5.3 *Provisions and exceptions for determining the respective reporting boundaries of own operations and value chain*

72. (new) **Impacts, risks and opportunities** arising from the use of a leased asset do not depend on whether the asset is legally owned or leased. The lessee is causing and contributing to the **impacts** of the leased asset, therefore reports the impacts and associated risks and opportunities in its own operations. The lessor is directly connected with the impacts of the leased asset; therefore, it reports the impacts and associated risks and opportunities as part of its downstream **value chain**.

73. (new) The **impacts, risks or opportunities** arising from assets that are held by a long-term employee benefit fund are connected with the undertaking through its business relationship in the upstream **value chain**.

5.4 *Relief for acquisitions and disposals*

74. (new) When the undertaking acquires a subsidiary or a business in the reporting period, it may defer the inclusion of the subsidiary or business in the materiality assessment and in the **sustainability statement** to the subsequent reporting period. Similarly, when it loses control over a subsidiary or business in the reporting period, it may adjust the scope of the materiality assessment and the reporting boundaries from the beginning of the current reporting period.

75. (new) If the undertaking uses this relief for major acquisitions (disposals) and based on available information, it shall disclose significant events that affected the acquired (sold) subsidiary or business between the date of acquisition and the reporting date (between the start of the reporting period and the date of disposal), when they could have an effect on the subsidiary's or business's exposure to material impacts, risks and opportunities.

6. *Reporting period, base year and time horizons*

6.1 *Reporting period and base year*

76. (73 amended) The reporting period for the undertaking's **sustainability statement** – including for the calculation of **metrics** – shall be consistent with that of its financial statements.

77. (75) A base year is the historical reference date or period for which information is available and against which subsequent information can be compared over time.

78. (76) The undertaking shall present comparative information in respect of the base year for **metrics** reported in the current period when reporting the progress towards a **target**, unless the relevant DR specifically defines how to report progress. It may also include historical information about achieved milestones between the base year and the reporting period.

6.2 *Time horizon: definition of short-, medium- and long-term for reporting purposes*

79. (77) When preparing its **sustainability statement**, the undertaking shall adopt the following time intervals as of the end of the reporting period:

- (a) short-term time horizon: the period adopted for its financial statements;
- (b) medium-term time horizon: from the end of the short-term period up to five years; and
- (c) long-term time horizon: more than five years.

80. (78) The undertaking shall use additional breakdowns for a long-term time horizon when **impacts or actions** are expected in a period longer than five years and adding such a breakdown provides relevant information.

81. (80) The undertaking may adopt a different definition for medium- and/or long-term time horizons when the use of the medium- or long-term horizons defined in paragraph 79 results in non-relevant information. This may happen when the undertaking uses a different definition for (i) its processes of identification and management of material **impacts, risks and opportunities** or (ii) its **actions and targets**. These circumstances may be due to industry-specific characteristics, such as cash flow and business cycles, the expected duration of capital investments, the time horizons over which the **users** conduct their assessments, or the planning horizons typically used in its industry for decision-making.

82. (81) References to 'short-term', 'medium-term' and 'long-term' in the ESRS refer to the time horizon as determined by the undertaking in accordance with the provisions in paragraphs 79 to 81.

7. *Preparation and presentation of sustainability information*

7.1 *Presenting comparative information*

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

84. (85) When it is impracticable to adjust comparative information for one or more prior periods, the undertaking shall disclose this fact.

85. (86) When an ESRS requires the undertaking to present more than one comparative period for a **metric** or datapoint, the requirements of that ESRS shall prevail.

86. For **metrics** and monetary amounts:

- (a) (84) when the undertaking reports comparative amounts that significantly differ from the information reported in the previous period, it shall provide the reasons for the change and the difference between the amounts reported in the previous period and the revised amounts;
- (b) (new) the undertaking is not required to present comparative information for new material **impacts, risks and opportunities** or associated new reported **topics** for the reporting period where they are reported for the first time;
- (c) when necessary to provide an understanding of the progresses against a **target**, following a major acquisition or disposal, the undertaking shall adjust the base year and the comparative information provided.

7.2 Judgement, measurement uncertainty and outcome uncertainty

87. (87 and 88) The undertaking shall disclose information to enable **users** to understand:

- (a) the judgements it makes that have the most significant effect on the reported information;
- (b) the significant uncertainties affecting the qualitative information, quantitative information, **metrics** and monetary amounts presented, including whether they rely on estimates; and
- (c) significant assumptions and limitations in the estimates (See GDR-M).

88. (91) Some ESRS require the disclosure of information such as explanations about possible future events that have uncertain outcomes. In judging whether information about such possible future events is material, the undertaking shall refer to the criteria in Chapter 3.3.2 of this Standard and consider:

- (a) the **anticipated financial effects** of the events (the possible outcome);
- (b) the severity and likelihood of the **potential impacts** on people or the environment resulting from possible future events; and
- (c) the range of possible outcomes and the likelihood of the possible outcomes within that range.

APPLICATION REQUIREMENT – AR

	(new) In preparing its sustainability statement , the undertaking makes various judgements, beyond those involving estimations, that can significantly affect the reported information such as when: (a) Identifying material impacts, risks and opportunities, associating them to the relevant topic(s), and assessing whether an update of the materiality assessment is necessary (see paragraph 28); (b) identifying material information to include in the sustainability statement.
AR 23 for para. 87 (Use of reasonable and supportable assumptions and estimates)	The use of reasonable and supportable assumptions and estimates, including when in developing scenario or sensitivity analysis, is an essential part of preparing the undertaking's sustainability statement . It does not undermine the usefulness of that information provided that the assumptions and estimates are accurately explained. Even a high level of measurement uncertainty would not necessarily prevent such an assumption or estimate from providing useful information or meeting the qualitative characteristics of information (see Appendix B of this Standard).
AR 25 for para. 87 (Use of reasonable and supportable assumptions and estimates)	The requirement in paragraph 87(b) for the undertaking to disclose information about the uncertainties affecting the reported amounts relates to the estimates that require the most difficult, subjective or complex judgements.

assumptions and estimates)	When assessing the possible outcomes, considerations for the undertaking include the relevant facts and circumstances, including information about low-probability and high-impact outcomes, which, when aggregated, could become material. The undertaking might be exposed to several impacts or risks , each of which could cause the same type of disruption, such as disruptions to its upstream value (supply) chain. Information about an individual source of risk might not be material if disruption from that source is highly unlikely to occur. However, information about the aggregate risk of supply chain disruption from all sources might be material.
AR 26 for para. 88 (Future events that have uncertain outcomes)	

7.3 Use of reasonable and supportable information that is available without undue cost or effort

89. (new) The undertaking shall use reasonable and supportable information available at the reporting date without undue cost or effort (see paragraph 91):

- (a) to identify material **impacts, risks and opportunities**;
- (b) to determine the scope of its **value chain**, including its breadth and composition, in relation to material impacts, risks and opportunities;
- (c) when collecting upstream or downstream value chain information, as required by paragraph 62; and
- (d) to prepare information on **metrics**.

90. (new) Reasonable and supportable information shall cover factors that are specific to the undertaking, as well as general conditions in the external environment. Reasonable and supportable information includes information about past events, current conditions and forecasts of future conditions.

91. (new) The assessment of what constitutes undue cost or effort depends on the undertaking's specific circumstances and requires a balanced consideration of the costs and efforts for the undertaking and the benefits of the resulting information for **users**. That assessment can change over time as circumstances change.

7.4 Reliefs for metrics

92. (new) Except for E1-6 GHG Emissions, when the undertaking is able – without undue cost or effort – to disclose **metrics** about its own operations that cover only a partial scope of the relevant reporting boundary, it shall disclose this circumstance, the actions it has taken to increase the coverage and quality in future reporting periods, and the progress compared to the previous reporting period.

93. (new) The following relief is applicable for **metrics** in the **value chain**, including those reported on an entity-specific basis, but excluding GHG emission Scope 3, for which the disclosure is limited to significant categories (see ESRS E1 AR 30(c)). When reliable data exist only for part of the value chain, the undertaking includes in the calculation the information about the value chain parts for which there are reliable data and discloses such circumstance. The undertaking shall specify, when relevant, that it has identified material impacts, risks and opportunities in its value chain, but the corresponding metric is currently partially quantifiable. The undertaking shall also assess at the subsequent reporting dates whether reliable data or input to be used in the estimate has become available, and if this is the case, adjust the estimates and the disclosure accordingly.

94. The undertaking may exclude joint operations over which it does not have **operational control** from the calculation scope of environmental metrics reported in accordance with ESRS E2 Pollution, ESRS E3 Water, ESRS E4 Biodiversity and ecosystems and ESRS E5 Resource use and circular economy.

7.5 Updating disclosures about events after the end of the reporting period

95. (93) When the undertaking receives information after the reporting period but before the management report is approved for issuance providing evidence or insights about:

- (a) conditions existing at end of the reporting period, the undertaking shall, where appropriate, update estimates and sustainability disclosures in the light of the new information;
- (b) (94) material transactions, other events and conditions that arise after the end of the reporting period, the undertaking shall, where appropriate, provide narrative information indicating the existence, nature and potential consequences of these post year-end events.

7.6 Changes in the preparation or presentation of sustainability information

96. (95) The definition and calculation of **metrics**, including metrics used to set **targets** and monitor progress towards those targets, shall be consistent over time. The undertaking shall provide contextual information and restated comparative figures unless it is impracticable to do so when it has:

- (a) redefined or replaced a metric or target;
- (b) identified new information in relation to the estimated figures disclosed in the preceding period and the new information provides evidence of circumstances that existed in that period (change in estimate).

7.7 Reporting errors in prior periods

97. (96) The undertaking shall correct material prior period errors by restating the comparative amounts for the prior period(s) disclosed unless it is impracticable to do so. This requirement does not extend to reporting periods before the first year of application of the ESRS by the undertaking.

98. (99) Potential errors in the current period discovered in that period are corrected before the management report is authorised for issue. In case of material errors discovered in a subsequent period, when it is impracticable to determine the effect of an error on all prior periods presented, the undertaking shall restate the comparative information to correct the error from the earliest date practicable.

99. (101) Corrections of errors are distinguished from changes in estimates. Estimates may need to be revised as additional information becomes known.

APPLICATION REQUIREMENT – AR

AR 27 for para. 97 (Prior Period Errors)	Prior period errors are omissions from, and misstatements in, the undertaking's sustainability statement for one or more prior periods. Such errors arise from a failure to use, or the misuse of, reliable information that: (a) was available when the management report that includes the sustainability statement for those periods was authorised for issuance; and (b) could reasonably be expected to have been obtained and considered in the preparation of sustainability disclosures included in these reports.
AR 28 for para. 97 (Prior Period Errors)	Such errors include: the effects of mathematical mistakes, mistakes in applying the definitions for metrics or targets, oversights or misinterpretations of facts, and fraud.

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

100. (105) The undertaking is not required to disclose **classified information** or **sensitive information** even if such information is considered material.

101. (106) When disclosing information about its **strategy** and **action plans**, where a specific piece of information corresponding to intellectual property, know-how or the results of innovation is relevant to meet the objective of a DR, the undertaking may omit that specific piece of information if it:

- (a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;

- (b) has commercial value because it is secret; and
- (c) has been subject to reasonable steps by the undertaking to keep it secret.

102. (107) If the undertaking omits **classified information** or **sensitive information** or a specific piece of information corresponding to intellectual property, know-how or the results of innovation because it meets the criteria established in the previous paragraph, it shall comply with the DR in question by disclosing all other required information.

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

APPLICATION REQUIREMENT – AR

AR 29 for para. 100	The CSRD leaves to the Member States ('MS') an option to provide the following relief, which is therefore available to undertakings in MS that have exercised this option. The undertaking may limit information relating to impending developments or matters in the course of negotiation in exceptional cases where, in the duly justified opinion of the members of the administrative, management and supervisory bodies, acting within the competences assigned to them by national law and having collective responsibility for that opinion, the disclosure of such information would be seriously prejudicial to the commercial position of the undertaking, provided that such omission does not prevent a fair and balanced understanding of the undertaking's development, performance and position, and the impact of its activity. If it elects to use this exemption, the undertaking shall consider disclosing for each item of information omitted the fact that it has used the exemption.
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7.9 Reporting on opportunities

104. (109) When reporting on **opportunities**, the disclosure shall consist of descriptive information allowing the reader to understand the opportunity. The undertaking shall not report general opportunities for the sector but only opportunities that are currently being pursued or incorporated in its general strategy. The provisions on **financial effects** in ESRS 2 apply when reporting on **material opportunities**.

8. Presentation requirements and structure of the sustainability statement

8.1 General presentation requirement, structure and content of the sustainability statement

105. (112 amended) The undertaking shall present all the disclosures required by the ESRS within a dedicated section of the management report identified as the undertaking's **sustainability statement** except for those incorporated by reference in accordance with Section 9.3 of this Standard.

106. (111) Sustainability information shall be presented:

- (a) in a way that allows for clear identification of information required by the ESRS and other information included in the management report; and
- (b) under a structure that facilitates access to and understanding of the **sustainability statement** in a format that is both human-readable and machine-readable.

107. (115 amended) The undertaking shall structure its **sustainability statement** in four parts in the following order: general information, environmental information, social information and governance information. It may use appendices or separate sub-parts in accordance with paragraphs 109–112.

108. (113 amended) If the undertaking prepares disclosures pursuant to Article 8 of Regulation (EU) 2020/852 of the European Parliament and the Council and to the Commission Delegated Regulations, it shall include them in its **sustainability statement** and it may include them in a separate appendix.

8.2 Presentation of additional information included in the sustainability statement

109. (114) The undertaking may include in its **sustainability statement** additional disclosures:

- (a) stemming from:
 - (i) other legislation requiring the disclosure of sustainability information;
 - (ii) generally accepted sustainability reporting standards and frameworks, including non-mandatory guidance and sector-specific guidance, published by other standard-setting bodies (such as technical material issued by the International Sustainability Standards Board or the Global Reporting Initiative); or
 - (b) that do not relate to a **topic** to be reported following the materiality assessment, such as when this information is needed by a specific **user**.
110. In these circumstances, the additional disclosures shall:
- (a) be clearly identified and presented in a way that they do not obscure material information. For point (a), the undertaking shall include a reference to the related legislation, standard or framework; and
 - (b) meet the requirements for qualitative characteristics of information specified in Chapter 2 and Appendix B of this Standard.

8.3 Options in presenting information across parts of the sustainability statement

111. (new) The undertaking may provide an executive summary in the **sustainability statement** which includes the key messages about its material environmental, social and governance **impacts, risks or opportunities** and their management. The content and presentation of this executive summary shall meet the qualitative characteristics of information. It may also incorporate information by reference to an executive summary placed outside its sustainability statement, such as in another section of the management report, provided that it meets the conditions for incorporation by reference (see also Section 5 in non-mandatory content).

112. (new) The undertaking may use appendices or separate sub-parts in its **sustainability statement**:

- (a) to present more detailed information related to any of the four parts;
- (b) to facilitate readability with content indices, tables mapping different disclosures, or cross-reference tables;
- (c) to present the additional information prepared in accordance with Section 8.2 above.

APPLICATION REQUIREMENT – AR

AR 30 for para. 111 (Presentation of more detailed information)	The undertaking may present more detailed information about the calculation of its reported GHG emissions in a dedicated appendix or section of its sustainability statement , with an internal cross-reference to the environmental disclosures.
AR 31 for para. 111 (Presentation of more detailed information)	(new) Similarly, the undertaking may use internal references across different parts or sub-parts (including appendices in the sustainability statement) to facilitate the understanding of linkages that exist between the respective contents. These internal references are not incorporation by reference; see Chapter 9.

9. Connected information and linkages with other parts of corporate reporting

9.1 Connected information

113. (118 amended) The undertaking shall provide information that enables **users** of its **sustainability statement** to understand the connections:

- (a) within the sustainability statement;
- (b) between the sustainability statement and other corporate reporting documents published by the undertaking, including its related financial statements.

114. (new) Repeating the same content in two or more parts (including appendices) of the **sustainability statement** may obscure material information and impair the provision of concise and understandable information. When the same information is relevant to more than one DR in the ESRS, the undertaking may present the information where it considers it to be more appropriate and refer to that location in the other part.

115. (new) When the description of the material **impacts, risks and opportunities** prepared in accordance with ESRS 2 IRO-2 is not presented alongside the respective **policies, actions and targets**, the undertaking shall make explicit which policies, actions and targets relate to which material impacts, risks, or opportunities, in accordance with paragraph 22.

APPLICATION REQUIREMENT – AR

AR 32 for para. 113(b)	(new) Connections within the sustainability statement include those between the general disclosures on governance and strategy and the disclosures about a specific topic , as well as connections between material impacts, risks and opportunities management and the respective policies, actions, targets and metrics .
AR 33 for para. 115 (Presenting connected information about policies, actions and targets)	(former AR 18.) The undertaking that covers environmental and social topics in the same policy may report on the policy in its environmental disclosures and cross-refer to it from the relevant social disclosures, or vice versa.

9.2 Direct/indirect connectivity with financial statements and consistency of assumptions

116. (new) The undertaking may cross-refer to its financial statements when reporting on monetary amounts or other quantitative information presented in the financial statements (direct connectivity).

117. (125 amended) When the **sustainability statement** includes monetary amounts or other quantitative datapoints that are either an aggregation of, or a part of, monetary amounts or quantitative data presented in the undertaking's financial statements ('indirect connectivity'), the undertaking may explain how these amounts or datapoints relate to the most relevant amounts presented in the financial statements.

118. (90 amended) Data and assumptions used in preparing the **sustainability statements** shall be consistent to the extent possible with the corresponding data and assumptions used in preparing the financial statements; to support the understanding of significant data and assumptions, the undertaking shall explain these consistencies.

9.3 Incorporation by reference

119. (119) Provided that the conditions in paragraph 120 are met, information or a specific datapoint prescribed by a DR may be incorporated in the **sustainability statement** by cross-reference to:

- (a) another section of the management report;
 - (b) the financial statements;
 - (c) the corporate governance statement (if not part of the management report);
 - (d) the remuneration report required by Directive 2007/36/EC of the European Parliament and of the Council;
 - (e) the universal registration document, as referred to in Article 9 of Regulation (EU) 2017/1129; and
 - (f) public disclosures under Regulation (EU) No 575/2013 of the European Parliament and of the Council (Pillar 3 disclosures). In this case, the information shall match the scope of consolidation used for the sustainability statement by complementing the incorporated information with additional elements as necessary.
120. (120 amended) The undertaking may incorporate information by reference to the documents, or part of the documents, listed in paragraph 119, provided that the information incorporated by reference:
- (a) constitutes a separate element of information clearly identified in the source document as addressing the relevant ESRS DR or datapoint;
 - (b) is published before or at the same time as the management report;
 - (c) is in the same language as the **sustainability statement**;
 - (d) is subject to at least the same level of assurance as the sustainability statement (the information incorporated by reference is considered as part of the ESRS sustainability statement subject to assurance, not to the entire document referred to); and,
 - (e) meets the same technical digitalisation requirements as the sustainability statement.

121. (121) Provided that the conditions established in paragraph 120 are met, information prescribed by an ESRS DR or datapoint may be incorporated in the **sustainability statement** by reference to the undertaking's report prepared in accordance with EU Eco-Management and Audit Scheme ('EMAS') Regulation (EU) No 1221/2009. In this case, the undertaking shall ensure that the information incorporated by reference is produced using the same basis for preparation of ESRS information, including scope of consolidation and treatment of **value chain** information.

122. (122) The undertaking shall consider the overall cohesiveness of the reported information and ensure that the incorporation by reference does not impair the readability of the **sustainability statement**. Section 5 in the non-mandatory content illustrates the use of incorporation by reference (see also ESRS 2 IRO-2, paragraph 56(d)).

10. Transitional provisions

123. The transitional provisions in this Chapter apply only from the first financial year the undertaking is subject to the preparation and publication of a **sustainability statement**, as required by Directive 2013/34/EU.

10.1 Transitional provision related to Chapter 5 Value chain

124. (132 amended) For the first three years of preparation of the **sustainability statement** under the ESRS, in the event that not all the necessary information regarding its upstream and downstream **value chain** is available, the undertaking shall explain the efforts made to obtain the necessary information, the reasons why not all of the necessary information could be obtained and its plans to obtain the necessary information in the future.

125. (133) For the first three years of preparation of the **sustainability statement** under the ESRS, in order to take account of the difficulties that the undertaking may encounter in gathering information from actors throughout its **value chain** and to limit the burden for SMEs in the **value chain**:

- (a) when disclosing information on **policies, actions** and **targets** in accordance with ESRS2 and other ESRS, the undertaking may limit upstream and downstream value chain information to information available in-house, such as data already available and publicly available information; and
- (b) when disclosing metrics, it is not required to include upstream and downstream value chain information except for datapoints derived from other EU legislation, as listed in ESRS 2, Appendix B.

126. (134) Paragraphs 124 and 125 apply irrespective of whether the relevant **actor in the value chain** is an SME.

127. (135 amended) Starting from the fourth year of reporting under the ESRS, the undertaking shall include upstream and/or downstream **value chain** information in accordance with paragraph 62.

10.2 Transitional provision related to Section 7.1 Presenting comparative information

128. (136) To ease the first-time application of this Standard, the undertaking is not required to disclose the comparative information required by Section 7.1 in the first year of preparation of the **sustainability statement** under the ESRS. For disclosure requirements listed in Appendix D of this Standard, this transitional provision applies with reference to the first year of mandatory application of the phased-in DR.

10.3 Transitional provision: List of Disclosure Requirements that are phased in [CHANGES AND CONSIDERATION DUE TO DELEGATED "QUICK FIX" NOT REFLECTED HERE YET]

129. (137) Appendix D of this Standard sets phase-in provisions for the DRs or datapoints in the ESRS that may be omitted or that are not applicable in the first year(s) of mandatory application of the ESRS in the preparation of the **sustainability statement**.

Appendix A: List of topics

(former AR 16 amended) This Appendix is an integral part of ESRS 1 and provides non-binding guidance to support the application of provisions in this Standard.

The following table provides the list of **topics** covered by topical ESRS as one of the inputs to the **double materiality** assessment. The undertaking needs to consider its own specific circumstances when determining the topics or sub-topics to be reported. Where necessary, it shall consider topics or sub-topics not covered by the ESRS to develop entity-specific disclosures on material **impacts**, **risks** and **opportunities** as described in paragraph 11 of this Standard, such as where its **business model** and strategy are associated with material impacts, risks and opportunities that do not correspond to the ESRS **topics**. Section 3.5 of this Standard provides practical considerations to support the **materiality** assessment process.

Topics	Sub-topics
Climate change	Climate Change Mitigation
	Climate Change Adaptation
	Energy
	Pollution of air
Pollution	Pollution of water
	Pollution of soil
	Substances of concern, including substances of very high concern
	Microplastics
Water	Water withdrawals
	Water consumption
	Water discharges
	Water storage
Biodiversity and ecosystems	Impact drivers of biodiversity and ecosystem change (terrestrial and marine habitat change, invasive species)
	Impacts on the state of species
	Impacts on the extent and condition of terrestrial and marine ecosystems
	Impacts and dependencies on ecosystem services
Circular economy and resource use	Resource inflows
	Resource outflows related to products and services
	Resource outflows (waste)

Own workforce and workers in the value chain(*)	Health and safety
	Working conditions (secure employment, working time, adequate wages, work-life balance, social protection)
	Social dialogue, freedom of association, works councils, participation rights of workers, collective bargaining
	Training and skills development
Affected communities	Diversity and equal treatment (equal pay, people with disabilities, non-discrimination, harassment)
	Other human rights (child and forced labour, privacy, adequate housing, water and sanitation**)
	Communities' economic, social and cultural rights (land-related impacts, security-related impacts, adequate housing and food, water and sanitation)
	Communities civil and political rights (freedom of expression, freedom of assembly, impacts on human rights defenders)
Consumers and end users	Rights of indigenous peoples (free, prior and informed consent, self-determination, cultural rights)
	Information-related impacts for consumers and/or end users (privacy, access to information, freedom of expression)
	Personal safety of consumers and/or end users (health and safety, protection of children, security of a person)
	Social inclusion of consumers and/or end users (access to products and services, responsible marketing practices, non-discrimination)
Business conduct	Corporate culture (including anti-corruption and bribery, protection of whistle-blowers and animal welfare)
	Political influence and lobbying activities
	Management of relationships with suppliers including (unfair) payment practices

(*) Note for ESRS S2 *Workers in the value chain*. The focus and detail of the materiality assessment for workers in the value chain, compared to that performed for own workforce, depends on the type and quality of data available that can lead to different levels of depth and granularity in the analysis — especially for impacts and risks in the upstream/downstream value chain. While sub-topics under S1 *Own Workforce* and S2 *Workers in the Value chain* are aligned, the way the undertaking considers and assesses negative impacts and risks may differ between them.

** Water and sanitation is applicable to ESRS S2 *Workers in the value chain*.

Appendix B: Qualitative characteristics of information

This Appendix is an integral part of ESRS 1 and has the same authority as the other parts of the Standard. This Appendix defines the qualitative characteristics that the information presented in the **sustainability statement** prepared in accordance with the ESRS shall meet, as outlined in Chapter 2 of ESRS 1.

Relevance

QC1. Sustainability information is relevant when it may make a difference in the decisions of **users** under a **double materiality** approach (see Chapter 3 of this Standard).

QC2. Information may make a difference in a decision even if some **users** choose not to take advantage of it or are already aware of it from other sources. Sustainability information may impact decisions of users: if it has predictive value, confirmatory value or both.

Information has predictive value if it can be used as an input to processes employed by users to predict future outcomes. Sustainability information does not need to be a prediction or forecast to have predictive value but rather has predictive value if employed by users in making their own predictions.

QC3. Information has confirmatory value if it provides feedback about (confirms or changes) previous evaluations.

Faithful representation

QC5. To be useful, the information must not only represent relevant phenomena; it must also faithfully represent the substance of the phenomena that it purports to represent. Faithful representation requires information to be (i) complete, (ii) neutral and (iii) accurate.

QC6. A complete depiction of an **impact**, a **risk** or an **opportunity** includes all material information necessary for the **users** to understand that impact, risk or opportunity. This includes how the undertaking has adapted its strategy, risk management and governance in response to that impact, risk or opportunity, as well as the **metrics** identified to set **targets** and measure performance.

QC7. A neutral depiction is without bias in its selection or disclosure of information. Information is neutral if it is not slanted, weighted, emphasised, de-emphasised or otherwise manipulated to make it more likely that the **users** will receive that information favourably or unfavourably. It shall be balanced so as to cover favourable/positive and unfavourable/negative aspects. Both negative and positive material **impacts** from an **impact materiality** perspective as well as material **risks** and **opportunities** from a financial materiality perspective shall receive equal attention. Any aspirational sustainability information, for example targets or plans, shall cover both aspirations and factors that could prevent the undertaking from achieving these aspirations in order to have a neutral depiction.

QC8. Neutrality is supported by the exercise of prudence, i.e. caution when making judgements under conditions of uncertainty. Information shall not be netted or compensated to be neutral. The exercise of prudence means that **opportunities** are not overstated and **risks** are not understated. Equally, the exercise of prudence does not allow for the understatement of opportunities or the overstatement of risks. The undertaking may present net information, in addition to gross values, if such presentation does not obscure relevant information and includes a clear explanation about the effects of the netting and the reasons for the netting.

QC9. Information can be accurate without being perfectly precise in all respects. Accurate information implies that the undertaking has implemented adequate processes and internal controls to avoid material errors or material misstatements. As such, estimates shall be presented with a clear emphasis on their possible limitations and associated uncertainty (see Chapter 7.2 of this Standard). The amount of precision needed and attainable, and the factors that make information accurate, depend on the nature of the information and the nature of the topics it addresses. For example, accuracy requires that:

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

Comparability

QC10. Sustainability information is comparable when it can be compared with information provided by the undertaking in previous periods and can be compared with information provided by other undertakings, in particular those with similar activities or operating within the same industry. A point of reference for comparison can be a **target**, a baseline, an industry benchmark, comparable information from either other undertakings or from an internationally recognised organisation, etc.

QC11. Consistency is related to, but is not the same as, comparability. Consistency refers to the use of the same approaches or methods for the same **topic** from period to period by the undertaking and other undertakings. Consistency helps to achieve the goal of comparability

QC12. Comparability is not uniformity. For information to be comparable, like components shall look alike and different components shall look different. Comparability of sustainability information is not enhanced by making unlike things look alike any more than it is enhanced by making like things look different.

Verifiability

QC13. Verifiability helps to give **users** confidence that information is complete, neutral and accurate. Sustainability information is verifiable if it is possible to corroborate the information itself or the inputs used to derive it.

QC14. Verifiability means that various knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. Sustainability information shall be provided in a way that enhances its verifiability, for example:

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

QC15. Some sustainability information will be in the form of explanations or forward-looking information. Those disclosures can be supportable by faithfully representing on a factual basis, for example, the strategies, plans and risk analyses of the undertaking. To help **users** decide whether to use such information, the undertaking shall describe the underlying assumptions and methods of producing the information, as well as other factors that provide evidence that it reflects the actual plans or decisions made by the undertaking.

Understandability

QC16. Sustainability information is understandable when it is clear and concise. Understandable information enables any reasonably knowledgeable **user** to readily comprehend the information being communicated.

QC17. For sustainability disclosures to be concise, they need to (a) avoid generic 'boilerplate' information, which is not specific to the undertaking; (b) avoid unnecessary duplication of information, including information also provided in financial statements; and (c) use clear language and well-structured sentences and paragraphs. Concise disclosures shall only include material information. Complementary information presented pursuant to paragraph 108 shall be provided in a way that avoids obscuring material information

QC18. Clarity might be enhanced by distinguishing information about developments in the reporting period from 'standing' information that remains relatively unchanged from one period to the next. This can be done, for example, by separately describing features of the undertaking's sustainability-related governance and **risk** management processes that have changed since the previous reporting period compared to those that remain unchanged.

QC19. The completeness, clarity and comparability of sustainability disclosures all rely on information being presented as a coherent whole. For sustainability disclosures to be coherent, they shall be presented in a way that explains the context and the connections between the related information. Coherence also requires the undertaking to provide information in a way that allows **users** to relate information about its sustainability-related **impacts, risks and opportunities** to information in the undertaking's financial statements

QC20. If sustainability-related **risks and opportunities** discussed in the financial statements have implications for sustainability reporting, the undertaking shall include in the **sustainability statement** the information necessary for **users** to assess those implications and present appropriate links to the financial statements (see Chapter 9 of this Standard). The level of information, granularity and technicality shall be aligned with the needs and expectations of users. Abbreviations shall be avoided and the units of measure shall be defined and disclosed.

Appendix C – Assessing actual and potential impacts for materiality

This Appendix is an integral part of ESRS 1 and has the same authority as the other parts of the Standard. It outlines the most common situations for actual and potential impacts when assessing them for materiality. It explains how to consider mitigation, prevention and **remediation policies** and **actions** in each situation and what to report.

The third column illustrates how to treat an impact in future reporting periods, and it is relevant in order to understand how to treat in the reporting period impacts that originated in previous reporting periods.

Actual impacts			
Status of impact	Current reporting year	Future reporting years	
If an impact occurred in the reporting period and no remediation policy has been implemented or action has been taken	Assess and report the impact before remediation policies implemented or actions	Report the impact for as long as it remains material based on the severity of its effects	
If an impact occurred in the reporting period and remediation policy has been implemented or action has been undertaken that has reduced the severity of the consequences that could otherwise have occurred		Report the impact after the remediation policy implemented or action, and any on-going remediation policy implemented or action for as long as the impact after remediation policies implemented or actions is material	
If an impact occurred in the reporting period and remediation action or remediation policy is planned or underway that should reduce the severity of its actual and potential consequences, but the remediation is not yet effective in the reporting year	Assess and report the impact before the remediation policy implemented or action; and report policy implemented and action	In the reporting period when the remediation became effective, report the impact before the remediation policies implemented and actions, and report the policies implemented and actions. In subsequent years (after effectiveness) report the impact after remediation policies implemented or actions, taking account of any remediation that has reduced the impact, for as long as the impact after remediation policies implemented and actions is material	
If an impact occurred in the reporting period and remediation policy has been implemented or action has been taken and is fully completed		In principle, no need to report on the impact.	

Potential Impacts			
Status of potential impact/risk	Current reporting year	Future reporting years	
No prevention or mitigation action or policy has been taken or implemented	Assess and report the potential impact before the policies implemented or actions		
If the potential impact was material within the reporting year but prevention or mitigation policy has been implemented, or action has been taken such that the impact no longer exists		In principle, no need to report on the potential impact	
If the potential impact was material within the reporting year and prevention or mitigation policy has been implemented or action has been taken but has to be sustained over time to avoid the risk of material impacts increasing again	Assess and report the potential impact before the policies implemented or actions and report policies implemented and actions	Report the potential impact after prevention or mitigation actions or policies implemented if it remains material, and report the ongoing mitigation action or mitigation policy implemented for as long as it is necessary to manage the residual material impact	
If the potential impact/risk was material within the reporting year and prevention or mitigation policy has been implemented or action has been taken such that the risk is reduced and no ongoing mitigation is required to sustain that reduced risk level		Report the potential impact after mitigation or prevention policies implemented and actions if it remains material. If it is reduced below the materiality threshold, in principle no need to report	

Appendix D (former Appendix C)**List of phased-in Disclosure Requirements**

This Appendix is an integral part of ESRS 1 and has the same authority as the other parts of the Standard.

ESRS	Disclosure Requirement	Full name of the Disclosure Requirement	Phase-in or effective date (including the first year)
ESRS 2	SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	The undertaking may omit the information prescribed by ESRS 2 SBM-3, paragraph 48(e) (anticipated financial effects financial effects), for the first year of preparation of its sustainability statement. The undertaking may comply with ESRS 2 SBM-3, paragraph 48(e), by reporting only qualitative disclosures for the first three years of preparation of its sustainability statement if it is impracticable to prepare quantitative disclosures.
ESRS E1	E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	Undertakings or groups not exceeding on their balance sheet dates the average number of 750 employees during the financial year (on a consolidated basis where applicable) may omit the datapoints on scope 3 emissions and total GHG emissions for the first year of preparation of their sustainability statement.
ESRS E1	E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	The undertaking may omit the information prescribed by ESRS E1-9 for the first year of preparation of its sustainability statement. The undertaking may comply with ESRS E1-9 by reporting only qualitative disclosures for the first three years of preparation of its sustainability statement, if it is impracticable to prepare quantitative disclosures.
ESRS E2	E2-6	Anticipated financial effects from pollution-related risks and opportunities	The undertaking may omit the information prescribed by ESRS E2-6 for the first year of preparation of its sustainability statement. Except for the information prescribed by paragraph 40(b) on the operating and capital expenditures occurred in the reporting period in conjunction with major incidents and deposits, the undertaking may comply with ESRS E2-6 by reporting only qualitative disclosures, for the first three years of preparation of its sustainability statement.
ESRS E3	E3-5	Anticipated financial effects from water and marine resources-related risks and opportunities	The undertaking may omit the information prescribed by ESRS E3-5 for the first year of preparation of its sustainability statement. The undertaking may comply with ESRS E3-5 by reporting only qualitative disclosures for the first three years of preparation of its sustainability statement.
ESRS E4	All disclosure requirements	All disclosure requirements	Undertakings or groups not exceeding on their balance sheet dates the average number of 750 employees during the financial year (on a consolidated basis where applicable) may omit the information specified in the disclosure requirements of ESRS E4 for the first two years of preparation of their sustainability statement.

ESRS E4	E4-6	Anticipated financial effects from biodiversity and ecosystem-related risks and opportunities	The undertaking may omit the information prescribed by ESRS E4-6 for the first year of preparation of its sustainability statement. The undertaking may comply with ESRS E4-6 by reporting only qualitative disclosures for the first three years of preparation of its sustainability statement.
ESRS E5	E5-6	Anticipated financial effects from resource use and circular economy-related risks and opportunities	The undertaking may omit the information prescribed by ESRS E5-6 for the first year of preparation of its sustainability statement. The undertaking may comply with ESRS E5-6 by reporting only qualitative disclosures for the first three years of preparation of its sustainability statement.
ESRS S1	S1-7	Characteristics of non-employee workers in the undertaking's own workforce	The undertaking may omit reporting for all datapoints in this Disclosure Requirement for the first year of preparation of its sustainability statement.
ESRS S1	S1-8	Collective bargaining coverage and social dialogue	The undertaking may omit this Disclosure Requirement with regard to its own employees in non-EEA countries for the first year of preparation of its sustainability statement.
ESRS S1	S1-11	Social protection	The undertaking may omit the information prescribed by ESRS S1-11 for the first year of preparation of its sustainability statement.
ESRS S1	S1-12	Persons with disabilities	The undertaking may omit the information prescribed by ESRS S1-12 for the first year of preparation of its sustainability statement.
ESRS S1	S1-13	Training and skills development	The undertaking may omit the information prescribed by ESRS S1-13 for the first year of preparation of its sustainability statement.
ESRS S1	S1-14	Health and safety	The undertaking may omit the datapoints on cases of work-related ill-health and on number of days lost to injuries, accidents, fatalities and work-related ill health for the first year of preparation of its sustainability statement.
ESRS S1	S1-14	Health and safety	The undertaking may omit reporting on non-employees for the first year of preparation of its sustainability statement.
ESRS S1	S1-15	Work-life balance	The undertaking may omit the information prescribed by ESRS S1-15 for the first year of preparation of its sustainability statement.
ESRS S1 ESRS S2 ESRS S3 ESRS S4	All disclosure requirements	All disclosure requirements	Undertakings or groups not exceeding on their balance sheet dates the average number of 750 employees during the financial year (on a consolidated basis where applicable) may omit the information specified in the disclosure requirements of ESRS S1, ESRS S2, ESRS S3 and/or ESRS S4 for the first two years of preparation of their sustainability statement.

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

Draft non-mandatory illustrative guidance to Amended ESRs 1 - Exposure Draft UNAPPROVED Secretariat Working document

[Draft] Amended ESRs 1 – v-1.6

UNAPPROVED DRAFT – SUBJECT TO CHANGE BEFORE BEING ISSUED

DRAFTING PROCESS FOR THE WORKING DOCUMENTS SO FAR

The EFRAG SRB and SR TEG provided written comments on the “V1.1” versions of the Secretariat working drafts prepared between the end of May and the first week of June. Based on those comments, the EFRAG Secretariat prepared the “V1.5” versions which were discussed in meetings mid-June by both EFRAG SR TEG and SRB.

Subsequently these versions were amended and critically reviewed by dedicated review panels. The review panels submitted the outcome of their work and the remaining points for discussion to the EFRAG SRB and ST TEG.

All agenda papers for the 9/10 July EFRAG SR TEG meeting and 14/16 July SRB meeting (“V1.6”) have been prepared by the Secretariat on the basis of (i) the “V1.5” working documents discussed by the EFRAG SRB and SR TEG, (ii) the review by the respective review panels within the SRB (with SR TEG experts when appropriate) and (iii) the subsequent discussions and decisions in the SRB. Step (i) and (ii) took place in the first week of July.

All comments shared by members in written on the “V1.5” working documents have been considered and incorporated when consistent with the SRB decisions.

DISCLAIMER ON THE STATUS OF THIS UNAPPROVED DOCUMENT

This working document does not represent an EFRAG view at this stage. This “V1.6” draft is now made public as Working Document for the SR TEG discussions on 9/10 July and the SRB discussions on 14/16 July 2025. They are not to be considered as Exposure Drafts yet. They are unapproved and still subject to change reflecting the discussions in those meetings and for editorial and quality review that has not yet taken place. In addition, they are not accompanied by the necessary explanatory documents that are still being prepared and will accompany the Exposure Draft.

EFRAG recommends stakeholders that intend to contribute to the consultation to plan their review on the Exposure Drafts once they are issued, as they will benefit from the final content and from explanatory content.

REVISED STRUCTURE AND DRAFTING CONVENTIONS

As compared to the ESRs Set 1 (adopted in July 2023), the structure of the standards has been revised and streamlined. In particular:

- All the “shall disclose/shall include/shall report/shall describe/shall explain” have been considered and simplified. They are presented in the main body of the standard. They have been counted as separate datapoints. Below the text of each Disclosure Requirement in topical standards (or section for ESRs 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is still named “Application Requirements” (AR). This includes “shall consider” as element of methodology for preparing the disclosure and “may (present)” for presentation options.
- Non mandatory appendices have been maintained in ESRs 1 on an exceptional basis, given their importance (former AR 16).
- All the “may” disclosures have been either eliminated or moved to another category (either deleted or moved to guidance), except for a few of them which are exceptionally still being considered.
- All the non-mandatory content has been moved to separate documents named “Non-Mandatory Illustrative Guidance (NMIG)”. While the four points above are drafted to become part of the delegated act, the legal status of the NMIG remains open from an EFRAG’s standpoint (either as appendices in the delegated act or as documents issued independently of the delegated act) and will be considered by the EC in due course.

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1. Non-Mandatory Illustrative Guidance

Introduction

This section provides non-binding illustrations of the requirements of ESRS 1.

Chapter 1 - ESRS Standards, reporting areas and drafting conventions

NON-MANDATORY ILLUSTRATIVE GUIDANCE - NMIG on chapter 1

NMIG 1. for para 11 (Entity Specific Disclosures)	(new) Further guidance for developing entity-specific disclosures the undertaking may consider can be found by considering the information required under topical ESRS, that addresses other similar sustainability topics.
Chapter 3 - Double materiality as the basis for sustainability reporting	
NON-MANDATORY ILLUSTRATIVE GUIDANCE - NMIG on sub-chapter 3.3.1	
NMIG 2. for para 29 (Impacts connected with the undertaking)	(former AR 12) As an illustration: (a) if the undertaking uses cobalt in its products which is mined by using children labour, the negative impact that arises from child labour (i.e., impact on the health and well-being of children) is connected with the undertaking's products through the tiers of business relationships in its upstream value chain. These business relationships include the undertaking's suppliers and their workers, smelter and minerals trader and the mining enterprise that uses child labour; and (b) if the undertaking provides financial loans to an enterprise for business activities that, in breach of agreed environmental standards, result in the contamination of water and land surrounding the operations, this negative impact is connected with the undertaking through its relationship with the enterprise it provides the loans to.

NON-MANDATORY ILLUSTRATIVE GUIDANCE - NMIG on sub-chapter 3.3.2

NMIG 3. for para 41 (Sources of risks or opportunities)	(new) The following illustrates how impacts and dependencies may be sources of risks or opportunities: (a) when the undertaking's business model depends on a natural resource – for example water – it is likely to be affected by changes in the quality, availability and pricing of that resource; (b) when the undertaking's activities result in negative impacts, e.g., health and safety negative impacts on the affected communities that live nearby the factory, the activities could become subject to stricter government regulation and/or the impact could trigger consequences of a reputational nature. These might have negative effects on the undertaking's brand and sales within the affected community, and higher recruitment costs might arise; and (c) when the undertaking's business partners face material sustainability-related risks, the undertaking could be exposed to related consequences as well.
NMIG 4. for para 43 (Identification of risks and opportunities, likelihood and magnitude)	(new) Anticipated financial effects that are not (or are not yet) reflected in financial statements include: (a) potential situations that following the occurrence of future events may affect cash flow generation potential; (b) capitals that are not recognised as assets from a financial reporting perspective but has a significant influence on financial performance, such as natural, intellectual (organisational), human, social and relationship capital; and (c) possible future events that may have an influence on the evolution of such capitals.
NON-MANDATORY ILLUSTRATIVE GUIDANCE - NMIG on sub-chapter 3.4	
NMIG 5. for para 44 (Negative impacts or material impacts on other topics)	(new) The following are examples of material impacts arising from actions to address other topics: (a) an action plan to decarbonise production that involves abandoning certain products might have material negative impacts on the undertaking's employees due to the lack of upskilling programmes for its employees that could be heightened in countries with limited social protection coverage; or (b) an action plan of an automotive supplier to focus on the supply of e-vehicles might lead to stranded assets for the production of supply parts for conventional vehicles.

NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on sub-chapter 3.7

NMIG 6. for para 52 (Disaggregation so as not to obscure material information)	(new) For example, assuming water usage is a material topic and to ensure that material information is not obscured, the undertaking may need to disaggregate information about its use of water to distinguish between water drawn from abundant sources and water drawn from water-stressed areas and to only report on the latter.
NMIG 7. for para 53 (Group and subsidiary level)	(former 104) When assessing whether the differences between material impacts, risks or opportunities at group level and material impacts, risks or opportunities of one or more of its subsidiaries are significant, the undertaking shall consider the specific circumstances of the subsidiary that affect its type of impacts, risks and opportunities, such as whether it operates in a different sector or location than the rest of the group.
NMIG 8. For para 53 (Group and subsidiary level)	(new) In a group, a topic may be assessed as to be reported because of the aggregation of several impacts derived from different subsidiaries that, if assessed in isolation by each subsidiary, would not be considered material. This is the case where aggregation of the impacts of the same nature across sites or subsidiaries is feasible and meaningful (for example, for environmental topics such as GHG emissions, emissions of pollutants or raw materials for circular economy). Conversely, in addition to disclosing information about topics that are assessed as material at group level, there may be situations where a topic is assessed to be material at the level of individual subsidiaries in isolation but, despite the aggregation of data of such subsidiaries, the topic is assessed as not material at group level.
NMIG 9. For para 55 (Metrics calculation)	(new) The decision to exclude activities from metric calculations may be determined based on reasonable assumptions or estimations based on qualitative considerations.
NMIG 10. For para 55 (Metrics calculation)	(new) For example, the undertaking which operates a large number of industrial facilities may determine that water consumption in manufacturing represents a material impact and/or risk . As manufacturing is an area connected with likely severe impacts, the undertaking might include in metric calculations the data from manufacturing activities in all industrial facilities, including those whose relative share is small whereas the exclusion of water consumption in office space is not expected to obscure the reported information.
NMIG 11. For para 55 (Metrics calculation)	(new) Where the undertaking identifies a material impact, risk or opportunity which depends on specific location or asset, such as water availability in a particular area at water risk, the corresponding metric might include data from activities that are the main driver of water consumption in that area. The undertaking may also determine that total water consumption in all areas at water risk is a material topic. In such a case it includes in metric calculation all activities as explained in the previous NMIG. The same principle applies for impacts on nature or pollution that are relevant at location or asset level.

Chapter 5 - Reporting undertaking and value chain

NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on sub-chapter 5.3

NMIG 12. for para 72 (Leased assets)	(new) For example, pollution caused, or energy or water usage in a leased factory do not relate to the lessor itself, but to the lessee, i.e. the undertaking causing the pollution, using the energy, or consuming the water. A lessor granting the right to use its own asset to a third party, during the lease period considers the relationship with the lessee and the impacts from the operations of the leased asset by the lessee as part of its down-stream value chain and not in its own operation.
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Chapter 7 - Preparation and presentation of sustainability information

NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on sub-chapter 7.1

NMIG 13. for para 84 (Impracticability to adjust comparative data)	(new) Examples of impracticability are: when data might not have been collected in the prior period(s) in a way that allows either retrospective application of a new definition of a metric or target , or retrospective restatement to correct a prior period error, and it may be impracticable to recreate the information (see ESRS 2 BP-2).
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Chapter 9 – Connected information and linkages with other parts of corporate reporting

NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on sub-chapter 9.2

NMIG 14. for para 116 (Direct/indirect connectivity with financial statements and consistency of assumptions)	(new) The following are illustrations of connections with the financial statements: (a) if the undertaking pursued a particular opportunity and that resulted in an increase in revenue, connected information will depict the relationship between the undertaking's strategy and its financial performance; (b) if the undertaking identified a trade-off between two risks it is exposed to and took action on the basis of its assessment of that trade-off, connected information will depict the relationship between those risks and the undertaking's strategy; or (c) if the undertaking committed to a particular target, but that commitment has not yet affected the undertaking's financial position or financial performance because the applicable recognition criteria have not been met, connected information will depict that relationship.
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2. MAPPING OF SUB-TOPICS TO DISCLOSURES IN TOPICAL STANDARDS

Introduction

This section supports the application of ESRS 1 paragraph 51. It articulates the relationship between the sub-topics described in ESRS 1 Appendix A (mapping), and the Disclosure Requirements in the topical standards (ESRS E1-E5, ESRS S1-S4 and ESRS G1).

To this extent, the list below is not exhaustive for the materiality assessment, as entity-specific sub-topics are excluded. Refer to flowchart below.

The mapping below takes these differences of architecture of topical standards into account. It provides an overview of the direct links that exist between matters and Disclosure Requirements or datapoints where such direct links exist (for example, in ESRS E2 microplastics at datapoint level). As not in all cases there is a direct link between a datapoint and a sub-topic, the structure of this appendix reflects the approach that exist in topical standards.

The mapping shows the link between a Disclosure Requirement and an individual sub-topic. It does not capture the interrelation between sub-topics. Based on the facts and circumstances of an undertaking, the materiality of a specific subtopic from a topical ESRS can trigger reporting requirements in other topical ESRS (for example, just transition).

For **metrics**, which can be either quantitative or qualitative, there is no systematic 'one-to-one' relationship between a sub-topics (as captured by ESRS 1 Appendix A) and a topical Disclosure Requirement except for the majority of the ESRS S1 metrics.

Environmental standards

The following can be noted for the mapping of Disclosure Requirements in ESRS E1 Climate Change:

- (a) the subtopics of energy and climate change mitigation are closely linked. The datapoints in the Disclosure Requirement E5-1 *Energy Consumption and mix* cover aspects (energy use) linked to climate change mitigation, therefore they are connected to climate change mitigation;
- (b) E1-1 *Transition plan* is connected to climate change mitigation;
- (c) Disclosure Requirements or datapoints regarding financial resilience [ESRS paragraphs to be included] is connected to both climate change mitigation and adaptation;
- (d) E1-7 *GHG removals and GHG mitigation projects financed through carbon credits* is not expected to be disclosed unless the undertaking uses such financing tools;
- (e) E1-8 *Internal carbon pricing* is expected to be disclosed only when the undertaking has implemented such mechanism.

The table below for ESRS E4 has not been split by sub-topic given the approach of the disclosures of this standard. The metrics are not specific to a sub-topic and apply to any material sub-topic identified.

List of topics and subtopics		ESRS		Explanatory note
Topic	Subtopic	Disclosure Requirement		
E1 Climate change	Climate change mitigation	E1-1	Transition plan for climate change mitigation	
		E1-#	Resilience analysis in relation to climate change	
		E1-##	Climate-related risks and scenario analysis	
		E1-2	Policies related to climate change mitigation and adaptation	
		E1-3	Actions and resources in relation to climate change policies	
		E1-4	Targets related to climate change mitigation and adaptation	
		E1-5	Energy consumption and mix	
		E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	
		E1-7	GHG removals and GHG mitigation projects financed through carbon credits	
	E1-8	Internal carbon pricing		
	E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities		
	Climate change adaptation	E1-#	Resilience analysis in relation to climate change	
		E1-##	Climate-related risks and scenario analysis	
		E1-2	Policies related to climate change mitigation and adaptation	
		E1-3	Actions and resources in relation to climate change policies	
		E1-4	Targets related to climate change mitigation and adaptation	
E1-9		Anticipated financial effects from material physical and transition risks and potential climate-related opportunities		
Energy		E1-#	Resilience analysis in relation to climate change	
	E1-##	Climate-related risks and scenario analysis		
	E1-2	Policies related to climate change mitigation and adaptation		
	E1-3	Actions and resources in relation to climate change policies		
	E1-4	Targets related to climate change mitigation and adaptation		
	E1-5	Energy consumption and mix		
	E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities		

E2 Pollution	Pollution of air, water and soil	E2-1	Policies related to pollution	
		E2-2	Actions and resources related to pollution	
		E2-3	Targets related to pollution	
		E2-4	Pollution of air, water and soil	
	Microplastics	E2-1	Policies related to pollution	
		E2-2	Actions and resources related to pollution	
	Substances of concern	E2-3	Targets related to pollution	
		E2-4	Pollution of air, water and soil	
		E2-1	Policies related to pollution	
		E2-2	Actions and resources related to Pollution	
E3 Water	Substances of concern	E2-3	Targets related to pollution	
		E2-5	Substances of concern and substances of very high concern	
	Water management	E3-1	Policies related to water	
		E3-2	Actions and resources related to water	
		E3-3	Targets related to water	
		E3-4	Water management	
	Drivers of Biodiversity and Ecosystem Change	E4-1	Resilience analysis, scenario analysis and transition plan	
		E4-2	Policies related to biodiversity and ecosystems	
		E4-3	Actions and resources related to biodiversity and ecosystems	
		E4-4	Targets related to biodiversity and ecosystems	
		E4-5	Metrics related to biodiversity and ecosystems change	
E5 – Circular Economy	Resources	E5-1	Policies related to resource use and circular economy	
		E5-2	Actions and resources related to resource use and circular economy	
		E5-3	Targets related to resource use and circular economy	
		E5-4	Resource Inflows	
	Resources related to products and services	E5-1	Policies related to resource use and circular economy	
		E5-2	Actions and resources related to resource use and circular economy	
		E5-3	Targets related to resource use and circular economy	
	Resources related to waste outflows	E5-5	Resource outflows	Paragraph 23-25
		E5-1	Policies related to resource use and circular economy	
		E5-2	Actions and resources related to resource use and circular economy	

Social Standards

ESRS S1-4

The topic covers fundamental rights (that are classified as subtopics in ESRs S1 and ESRs S2) which are interconnected. Such connections are not explicit in the ESRs S1 standard and have been included in the table below. In other words, when mapping the disclosures to report, a number of subtopics should be considered when own workforce is considered material (refer to the table below) given that they are connected to the fundamental rights.

In addition, the following metrics on S1-5, S1-6 and S1-16 are mapped to the topic directly.

List of topics and subtopics		ESRS		Explanatory note
Topic	Sub-topic	Disclosure Requirement		
ESRS S1 Own workforce	Any sub-topic	Policies related to		GDR-P: Policies ESRS S3-1 paragraph 15: Description of policy provisions for preventing and addressing impacts on indigenous people
		S1-1	Own workforce	
		S2-1	Workers in the value chain	
		S3-1	Affected communities	
	Any sub-topic	S4-1	Consumers and end-users	GDR-A: Actions and resources
		Processes for engaging and channels / mechanisms for		
		S1-2	Own workforce	
		S2-2	Workers in the value chain	
	Any sub-topic	S3-2	Affected communities	GDR-T: Targets
		S4-2	Consumers and end users	
ESRS S3 Affected communities	Any sub-topic	Taking action on material impacts, approaches to managing material risks and pursuing material opportunities, and effectiveness of those actions related to		GDR-A: Actions and resources
		S1-3	Own Workforce	
		S2-3	Workers in the value chain	
		S3-3	Affected Communities	
ESRS S4 Consumers and end-users	Any sub-topic	S3-4	Consumers and end users	GDR-T: Targets
		Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities		
		S1-4		
		S2-4		

S1 Own workforce – Metrics

List of topics and subtopics		ESRS		Explanatory note
Topic	Sub-topic	Disclosure Requirement		
ESRS S1 Own Workforce	Any sub-topic	S1-5	Characteristics of the undertaking's employees	
		S1-6	Characteristics of non-employee workers in the undertaking's own workforce	
		S1-16	Incidents, complaints and severe human rights impacts	
		S1-7 S1-8, 1 S1-9 S1-10 S1-13		These are the sub-topics that address the fundamental rights: freedom of association and collective bargaining (including social dialogue), adequate wages, social protection, health and safety and diversity (gender and disability).
	Working conditions (secure employment, working time, adequate wages, work-life balance, social protection)	S1-10	Social protection	
		S1-7	Adequate wages	Working time: Undertakings might provide entity specific information where working time is assessed as material
	Social dialogue, freedom of association, works councils, participation rights of workers, collective bargaining	S1-8	Work-life balance	
		S1-7	Collective bargaining coverage and social dialogue	
	Health and safety	S1-14	Health and safety metrics	
		S1-8	Diversity	Measures against harassment: Undertakings might provide entity-specific information where violence and harassment is assessed as material. Specific datapoint in S1-17.
	Diversity and gender equality (equal pay, people with disabilities, non-discrimination, harassment)	S1-11	People with disabilities	
		S1-15	Remuneration metrics (pay gap and total remuneration)	
	Training and skills development	S1-12	Training and skills development metrics	
	Other human rights (child labour, forced labour, privacy, adequate housing)	ESRS 1 paragraph 10		Undertakings might provide entity-specific information where child labour is assessed as material. It forms parts of S1-17 and specific datapoint in ESRS 1 SBM-3 SFDR datapoints.

Governance standards

List of topics and sub-topics		ESRS		Explanatory notes
Topic	Subtopic	Disclosure Requirement		
ESRS G1 Business Conduct	Corporate Culture (including anti-corruption and bribery, protection of whistle-blowers and animal welfare)	G1-1, G-2, G1-3	Business conduct policies, actions and targets	Includes SFDR datapoints
		G1-4	Incidents of corruption or bribery	
	Management of relationships with suppliers and fair behaviour including payment practices	G1-1, G1-2, G1-3	Business conduct policies, actions and targets	
		G1-6	Payment practices	
	Political influence and lobbying	G1-1, G1-2, G1-3	Business conduct policies, actions, and targets	
		G1-5	Political influence and lobbying activities	

3. FLOWCHART FOR DETERMINING DISCLOSURES UNDER ESRs

[PLACEHOLDER – SET 1 APPENDIX E FLOWCHART TO BE ADJUSTED]

4. EXAMPLE OF STRUCTURE OF ESRs SUSTAINABILITY STATEMENT

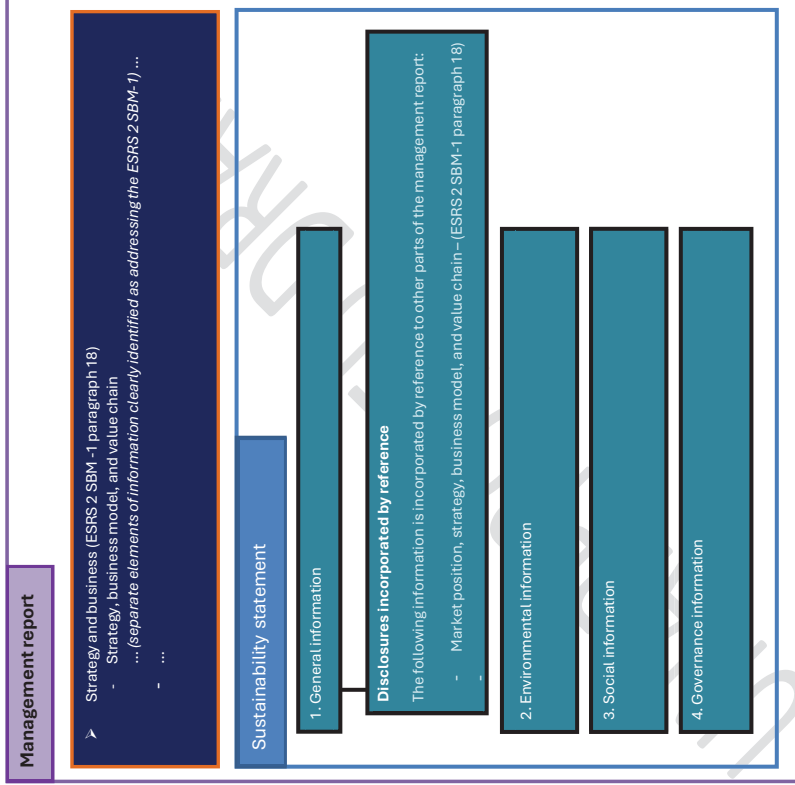
Introduction

This section provides a non-binding illustration with respect to reporting in four parts as outlined in paragraph 107 of ESRs 1.

Part of the management report	ESRS codification	Title
1. General information	ESRS 2	General disclosures, including information provided under the Application Requirements of topical ESRs listed in ESRs 2 Appendix C.
2. Environmental information	Not applicable	Disclosures pursuant to Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation)
	ESRS E1	Climate change
	ESRS E2	Pollution
	ESRS E3	Water and marine resources
	ESRS E4	Biodiversity and ecosystems
	ESRS E5	Resource use and circular economy
3. Social information	ESRS S1	Own workforce
	ESRS S2	Workers in the value chain
	ESRS S3	Affected communities
	ESRS S4	Consumers and end-users
4. Governance information	ESRS G1	Business conduct

Introduction

This section provides non-binding illustrations of incorporation by reference to another section of the management report into the sustainability statement as outlined in section 9.3 of ESRS 1.



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

Draft Amended ANNEX II to amended ESRS - Exposure Drafts UNAPPROVED

Secretariat Working document

UNAPPROVED DRAFT – SUBJECT TO CHANGE BEFORE BEING ISSUED

DRAFTING PROCESS FOR THE WORKING DOCUMENTS SO FAR

The EFRAG SRB and SR TEG provided written comments on the “V1.1” versions of the Secretariat working drafts prepared between the end of May and the first week of June. Based on those comments, the EFRAG Secretariat prepared the “V1.5” versions which were discussed in meetings mid-June by both EFRAG SR TEG and SRB.

Subsequently these versions were amended and critically reviewed by dedicated review panels. The review panels submitted the outcome of their work and the remaining points for discussion to the EFRAG SRB and ST TEG.

All agenda papers for the 9/10 July EFRAG SR TEG meeting and 14/16 July SRB meeting (“V1.6”) have been prepared by the Secretariat on the basis of (i) the “V1.5” working documents discussed by the EFRAG SRB and SR TEG, (ii) the review by the respective review panels within the SRB (with SR TEG experts when appropriate) and (iii) the subsequent discussions and decisions in the SRB. Step (i) and (ii) took place in the first week of July.

All comments shared by members in written on the “V1.5” working documents have been considered and incorporated when consistent with the SRB decisions.

DISCLAIMER ON THE STATUS OF THIS UNAPPROVED DOCUMENT

This working document does not represent an EFRAG view at this stage. This “V1.6” draft is now made public as Working Document for the SR TEG discussions on 9/10 July and the SRB discussions on 14/16 July 2025. They are not to be considered as Exposure Drafts yet. They are unapproved and still subject to change reflecting the discussions in those meetings and for editorial and quality review that has not yet taken place. In addition, they are not accompanied by the necessary explanatory documents that are still being prepared and will accompany the Exposure Draft.

03.03 - Unapproved Amended Annex II
 EFRAG recommends stakeholders that intend to contribute to the consultation to plan their review on the Exposure Drafts once they are issued, as they will benefit from the final content and from explanatory content.

REVISED STRUCTURE AND DRAFTING CONVENTIONS

As compared to the ERS Set 1 (adopted in July 2023), the structure of the standards has been revised and streamlined. In particular:

- All the “shall disclose/shall include/shall report/shall describe/shall explain” have been considered and simplified. They are presented in the main body of the standard. They have been counted as separate datapoints.
- Below the text of each Disclosure Requirement in topical standards (or section for ERS 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is still named “Application Requirements” (AR). This includes “shall consider” as element of methodology for preparing the disclosure and “may (present)” for presentation options.
- Non mandatory appendices have been maintained in ERS 1 on an exceptional basis, given their importance (former AR 16).
- All the “may” disclosures have been either eliminated or moved to another category (either deleted or moved to guidance), except for a few of them which are exceptionally still being considered.
- All the non-mandatory content has been moved to separate documents named “Non-Mandatory Illustrative Guidance (NMIG). While the four points above are drafted to become part of the delegated act, the legal status of the NMIG remains open from an EFRAG’s standpoint (either as appendices in the delegated act or as documents issued independently of the delegated act) and will be considered by the EC in due course.

ANNEX II

ACRONYMS AND GLOSSARY OF TERMS

This Annex presents all the acronyms found in the ERS (Table 1) as well as all terms defined in the ERS (Table 2).

Table 1

Acronyms

AMS	Automated Measuring Systems
AR	Application Requirements
AWS	Alliance for Water Stewardship
Btu	British Thermal Units
CapEx	Capital Expenditure
CBD	Convention for Biological Diversity
CDDA	Common Database on Designated Areas
CEN	European Committee for Standardization
CENELEC	European Committee for Electrotechnical Standardization
CH4	Methane
CICES	Common International Classification of Ecosystem Services
C02	Carbon Dioxide
CRR	Regulation (EU) No 575/2013 of the European Parliament and of the Council ¹ (Capital Requirements Regulation)
DR BP-1	Disclosure Requirement - General basis for preparation statements
DR BP-2	Disclosure Requirement - Disclosures in relation to specific circumstances

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

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DR GOV-1	Disclosure Requirement - The role of the administrative, management and supervisory bodies in relation to sustainability
DR GOV-2	Disclosure Requirement - Integration of sustainability-related performance in incentive schemes
DR GOV-3	Disclosure Requirement - Statement on sustainability due diligence
DR GOV-4	Disclosure Requirement - Risk management and internal controls over sustainability reporting
DR SBM-1	Disclosure Requirement - Market position, strategy, business model(s) and value chain
DR SBM-2	Disclosure Requirement - Interests and views of stakeholders
DR SBM-3	Disclosure Requirement - Material impacts, risks and opportunities and their interaction with strategy and business model(s)
DR IRO-1	Disclosure Requirement - Description of the processes to identify and assess material impacts, risks and opportunities
DR IRO-2	Disclosure Requirements in ESRs covered by the undertaking's sustainability statements
DNSH	Do No Significant Harm
DR	Disclosure Requirements
EBA	European Banking Authority
EC	European Commission
EEA	European Economic Area
EFRAG	European Financial Reporting Advisory Group
EFRAG SRB	European Financial Reporting Advisory Group Sustainability Reporting Board
EIA	Environmental Impact Assessment
EMAS	Eco-Management and Audit Scheme
EPC	Energy Performance Certificate

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IEPR	Industrial Emissions Portal Regulation
ESA	European Supervisory Authorities
ESMA	European Securities and Markets Authority
ESRS	European Sustainability Reporting Standards
ESRS 1	European Sustainability Reporting Standard 1 General requirements
ESRS 2	European Sustainability Reporting Standard 2 General disclosures
ESRS E1	European Sustainability Reporting Standard E1 Climate change
ESRS E2	European Sustainability Reporting Standard E2 Pollution
ESRS E3	European Sustainability Reporting Standard E3 Water and marine resources
ESRS E4	European Sustainability Reporting Standard E4 Biodiversity and ecosystems
ESRS E5	European Sustainability Reporting Standard E5 Resource use and circular economy
ESRS G1	European Sustainability Reporting Standard G1 Business conduct
ESRS S1	European Sustainability Reporting Standard S1 Own workforce
ESRS S2	European Sustainability Reporting Standard S2 Workers in the value chain
ESRS S3	European Sustainability Reporting Standard S3 Affected communities
ESRS S4	European Sustainability Reporting Standard S4 Consumers & end-users
EU	European Union
EU ETS	European Union Emissions Trading System
EWG	European Works Council
FPIC	Free, Prior and Informed Consent
FTE	Full-time equivalent
GAAP	Generally Accepted Accounting Principles
GHG	Greenhouse Gas

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GJ	Giga-Joules
GRI	Global Reporting Initiative
GWP	Global Warming Potential
HFCs	Hydrofluorocarbons
IED 2.0	Directive 2024/1785/EU of the European Parliament and of the Council ² (Industrial and Livestock Rearing Emissions Directive)
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
ILO	International Labour Organisation
IPBES	Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services
IPCC	Intergovernmental Panel on Climate Change
ISEAL	International Social and Environmental Accreditation and Labelling Alliance
ISO	International Organization for Standardization
ISSB	International Sustainability Standards Board
ITS	Implementing Technical Standards
IUCN	International Union for Conservation of Nature
KBA	Key Biodiversity Areas
Kg	Kilogram
lb	Pounds
LEAP	Locate Evaluate Assess Prepare
LGBTQI	Lesbian, Gay, Bisexual, Transgender, Queer, Intersex
GDR	General Disclosure Requirement

² Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control) (OJ L 334, 17.12.2010, p. 17).

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MWh	Mega-Watt-hours
N ₂ O	Nitrous Oxide
NACE	Statistical Classification of Economic Activities in the European Community
NF ₃	Nitrogen trifluoride
NGOs	Non-Governmental Organisations
NH ₃	Ammonia
NO _x	Nitrogen oxides
NUTS	Nomenclature of Territorial Units of Statistics
O ₃	Ozone
ODS	Ozone-depleting substance
OECD	Organisation for Economic Co-operation and Development
OECM	One Earth Climate Model
OpEX	Operating Expenditure
PBTs	Persistent, bioaccumulative and toxic substances
PCAF	Partnership for Carbon Accounting Financial
PCFs	Perfluorocarbons
PM	Particulate Matter
PMTs	Persistent, Mobile and Toxic Substances
POPs	Persistent organic pollutants
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
SBTi	Science Based Targets Initiative
SBTN	Science Based Targets Network
SCE	Societas Cooperativa Europaea
SDA	Sectoral Decarbonisation Approach

SDGs	Sustainable Development Goals
SDPI	Sustainable Development Performance Indicator
SE	Societas Europaea
SEEA	System of Environmental-Economic Accounting
SEEA EA	System of Environmental-Economic Accounting Ecosystem Accounting
SFDR	Regulation (EU) 2019/2088 of the European Parliament and of the Council ³ (Sustainable Finance Disclosures Regulation)
SOX	Sulphur oxides
SVHC	Substances of Very High Concern
TCFD	Task Force on Climate-Related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
UN	United Nations
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
vPvBs	Very persistent and very bioaccumulative substances
vPvMs	Very persistent and very mobile substances
WDPA	World Database of Protected Areas
WRI	World Resources Institute
WWF	World-Wide Fund for Nature

³ 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 (OJ L 317, 9.12.2019, p. 1).

Table 2

Terms defined in the ESRS

This table defines the terms to be used as reference for the preparation of the sustainability statements in accordance with the ESRS.

Defined term	Definition
Actions	<i>Actions</i> refer to: i. <i>actions</i> and action plans (including <i>transition plans</i>) that are undertaken to ensure that the undertaking delivers against <i>targets</i> set and through which the undertaking seeks to address material <i>impacts</i>, <i>risks</i> and <i>opportunities</i>; and ii. decisions to support these with financial, human or technological resources. Actions can be individual actions, taken only by the undertaking, or collective actions, this is, collaborative efforts by a group of stakeholders - such as undertakings, governments, civil society, or communities - to address shared challenges or achieve common goals, particularly when those goals cannot be effectively achieved by any single actor working alone.
Actual Impacts	Actual impacts are those that have already occurred in the reporting period or in prior years.
Actor in the value chain	Individuals or entities in the upstream or downstream <i>value chain</i> . The <i>actor</i> is considered downstream from the undertaking (e.g., distributors, customers) when it receives products or services from the undertaking; it is considered upstream from the undertaking (e.g., <i>suppliers</i>) when it provides products or services that are used in the production of the undertaking's own products or services.
Adequate wage	A <i>wage</i> that provides for the satisfaction of the needs of the worker and his / her family in the light of national economic and social conditions.
Administrative, management and supervisory bodies	[<i>Under review</i>]/The governance bodies with the highest decision-making authority in the undertaking including its committees. If in the governance structure, there are no

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Defined term	Definition
	members of the <i>administrative, management or supervisory bodies</i> of the undertaking, the CEO, and if such function exists, the deputy CEO, should be included. In some jurisdictions, governance systems consist of two tiers, where supervision and management are separated. In such cases, both tiers are included under the definition of <i>administrative, management and supervisory bodies</i> .
Affected communities	People or group(s) living or working in the same area that have been or may be affected by a reporting undertaking's operations or through its upstream and downstream <i>value chain</i> . <i>Affected communities</i> can range from those living adjacent to the undertaking's operations (local communities) to those living at a distance. <i>Affected communities</i> include actually and potentially affected <i>indigenous peoples</i> .
Annual total remuneration	<i>Annual total remuneration to own workforce</i> includes salary, bonus, stock awards, option awards, non-equity incentive plan compensation, change in pension value, and nonqualified deferred compensation earnings provided over the course of a year.
Anticipated financial effects	<i>Financial effects</i> that do not meet the recognition criteria for inclusion in the financial statement line items in the reporting period and that are not captured by the <i>current financial effects</i> .
Area at water risk	[Under review] A water catchment, where several physical aspects related to water: i. lead to one or more water bodies to be in less than good status and / or deteriorate in status (as defined in Directive 2000/60/EC of the European Parliament and of the Council⁴), thus pointing to significant issues as regards water availability, quality, quantity (including high water-stress); and/or ii. lead to issues as regards accessibility of water, regulatory or reputational issues (including the shared use of water with communities and affordability of water) for its facilities and for the facilities of key supplier(s).

⁴ Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy (OJ L 327, 22.12.2000, p. 1).

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Defined term	Definition
Area of high-water stress	Water stress is the ability, or lack thereof, to meet the human and ecological demand for water. Based on the different publicly available and credible tools for assessing areas with water stress, water stress in an area may be assessed using either of the following indicators and their thresholds: a) The ratio of total annual water withdrawal to total available annual renewable water supply (i.e., baseline water stress) is high (40–80%) or extremely high (>80%) ³ ; b) The ratio of water consumption-to-availability (i.e., water depletion) is moderate (dry-year depletion, where for at least 10% of the time, the monthly depletion ratio is >75%), high (seasonal depletion, where for one month of the year on average, the depletion ratio is >75%), or very high (ongoing depletion, where the depletion ratio on average is >75%).
Associated process materials	Materials that are needed for the manufacturing process but are not part of the final product, such as lubricants for manufacturing machinery.
Biodiversity loss	The reduction of any aspect of <i>biological diversity</i> (i.e., diversity at the genetic, species and <i>ecosystem</i> levels) in a particular area through death (including extinction), destruction or physical removal; it can refer to many scales, from global extinctions to population extinctions, resulting in decreased total diversity at the same scale.
Biodiversity or biological diversity	The variability among living organisms from all sources including terrestrial, marine and other aquatic <i>ecosystems</i> and the ecological complexes of which they are a part. This includes variation in genetic, phenotypic, phylogenetic, and functional attributes, as well as changes in abundance and distribution over time and space within and among species, biological communities and <i>ecosystems</i> .

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Defined term	Definition
Biodiversity sensitive area	⁵ Biodiversity sensitive areas are: • areas protected through legal or other effective means, including Natura 2000, UNESCO World Heritage Sites, Ramsar sites, and other protected areas, for instance defined by national legislation sources; and • areas included under Key Biodiversity Areas ('KBAs'), Ecologically or Biologically Significant Marine Areas (EBSAs), IUCN Red List of Ecosystems or habitats of species listed in IUCN Red List of Threatened Species (which are scientifically recognized for its importance for biodiversity).
Biological materials	Materials of biological origin, excluding those embedded in geological formations or transformed into fossilized material. These include both living and dead organic materials, such as trees, crops, grasses, algae, animals, and biological waste like manure.
Biosphere integrity or ecological integrity	The ability of an ecosystem to support and maintain ecological processes and a diverse community of organisms.
Blue economy	The blue economy encompasses all industries and sectors related to oceans, seas and coasts, whether they are based in the marine environment (e.g., shipping, fisheries, energy generation) or on land (e.g. ports, shipyards, land-based aquaculture and algae production, coastal tourism).
Bribery	Dishonestly persuading someone to act in your favour by giving them a gift of money or another inducement.
Business model	The undertaking's system of transforming inputs through its activities into outputs and outcomes that aims to fulfil the undertaking's strategic purposes and create value over the short-, medium- and long-term. ESRS use the term ' business '

⁵ Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (OJ L 442, 9.12.2021, p. 1).

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Defined term	Definition
Business relationships	model in the singular, although it is recognised that undertakings may have more than one business model. The relationships the undertaking has with business partners, entities in its value chain, and any other non-State or State entity directly linked to its business operations, products or services. Business relationships are not limited to direct contractual relationships. They include indirect business relationships in the undertaking's value chain beyond the first tier, and shareholding positions in joint ventures or investments.
By-product	A substance or object resulting from a production process the primary aim of which is not the production of that substance or object is considered not to be waste, but to be a by-product if the following conditions are met: - further use of the substance or object is certain; - the substance or object can be used directly without any further processing other than normal industrial practice; - the substance or object is produced as an integral part of a production process; and - further use is lawful, i.e., the substance or object fulfils all relevant product, environmental and health protection requirements for the specific use and will not lead to overall adverse environmental or human health impacts.
Carbon credit	A transferable or tradable instrument that represents one metric tonne of CO ₂ eq emission reduction or removal and is issued and verified according to recognised quality standards.
Carbon dioxide (CO₂) equivalent (eq)	The universal unit of measurement to indicate the global warming potential (GWP) of each greenhouse gas, expressed in terms of the GWP of one unit of carbon dioxide. It is used to evaluate releasing (or avoiding releasing) different greenhouse gases on a common basis.
Child labour	Work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development. It refers to work that:

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Defined term	Definition
	i. is mentally, physically, socially or morally dangerous and harmful to children; and/or ii. interferes with their schooling by depriving them of the opportunity to attend school; obliging them to leave school prematurely; or requiring them to attempt to combine school attendance with excessively long and heavy work. A child is defined as a person under the age of 18. Whether or not particular forms of 'work' can be called '<i>child labour</i>' depends on the child's age, the type and hours of work performed and the conditions under which it is performed. The answer varies from country to country, as well as among sectors within countries. The minimum age of work should not be less than the minimum age of completion of compulsory schooling, and, in any case, should not be less than 15 years according to International Labour Organisation (ILO) Convention No. 138 on Minimum Age. Exceptions can occur in certain countries where economies and educational facilities are insufficiently developed, and a minimum age of 14 years applies. These countries of exception are specified by the International Labour Organisation (ILO) in response to a special application by the country concerned and in consultation with representative organisations of employers and workers. National laws may permit the employment of persons 13 to 15 years of age in light work as long as it is not likely to be harmful to their health or development and does not prejudice their attendance at school or participation in vocational or training programmes. The minimum age for admission into work which by its nature or the circumstances in which it is carried out is likely to jeopardise the health, safety or morals of young persons shall not be less than 18 years.
Circularity	A circular economy is a system which maintains the value of products, materials and resources in the economy for as long as possible, and minimises the generation of waste. This means a system where products are reused, repaired, remanufactured or recycled

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Defined term	Definition
Circular economy	An economic system in which the value of products, materials and other resources in the economy is maintained for as long as possible, enhancing their efficient use in production and consumption, thereby reducing the environmental impact of their use, minimising <i>waste</i> and the release of hazardous <i>substances</i> at all stages of their life cycle, including through the application of the <i>waste hierarchy</i>.
Circular economy principles	The European <i>circular economy</i> principles are: - usability; - reusability; - repairability; - disassembly; - remanufacturing or refurbishment; recycling; - recirculation by the biological cycle; - other potential optimisation of product and material use.
Circular material use rate	The use rate is defined as the ratio of circular use of materials to overall use of materials.
Classified information	EU <i>classified information</i> as defined in Council Decision 2013/488/EU⁶ on the security rules for protecting EU <i>classified information</i> or classified by one of the Member States and marked as per Appendix B of that Council decision.
Climate change adaptation	The process of adjustment to actual and expected climate change and its <i>impacts</i>.
Climate change mitigation	The process of reducing <i>GHG emissions</i> and holding the increase in the global average temperature to 1,5 °C above pre-industrial levels, in line with the Paris Agreement.
Climate resilience	The capacity of an undertaking to adjust to climate changes, and to developments or uncertainties related to climate change. <i>Climate resilience</i> involves the capacity to manage climate-related <i>Scope 1</i> and benefit from climate-related

⁶ 2013/488/EU: Council Decision of 23 September 2013 on the security rules for protecting EU classified information (OJ L 274, 15.10.2013, p. 1).

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Defined term	Definition
	<i>opportunities</i> , including the ability to respond and adapt to <i>transition risks</i> and <i>physical risks</i> . An undertaking's <i>climate resilience</i> includes both its strategic resilience and its operational resilience to climate-related changes, developments or uncertainties associated with climate change.
Climate-related opportunity	Potential positive effects related to climate change for the undertaking. Efforts to mitigate and adapt to climate change can produce <i>opportunities</i> for undertakings. <i>Climate-related opportunities</i> will vary depending on the region, market, and industry where an undertaking operates.
Climate-related physical risk (Physical risk from climate change)	<i>Risks</i> resulting from climate change that can be event-driven (acute) or from longer-term shifts (chronic) in climate patterns. Acute <i>physical risks</i> arise from particular hazards, especially weather-related events such as storms, floods, fires or heatwaves. Chronic <i>physical risks</i> arise from longer-term changes in the climate, such as temperature changes, and their effects on rising sea levels, reduced water availability, <i>biodiversity loss</i> and changes in land and <i>soil</i> productivity.
Climate-related transition risk	<i>Risks</i> that arise from the transition to a low-carbon and climate-resilient economy. They typically include <i>policy risks</i> , <i>legal risks</i> , <i>technology risks</i> , <i>market risks</i> and <i>reputational risks</i> .
Collective bargaining	All negotiations which take place between an employer, a group of employers or one or more employers' organisations, on the one hand, and one or more trade unions or, in their absence, the representatives of the workers duly elected and authorised by them in accordance with national laws and regulations, on the other, for: i. determining working conditions and terms of employment; and/or ii. regulating relations between employers and workers; and/or regulating relations between employers or their organisations and a workers' organisation or workers' organisations.

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Defined term	Definition
Confirmed incident (child or forced labour or human trafficking)	<i>Incident</i> of child or <i>forced labour</i> or human trafficking that has been found to be substantiated. <i>Confirmed incidents</i> do not include <i>incidents</i> of child or <i>forced labour</i> or human trafficking that are still under investigation in the reporting period.
Confirmed incident of corruption or bribery	An <i>incident of corruption or bribery</i> that has been found to be substantiated. <i>Confirmed incidents of corruption or bribery</i> do not include <i>incidents of corruption or bribery</i> that are still under investigation at the end of the reporting period. The determination of potential non-compliance cases as substantiated may be made either by the undertaking's compliance officer or similar function or an authority. A determination as substantiated by a court of law is not required.
Consumer	Individuals who acquire, consume or use goods and services for personal use, either for themselves or for others, and not for resale, commercial or trade, business, craft or profession purposes.
Corporate culture	<i>Corporate culture</i> expresses goals through values and beliefs. It guides the undertaking's activities through shared assumptions and group norms such as values or mission statements or a code of conduct.
Corruption	Abuse of entrusted power for private gain, which can be instigated by individuals or organisations. It includes practices such as facilitation payments, fraud, extortion, collusion, and money laundering. It also includes an offer or receipt of any gift, loan, fee, reward, or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust in the conduct of the undertaking's business. This can include cash or in-kind benefits, such as free goods, gifts, and holidays, or special personal services provided for the purpose of an improper advantage, or that can result in moral pressure to receive such an advantage.
Credible proxies	Individuals with sufficiently deep experience in engaging with affected <i>stakeholders</i> from a particular region or context (for example, women workers on farms, <i>indigenous peoples</i> or migrant workers) who can help to effectively

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Defined term	Definition
	convey their likely concerns. In practice, this can include development and human rights NGOs, international trade unions and local civil society, including faith-based organisations.
Critical raw materials	Critical raw materials are materials that have high economic importance and are subject to supply risk, due to factors such as geographic concentration, economic or geopolitical limitations, or difficulties in substitution. CRMs are those listed in Annex II, Section I in the Critical Raw Materials Acts (2023).
Current financial effects	Financial effects for the current reporting period that are recognised in the primary financial statements.
Decarbonisation levers	Aggregated types of mitigation actions such as energy efficiency, electrification, fuel switching, use of renewable energy , products change, and supply-chain decarbonisation that fit with undertakings' specific actions .
Deforestation	Temporary or permanent human-induced conversion of forested land to non-forested land ⁷ .
Degradation or degraded ecosystem	Chronic human impacts resulting in the loss of biodiversity and the disruption of an ecosystems structure, composition, and functionality.
Dematerialisation	The design for longer life and reducing resource intensity while maintaining adequate performance of a product or service, supporting the circular economy by minimizing resource input and maximizing value retention
Dependencies	The situation of an undertaking being dependent on natural, human and/or social resources for its business processes.
Deposit in water and soil	An amount of a substance that has accumulated in the environment, either in water or in soil , and either as a

⁷ Annex I point 21 of Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of "do no significant harm", specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports (OJ L 196, 25.7.2022, p. 1).

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Defined term	Definition
	consequence of regular activities or from incidents or from disposals of undertakings, independent of whether that accumulation occurs at the production site of an undertaking or outside.
Desertification	Land degradation in arid, semi-arid and dry sub-humid areas resulting from various factors, including climatic variations and human activities. Desertification does not refer to the natural expansion of existing deserts.
Discharge	[Under review] Wastewater discharge means the amount of water (in m ³) or substance (in kg BOD/d or comparable) added / leached to a water body from a point or a non-point source. Sewage effluent (or discharge) means treated sewage discharged from a sewage treatment plant.
Discrimination	Discrimination can occur directly or indirectly. Direct discrimination occurs when an individual is treated less favourably by comparison to how others, who are in a similar situation, have been or would be treated, and the reason for this is a particular characteristic they hold, which falls under a 'protected ground'. Indirect discrimination occurs when an apparently neutral rule disadvantages a person or a group sharing the same characteristics. It must be shown that a group is disadvantaged by a decision when compared to a comparator group.
Dismantling	Process of breaking down a complex product or system into its constituent parts or materials
Double materiality	Double materiality has two dimensions: impact materiality and materiality . A sustainability topic meets the criterion of double materiality if it is material from the impact perspective or the financial perspective or both.
Durability	The ability of a product, component or material to remain functional and relevant when used as intended. Durability often applies to the physical attributes of a product (its ability to resist damage and wear), though with some products, durability can also be technological (for example, the ability of software to be upgraded many times).
Eco-design	The integration of environmental aspects into the product development process, by balancing ecological and economic

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Defined term	Definition
Ecological threshold	requirements. Eco-design considers environmental aspects at all stages of the product development process, striving for products which make the lowest possible environmental impact throughout the product life cycle. The point at which a relatively small change in external conditions causes a rapid change in an <i>ecosystem</i> . When an <i>ecological threshold</i> has been passed, the <i>ecosystem</i> may no longer be able to return to its state by means of its inherent resilience.
Ecosystem extent	The size of an <i>ecosystem</i> asset, whereas an <i>ecosystem</i> asset is the contiguous space of a specific <i>ecosystem</i> type characterised by a distinct set of biotic and abiotic components and their interactions.
Ecosystem restoration	Any intentional activities that initiate or accelerate the recovery of an <i>ecosystem</i> from a degraded state.
Ecosystem services	The contributions of <i>ecosystems</i> to the benefits that are used in economic and other human activity, respectively the benefits people obtain from <i>ecosystems</i> . In the Millennium Ecosystem Assessment, <i>ecosystem services</i> can be divided into supporting, regulating, provisioning and cultural. The Common International Classification of Ecosystem Services (CICES) classifies types of <i>ecosystems</i> services.
Ecosystem(s)	A dynamic complex of plant, animal and micro-organism communities and their non-living environment interacting as a functional unit. A typology of <i>ecosystems</i> is provided by the IUCN Global Ecosystem Typology 2.0.
Emission	The direct or indirect release of <i>substances</i> , vibrations, heat or noise from individual or diffuse sources into air, water or <i>soil</i> ⁸ .
Employee	An individual who is in an employment relationship with the undertaking according to national law or practice.
End-users	Individuals who ultimately use or are intended to ultimately use a particular product or service.

⁸ Directive 2024/1785/EU on industrial emissions (IED 2.0).

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Defined term	Definition
End of life (of a product)	Point in time when a product is taken out of use and its resources are either recovered for processing or it is disposed of.
Equal opportunities	Equal and non-discriminatory access, among individuals, to opportunities for education, training, employment, career development and the exercise of power without their being disadvantaged on the basis of criteria such as gender, racial or ethnic origin, nationality, religion or belief, disability, age or sexual orientation.
Equal treatment	The principle of <i>equal treatment</i> is a general principle of European law which presupposes that comparable situations or parties in comparable situations are treated in the same way. In the context of ERS S1, the term ' <i>equal treatment</i> ' also refers to the principle of non-discrimination, according to which there shall be no direct or indirect <i>discrimination</i> based on any ground such as sex, race, colour, ethnic or social origin, genetic features, language, religion or belief, political or any other opinion, membership of a national minority, property, birth, disability, age or sexual orientation.
Family-related leave	Family-related leave include maternity leave, paternity leave, parental leave, and carers' leave that is available under national law or collective agreements. For the purpose of this Standard, these concepts are defined as: (a) maternity leave (also called pregnancy leave): employment-protected leave of absence for employed women directly around the time of childbirth (or, in some countries, adoption) (b) paternity leave: leave from work for fathers or, where and in so far as recognised by national law, for equivalent second parents, on the occasion of the birth or adoption of a child for the purposes of providing care; (c) parental leave: leave from work for parents on the grounds of the birth or adoption of a child to take care of that child, as defined by each Member State; (d) carers' leave from work: leave for workers to provide personal care or support to a relative, or a person who lives in the same household, in need of significant

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Defined term	Definition
	care or support for a serious medical reason, as defined by each Member State.’
Financial effects	Effects from <i>risks</i> and <i>opportunities</i> that affect the undertaking’s financial position, financial performance and cash flows over the short, medium or long term.
Financial materiality	A sustainability topic is material from a financial perspective if it generates <i>risks</i> or <i>opportunities</i> that affect (or could reasonably be expected to affect) the undertaking’s financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium or long term.
Forced labour	All work or service which is exacted from any person under the threat of penalty and for which the person has not offered himself or herself voluntarily. The term encompasses all situations in which persons are coerced by any means to perform work and includes both traditional ‘slave-like’ practices and contemporary forms of coercion where labour exploitation is involved, which may include human trafficking and modern slavery.
Fossil fuel	Non-renewable carbon-based energy sources such as solid fuels, natural gas and oil.
Free, Prior and Informed Consent (FPIC)	A manifestation of <i>indigenous peoples</i> right to self-determine their political, social, economic and cultural priorities. It constitutes three interrelated and cumulative rights of <i>indigenous peoples</i> : the right to be consulted; the right to participate; and the right to their lands, territories and resources. <i>FPIC</i> pertains to <i>indigenous peoples</i> and is recognized under international human rights law, notably the United Nations Declaration on the Rights of <i>Indigenous peoples</i> (UNDRIP).
Freshwater	[Under review] <i>Groundwater</i> and surface water, with a mean annual salinity of < 0,5 ‰ (i.e., the limit mentioned in Annex II of the Water Framework Directive).
GHG emission reduction	Decrease in the undertaking’s <i>Scope 1, 2, 3</i> or total <i>GHG emissions</i> at the end of the reporting period, relative to <i>emissions</i> in the base year. <i>Emission reductions</i> may result from, among others, energy efficiency, electrification,

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Defined term	Definition
	<i>suppliers’</i> decarbonisation, electricity mix decarbonisation, sustainable products development or changes in reporting boundaries or activities (e.g., outsourcing, reduced capacities), provided they are achieved within the undertaking’s own operations and upstream and downstream <i>value chain</i> . Removals and avoided <i>emissions</i> are not counted as <i>emission reductions</i> .
GHG removal and storage	(Anthropogenic) removals refer to the withdrawal of <i>GHGs</i> from the atmosphere as a result of deliberate human activities. These include enhancing biological anthropogenic sinks of CO ₂ and using chemical engineering to achieve long-term removal and storage. Carbon capture and storage (CCS) from industrial and energy-related sources, which alone does not remove CO ₂ from the atmosphere, can remove atmospheric CO ₂ if it is combined with bioenergy production (Bioenergy with Carbon Capture & Storage - BECCS). Removals can be subject to reversals, which are any movement of stored <i>GHG</i> out of the intended storage that re-enters the atmosphere. For example, if a forest that was grown to remove a specific amount of CO ₂ is subject to a wildfire, the <i>emissions</i> captured in the trees are reversed.
Global Framework Agreement (GFA)	Global Framework Agreements (GFA) serve to establish an ongoing relationship between a multinational enterprise and a Global Union Federation to ensure that the undertaking adheres to the same standards in every country in which it operates.’
Global warming potential (GWP)	A factor describing the radiative forcing impact (degree of harm to the atmosphere) of one unit of a given <i>GHG</i> relative to one unit of CO ₂ .
Greenhouse Gases (GHG)	The gases listed in Part 2 of Annex V of Regulation (EU) 2018/1999 of the European Parliament and of the Council ⁹ . These include Carbon dioxide (CO ₂), Methane (CH ₄), Nitrous Oxide (N ₂ O), Sulphur hexafluoride (SF ₆),

⁹ 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).

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Defined term	Definition
Grievance mechanism	Nitrogen trifluoride (NF₃), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs). Any routinized, state-based or non-state-based, judicial or non-judicial processes through which <i>stakeholders</i> can raise grievances and seek <i>remedy</i>. Examples of state-based judicial and non-judicial <i>grievance mechanisms</i> include courts, labour tribunals, national human rights institutions, National Contact Points under the OECD Guidelines for Multinational Enterprises, ombudsperson offices, consumer protection agencies, regulatory oversight bodies, and government-run complaints offices. Non-state-based <i>grievance mechanisms</i> include those administered by the undertaking, either alone or together with <i>stakeholders</i>, such as operational-level <i>grievance mechanisms</i> and <i>collective bargaining</i>, including the mechanisms established by <i>collective bargaining</i>. They also include mechanisms administered by industry associations, international organisations, civil society organisations, or multi-stakeholder groups. Operational-level <i>grievance mechanisms</i> are administered by the organisation either alone or in collaboration with other parties and are directly accessible by the organisation's <i>stakeholders</i>. They allow for grievances to be identified and addressed early and directly, thereby preventing both harm and grievances from escalating. They also provide important feedback on the effectiveness of the organisation's due diligence from those who are directly affected. According to UN Guiding Principle 31, effective <i>grievance mechanisms</i> are legitimate, accessible, predictable, equitable, transparent, rights-compatible, and a source of continuous learning. In addition to these criteria, effective operational-level <i>grievance mechanisms</i> are also based on engagement and dialogue. It can be more difficult for the organisation to assess the effectiveness of <i>grievance mechanisms</i> that it participates in compared to those it has established itself.

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Defined term	Definition
Groundwater	[Under review] All water which is below the surface of the ground in the saturation zone and in direct contact with the ground or subsoil ¹⁰ .
Habitat	The place or type of <i>site</i> where an organism or population naturally occurs. Also used to mean the environmental attributes required by a particular species or its ecological niche.
Harassment	A situation where an unwanted conduct related to a protected ground of <i>discrimination</i> (for example, gender under Directive 2006/54/EC of the European Parliament and of the Council ¹¹ , or religion or belief, disability, age or sexual orientation under Council Directive 2000/78/EC ¹²) occurs with the purpose or effect of violating the dignity of a person, and of creating an intimidating, hostile, degrading, humiliating or offensive environment.
Hazardous/non-hazardous waste	Waste which displays one or more of the hazardous properties listed in Annex III of the Waste framework directive.
High climate impact sectors	Sectors that are listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council ¹³ (as defined in Commission Delegated Regulation (EU) 2022/1288 ¹⁴).

¹⁰ Article 2(20) of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

¹¹ Directive 2006/54/EC of the European Parliament and of the Council of 5 July 2006 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation (OJ L 204, 26.7.2006, p. 23).

¹² Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation (OJ L 303, 2.12.2000, p. 16).

¹³ Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains (OJ L 393, 30.12.2006, p. 1).

¹⁴ Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports (OJ L 96, 25.7.2022, p. 1).

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Defined term	Definition
Impacts	The effect the undertaking has or could have on the environment and people, including effects on their human rights, connected with its own operations and upstream and downstream value chain , including through its products and services, as well as through its business relationships . The impacts can be actual or potential, negative or positive, intended or unintended, and reversible or irreversible. They can arise over the short-, medium-, or long-term. Impacts indicate the undertaking's contribution, negative or positive, to sustainable development.
Impact drivers	All the factors that cause changes in nature, anthropogenic assets, nature's contributions to people and a good quality of life. Direct drivers of change can be both natural and anthropogenic. They have direct physical (mechanical, chemical, noise, light etc.) and behaviour-affecting impacts on nature. They include, inter alia, climate change, pollution , different types of land use change, invasive alien species and zoonoses, and exploitation. Indirect impact drivers operate diffusely by altering and influencing direct drivers (by affecting their level, direction or rate) as well as other indirect drivers. Interactions between indirect and direct drivers create different chains of relationship, attribution, and impacts , which may vary according to type, intensity, duration, and distance. These relationships can also lead to different types of spill-over effects. Global indirect drivers include economic, demographic, governance, technological and cultural ones. Special attention is given, among indirect drivers, to the role of institutions (both formal and informal) and impacts of the patterns of production, supply and consumption on nature, nature's contributions to people and good quality of life.
Impact materiality	A sustainability topic is material from an impact perspective when it pertains to the undertaking's material actual or potential, positive or negative impacts on people or the environment over the short-, medium- and long-term. A material sustainability topic from an impact perspective includes impacts connected with the undertaking's own operations and upstream and downstream value chain , including through its products and services, as well as through its business relationships .

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Defined term	Definition
Incidents	A legal action or complaint registered with the undertaking or competent authorities through a formal process, or an instance of non-compliance identified by the undertaking through established procedures. Established procedures to identify instances of non-compliance can include management system audits, formal monitoring programs, or grievance mechanisms .
Incineration	The controlled burning of waste at high temperature with or without energy recovery.
Independent board member	Board members that exercise independent judgment free from any external influence or conflicts of interest. Independence generally means the exercise of objective, unfettered judgement. <i>[Under review]</i> When used as the measure by which to judge the appearance of independence, or to categorise a non-executive member of the administrative, management and supervisory bodies or their committees as independent, it means the absence of an interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making.
Indigenous peoples	There is no single definition for indigenous peoples agreed on at the international level. In practice, there is convergence among international agencies on what groups can be considered indigenous peoples and should enjoy special protection as such. An important criteria for defining indigenous people is related to their connection to a traditional area, as defined in ILO Convention No. 169, Article 1, which states that the convention applies to: '(a) tribal peoples in independent countries whose social, cultural and economic conditions distinguish them from other sections of the national community, and whose status is regulated wholly or partially by their own customs or traditions or by special laws or regulations; (b) peoples in independent countries who are regarded as indigenous on account of their descent from the populations which inhabited the country, or a geographical region to which the country belongs, at the time of conquest or colonisation or the establishment of present state boundaries and who, irrespective of their legal status, retain some or all of their

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Defined term	Definition
	<i>own social, economic, cultural and political institutions</i> . ILO Convention 169 also states in Article 1(2) that: <i>‘[s]elf-identification as indigenous or tribal shall be regarded as a fundamental criterion for determining the groups to which the provisions of this Convention apply’</i> .
Indirect GHG emissions	GHG emissions that are a consequence of the activities of an entity but occur at sources owned or controlled by another entity. Indirect emissions are Scope 2 GHG emissions and Scope 3 GHG emissions combined.
Industrial symbiosis	System enabling circular resource flows by engaging traditionally separate organizations in a collective approach to share inflows and outflows, optimizing their value networks.
Internal carbon price	Price used by an undertaking to assess the financial implications of changes to investment, production, and consumption patterns, and of potential technological progress and future emissions abatement costs.
Internal carbon pricing scheme	An organisational arrangement that allows an undertaking to apply carbon prices in strategic and operational decision making. There are two types of internal carbon prices commonly used by undertakings. The first type is a shadow price, which is a theoretical cost or notional amount that the undertaking does not charge but that can be used in assessing the economic implications or trade-offs for such things as risk impacts , new investments, net present value of projects, and the cost-benefit of various initiatives. The second type is an internal tax or fee, which is a carbon price charged to a business activity, product line, or other business unit based on its GHG emissions (these internal taxes or fees are similar to intracompany transfer pricing).
Invasive or alien species	Species whose introduction and/or spread by human action outside their natural distribution threatens biological diversity , food security, and human health and well-being. ‘Alien’ refers to the species’ having been introduced outside its natural distribution (‘exotic’, ‘non-native’ and ‘non-indigenous’ are synonyms for ‘alien’). ‘Invasive’ means ‘tending to expand into and modify ecosystems to which it has been introduced’. Thus, a species may be alien without being invasive, or, in the case of a species native to a region,

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Defined term	Definition
	it may increase and become invasive, without actually being an alien species.
Key Biodiversity Area (KBA)	Sites contributing significantly to the global persistence of biodiversity ¹⁵ in terrestrial, freshwater and marine ecosystems . Sites qualify as global KBAs if they meet one or more of 11 criteria, clustered into five categories: threatened biodiversity ; geographically restricted biodiversity ; ecological integrity ; biological processes; and, irreplaceability. The World Database of KBAs is managed by BirdLife International on behalf of the KBA Partnership.
Key products	Products which represent the primary goods that are central to the economic activities and value creation of the undertaking. These products are significant due to their impact on revenue, market position, strategic importance, or contribution to the company's core business operations. Key products include, but are not limited to, those that drive the majority of sales, are critical for customer satisfaction, or are essential for maintaining competitive advantage
Key materials	Materials which are essential for its manufacturing and delivery of products and services. These materials can be defined as ‘key’ due to their volume, cost, criticality, or strategic importance. Key materials (can be sourced ‘as is’ or be assembled in goods and substances purchased) of might include (but are not limited to): plastic, plastic/metal composite, dyed textile, solvent, wood, fabric or fibre, glass, foam, glue, and finish.
Land degradation	The many processes that drive the decline or loss in biodiversity, ecosystem functions or their benefits to people and includes the degradation of all terrestrial ecosystems .
Landfill	A waste disposal site for the deposit of the waste onto or into land ¹⁵ .
Land-system (change)	The terrestrial component of the Earth system, encompassing all processes and activities related to the human use of land. These include socio-economic, technological and organisational inputs and arrangements, as well as the

¹⁵ Article 2 point (g) of Council Directive 1999/31/EC of 26 April 1999 on the landfill of waste (OJ L 182, 16.7.1999, p. 1).

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Defined term	Definition
	benefits gained from land and the unintended social and ecological outcomes of societal activities. The land-systems concept combines land-use (the activities, arrangements and inputs associated with land-use) with land cover (the ensemble of physical characteristics of land discernible by Earth Observation).
Land-use (change)	The human use of a specific area for a certain purpose (such as residential; agriculture; recreation; industrial, etc.). Influenced by, but not synonymous with, land cover. Land-use change refers to a change in the use or management of land by humans, which may lead to a change in land cover.
Legitimate representatives	Individuals recognised as legitimate under law or practice, such as elected trade union representatives in the case of workers, or other similarly freely chosen representatives of affected stakeholders .
Leverage	The ability of the undertaking to effect a change in the wrongful practices of another party that is connected with a negative sustainability-related impact.
Lobbying activities	Activities carried out with the objective of influencing the formulation or implementation of policy or legislation, or the decision-making processes of governments, governmental institutions, regulators, European Union institutions, bodies, offices and agencies or standard setters. Such activities include (non-exhaustive list): - organising or participating in meetings, conferences, events; - contributing to/participating in public consultations, hearings or other similar initiatives; - organising communication campaigns, platforms, networks, grassroots initiatives; - preparing/commissioning policy and position papers, opinion polls, surveys, open letters, research work as per the activities covered by transparency register rules.
Locked-in GHG emissions	Estimates of future GHG emissions that are likely to be caused by an undertaking's key assets or products sold within their operating lifetime.

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Defined term	Definition
Longevity	Designed for maintenance and durability in such a way that encourages longer use than the industry standard in practice and at scale and in such a way that does not compromise circular treatment at the end of functional life.
Marine resources	[Under review] Biological and non-biological resources found in the seas and oceans. Examples include but are not limited to deep sea minerals, gravels, and seafood products.
Material opportunities	Sustainability related opportunities with positive financial effects that materially affect, (or could reasonably be expected to affect) the undertaking's cash flows, access to finance, or cost of capital over the short, medium or long term.
Material risks	Sustainability related risks with negative financial effects that materially affect (or could reasonably be expected to affect) the undertaking's cash flows, access to finance, or cost of capital over the short, medium or long term.
Materiality	A sustainability topic is material if it meets the definition of impact materiality , financial materiality , or both.
Metrics	Qualitative and quantitative indicators that the undertaking uses to measure and report on the effectiveness of the delivery of its sustainability-related policies and against its targets over time. Metrics also support the measurement of the undertaking's results in respect of affected people, the environment and the undertaking.
Microplastics	Synthetic polymer microparticles that are solid and which fulfil both of the following conditions: (a) are contained in particles and constitute at least 1 % by weight of those particles; or build a continuous surface coating on particles; (b) at least 1 % by weight of the particles referred to in point (a) fulfil either of the following conditions: (i) all dimensions of the particles are equal to or less than 5 mm; (ii) the length of the particles is equal to or less than 15 mm and their length to diameter ratio is greater than 3. The following polymers are excluded from this designation: (a) polymers that are the result of a polymerisation process that has taken place in nature, independently of the process through which they have been extracted, which are not chemically modified

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Defined term	Definition
	substances; (b) polymers that are degradable as proved in accordance with Appendix 15 of Commission Regulation (EU) 2023/2055; (c) polymers that have a solubility greater than 2 g/L as proved in accordance with Appendix 16 of Commission Regulation (EU) 2023/2055; (d) polymers that do not contain carbon atoms in their chemical structure. ¹⁶
General Disclosure Requirement	A General Disclosure Requirement sets the required content of the information that the undertaking includes when it reports on policies, actions , metrics or targets , either pursuant to a Disclosure Requirement in an ESR or on an entity-specific basis.
Natural resources	Natural assets (raw materials) occurring in nature that can be used for economic production or consumption.
Nature-based solutions	Actions to protect, conserve, restore, sustainably use and manage natural or modified terrestrial, freshwater , coastal and marine ecosystems which address social, economic and environmental challenges effectively and adaptively, while simultaneously providing human well-being, ecosystem services , resilience and biodiversity benefits.
Net-zero target	Setting a net-zero target at the level of an undertaking aligned with meeting societal climate goals means: i. achieving a scale of value chain emissions reductions consistent with the abatement required to reach global net-zero in 1.5°C pathways; and ii. neutralizing the impact of any residual emissions (after approximately 90-95% of GHG emission reduction with the possibility for justified sectoral variations in line with a recognized sectoral pathway) by permanently removing an equivalent volume of CO₂.
Non-employees	Non-employees in an undertaking's own workforce include both individual contractors supplying labour to the undertaking ('self-employed people') and people provided

¹⁶ Commission Regulation (EU) 2023/2055 of 25 September 2023 amending Annex XVII to Regulation (EC) No 1907/2006 of the European Parliament and of the Council concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) as regards synthetic polymer microparticles.

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Defined term	Definition
	by undertakings primarily engaged in 'employment activities' (NACE Code N78).
Non-renewable energy	Energy which cannot be identified as being derived from renewable sources.
Operational control	Operational control (over an entity, site , operation or asset) is the situation where the undertaking has the ability to direct the operational activities and relationships of the entity, site , operation or asset.
Opportunities	Sustainability-related opportunities with positive financial effects .
Overtime	The number of hours actually worked by a worker in excess of his or her contractual hours of work.
Own workforce/own workers	Employees who are in an employment relationship with the undertaking (' employees ') and non-employees who are either individual contractors supplying labour to the undertaking ('self-employed people') or people provided by undertakings primarily engaged in 'employment activities' (NACE Code N78).
Ozone-depleting substances	Substances listed in the Montreal Protocol on Substances that Deplete the Ozone Layer.
Packaging	Products made of any materials of any nature to be used for the containment, protection, handling, delivery, storage, transport and presentation of goods, from raw materials to processed goods, from the producer to the user or consumer ¹⁷ .
Pay	The ordinary basic or minimum wage or salary and any other remuneration, whether in cash or in kind which the worker receives directly or indirectly ('complementary or variable components'), in respect of his/her employment from his/her employer. ' Pay level ' means gross annual pay and the corresponding gross hourly pay. ' Median pay level ' means the pay of the employee that would have half of the employees earn more and half less than they do.

¹⁷ Article 3(1) of Directive 94/62/EC of the European Parliament and of the Council of 20 December 1994 on packaging and packaging waste (OJ L 365, 31.12.1994, p. 10).

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Defined term	Definition
Persons with disabilities	Persons who have long-term physical, mental, intellectual or sensory impairments which in interaction with various barriers may hinder their full and effective participation in society on an equal basis with others.
Physical risks	All global economic enterprise depends on the functioning of earth systems, such as a stable climate and on <i>ecosystem services</i> , such as the provision of biomass (<i>raw materials</i>). Nature-related <i>physical risks</i> are a direct result of an organisation's dependence on nature. <i>Physical risks</i> arise when natural systems are compromised, due to the impact of climatic events (e.g., extremes of weather such as a drought), geologic events (e.g., seismic events such as an earthquake) or changes in <i>ecosystem</i> equilibria, such as <i>soil</i> quality or marine ecology, which affect the <i>ecosystem services</i> organisations depend on. These can be acute, chronic, or both. Nature-related <i>physical risks</i> arise as a result of changes in the biotic (living) and abiotic (non-living) conditions that support healthy, functioning <i>ecosystems</i> . <i>Physical risks</i> are usually location-specific. Nature-related <i>physical risks</i> are often associated with <i>climate-related physical risks</i> .
Planetary boundaries	This concept allows to estimate a safe operating space for humanity with respect to the functioning of the Earth. The boundary level for each key Earth System process that should not be transgressed if we are to avoid unacceptable global environmental change, is quantified.
Policy	A set or framework of general objectives and management principles that the undertaking uses for decision-making. A <i>policy</i> implements the undertaking's strategy or management decisions related to a material sustainability <i>topic</i> . Each <i>policy</i> is under the responsibility of defined person(s), specifies its perimeter of application, and includes one or more objectives (linked when applicable to measurable <i>targets</i>). A <i>policy</i> is validated and reviewed following the undertakings' applicable governance rules. A <i>policy</i> is implemented through <i>actions</i> or action plans.
Pollutant	A <i>substance</i> , vibration, heat, noise, light or other contaminant present in air, water or <i>soil</i> which may be harmful to human health and/or the environment, which may

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Defined term	Definition
	result in damage to material property, or which may impair or interfere with amenities and other legitimate uses of the environment ¹⁸ .
Pollution	The direct or indirect introduction, as a result of human activity, of <i>pollutants</i> into air, water or <i>soil</i> which can be harmful to human health or the quality of the environment, result in damage to material property, or impair or interfere with amenities and other legitimate uses of the environment ¹⁹ .
Potential Impacts	Potential Impacts are those that have not yet occurred but for which there is a risk that they will occur in the future.
Preparing for reuse	Checking, cleaning, or repairing operations, by which products or components of products that have become waste are prepared to be put to use for the same purpose for which they were conceived.
Primary raw materials	Synonym to “virgin resources”. Natural resource or energy that is used as a resource for the first time as input in a process or for creating a solution. Virgin resources can be renewable or non-renewable.
Protected area	A clearly defined geographical space, recognised, dedicated and managed, through legal or other effective means, to achieve the long-term conservation of nature with associated <i>ecosystem services</i> and cultural values.
Purchased or acquired electricity, heat, steam, or cooling	When the undertaking has received its electricity, heat, steam, or cooling from a third party. The term ‘acquired’ reflects circumstances where a company may not directly purchase electricity (e.g., a tenant in a building), but where the energy is brought into the undertaking's facility for use.
Raw material	Primary or secondary material that is used to produce a product.
Recognised quality standards for carbon credits	Quality standards for <i>carbon credits</i> that are verifiable by independent third parties, make requirements and project reports publicly available and at a minimum ensure

¹⁸ Article 2(10) of Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment.

¹⁹ Directive 2024/1785/EU on industrial emissions (IED 2.0).

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Defined term	Definition
Recordable work-related accidents	additionality, permanence, avoidance of double counting and provide rules for calculation, monitoring, and verification of the project's <i>GHG emissions</i> and removals. Recordable work-related accidents include both work-related injury or ill health that results in any of the following: (i) death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, or loss of consciousness; or (ii) significant injury or ill health diagnosed by a physician or other licensed healthcare professional, even if it does not result in death, days away from work, restricted work or job transfer, medical treatment beyond first aid, or loss of consciousness.
Recovery	The technically feasible and economically viable recovery of nutrients, compounds, materials, parts, components or even products (depending on the organization) at the same level of functional equivalence through reuse, repair, refurbishment, repurposing, remanufacturing, recycling or biodegrading. Excludes energy recovery from waste and any biological cycle waste that is not sustainably grown and replenished or regrown through natural cycles after extraction.
Recyclability	The ease with which a material can be recycled in practice and at scale.
Recycling	Any recovery operation by which <i>waste</i> materials are reprocessed into products, materials or <i>substances</i> whether for the original or other purposes. It includes the reprocessing of organic material but does not include energy recovery and the reprocessing into materials that are to be used as fuels or for backfilling operations.
Refurbish	Restore an item, during its expected service life, to a useful condition for the same purpose with at least similar quality and performance characteristics.
Refuse	Make solutions redundant by abandoning its function or by offering the same function with a radically different solution.

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Defined term	Definition
Resource regeneration	Promotion of self-renewal capacity of natural systems with the aim of reactivating ecological processes damaged or over-exploited by human action.
Remanufacture	Industrial process by which an item is returned to a like-new condition from both quality and performance perspectives. This process can apply to items that have been previously sold, leased, used, worn, or even non-functional products or parts. A like-new condition can also be described as "same-as-when-new" or "better-than-when-new".
Remedy/remediation	To counteract or make good a negative impact. Examples: apologies, financial or non-financial compensation, prevention of harm through injunctions or guarantees of non-repetition, punitive sanctions (whether criminal or administrative, such as fines), restitution, restoration, rehabilitation.
Renewable energy	Energy from renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, <i>landfill</i> gas, sewage treatment plant gas, and biogas²⁰.
Renewable material	Material that is derived from resources that are quickly replenished by ecological cycles or agricultural processes, so that the services provided by these and other linked resources are not endangered and remain available for the next generation.
Repair	Restore a product to a condition needed for the product to function according to its intended purpose.
Reparability	The ease with which a product can be repaired and restored to a functional state. This includes the availability of spare parts, the simplicity of disassembly, and the accessibility of repair information
Repurpose	Process by which a product or its component parts are adapted for use in a different function than it was originally

²⁰ Article 2(1) Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, p. 82).

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Defined term	Definition
	intended for without making major modifications to its physical or chemical structure.
Resource	Asset from which a solution is created or implemented.
Resource efficiency	Ratio of economic output to material consumption, emphasizing the importance of reducing material use while maintaining economic growth.
Resource inflows	All materials, substances, and products entering an organisation's operations or value chain for the purpose of production, consumption, maintenance, or service delivery. This includes virgin and secondary raw materials (including energy carriers used for material purposes), semi-finished goods, and components, regardless of whether they are purchased, reused, or internally recovered. The scope of resource inflows reflects the organisation's dependency on natural resources and its potential impact on resource efficiency and circularity.
Resource outflows	All materials, substances, and products that leave an organisation's operations or value chain as a result of its activities, including outputs such as products sold, by-products, waste, emissions, and materials intended for reuse, recycling, or disposal. This encompasses both intended outputs (e.g. finished goods) and unintended outputs (e.g. waste), and reflects the organisation's efficiency in resource use, waste prevention, and circularity performance.
Resource use optimisation	The design, production and distribution of materials and products with the objective to keep them in use at their highest value.
Reuse	Any operation by which products or components that are not waste are used again for the same purpose for which they were conceived. This may involve cleaning or small adjustments, so it is ready for the next use without significant definition.
River basin	[Under review] The area of land from which all surface runoff flows through a sequence of streams, rivers and, possibly, lakes into the sea at a single river mouth, estuary or delta.

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Defined term	Definition
Risks	<i>Sustainability-related risks</i> with negative <i>financial effects</i> arising from environmental, social or governance matters that may negatively affect the undertaking's financial position, financial performance, cash flows, access to finance or cost of capital in the short, medium or long term.
Scenario	A plausible description of how the future may develop based on a coherent and internally consistent set of assumptions about key driving forces (e.g., rate of technological change, prices) and relationships. Note that <i>scenarios</i> are neither predictions nor forecasts but are used to provide a view of the implications of developments and <i>actions</i> .
Scenario analysis	A process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty.
Scope 1 GHG emissions	Direct <i>GHG emissions</i> from sources that are owned or controlled by the undertaking.
Scope 2 GHG emissions	Indirect <i>emissions</i> from the generation of <i>purchased or acquired electricity, steam, heat or cooling</i> consumed by the undertaking.
Scope 3 GHG emissions	All <i>indirect GHG emissions</i> (not included in <i>Scope 2 GHG emissions</i>) that occur in the <i>value chain</i> of the reporting undertaking, including both upstream and downstream <i>emissions</i> . <i>Scope 3 GHG emissions</i> can be broken down into <i>Scope 3 categories</i> .
Scope 3 category	One of the 15 types of <i>Scope 3 GHG emissions</i> identified by the <i>GHG</i> Protocol Corporate Standard and detailed by the <i>GHG</i> Protocol Corporate Value Chain (<i>Scope 3</i>) Accounting and Reporting Standard (adapted from <i>GHG</i> Protocol Corporate Value Chain (<i>Scope 3</i>) Accounting and Reporting Standard, Glossary (Version 2011). Undertakings that choose to account for their <i>Scope 3 emissions</i> based on the <i>indirect GHG emissions</i> categories of ISO 14064-1:2018 may also refer to the category defined in clause 5.2.4 (excluding <i>indirect GHG emissions</i> from imported energy) of ISO 14064-1:2018.
Scope of reparability	Extent to which a product is designed and placed on the market in a manner that enables it to be restored to proper functioning through repair activities, taking into account

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Defined term	Definition
	factors such as product design, ease of disassembly, availability of spare parts and tools, accessibility of repair and maintenance information, and the legal and practical conditions under which end-users, professional repairers, or independent operators can carry out such repairs. This concept is shaped by requirements set out in EU Ecodesign regulations, the proposed Right to Repair Directive, and related instruments such as the Digital Product Passport and sector-specific product sustainability rules.
Secondary resources	Materials previously used (secondary) and that are recovered from waste streams and reintroduced into production cycles, reducing reliance on primary resources and minimizing environmental impact.
Sensitive information	<i>Sensitive information</i> as defined in Regulation (EU) 2021/697 of the European Parliament and of the Council ²¹ establishing the European Defence Fund.
Site	The location of one or more physical <i>installations</i> . If there is more than one physical <i>installation</i> from the same or different owners or operators and certain infrastructure and facilities are shared, the entire area where the physical <i>installation</i> are located may constitute a <i>site</i> .
Social dialogue	All types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers, their organisations and <i>workers' representatives</i> , on issues of common interest relating to economic and social policy. It can exist as a tripartite process, with the government as an official party to the dialogue or it may consist of bipartite relations only between <i>workers' representatives</i> and management (or trade unions and employers' organisations).
Social protection	The set of measures designed to reduce and prevent poverty and vulnerability across the life cycle.

²¹ Regulation (EU) 2021/697 of the European Parliament and of the Council of 29 April 2021 establishing the European Defence Fund and repealing Regulation (EU) 2018/1092 (OJ L 170, 12.5.2021, p. 149).

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Defined term	Definition
Soil	The top layer of the Earth's crust situated between the bedrock and the surface. The <i>soil</i> is composed of mineral particles, organic matter, water, air and living organisms ²² .
Soil degradation	The diminishing capacity of the <i>soil</i> to provide <i>ecosystem</i> goods and services as desired by its <i>stakeholders</i> .
Soil sealing	Covering <i>soil</i> in a way that makes the covered area impermeable (e.g. a road). This non-permeability can create environmental <i>impacts</i> as described in Commission Regulation (EU) 2018/2026 ²³ .
Stakeholder engagement	An ongoing process of interaction and dialogue between the undertaking and its <i>stakeholders</i> that enables the undertaking to hear, understand and respond to their interests and concerns.
Stakeholders	Those who can affect or be affected by the undertaking. There are two main groups of <i>stakeholders</i> : i. Affected <i>stakeholders</i> : individuals or groups whose interests are affected or could be affected – positively or negatively – by the undertaking's activities and its direct and indirect <i>business relationships</i> across its <i>value chain</i> ; and ii. <i>users of sustainability statements</i> : primary <i>users</i> of general purpose financial reporting (existing and potential investors, lenders and other creditors including asset managers, credit institutions, insurance undertakings), as well as other <i>users</i> , including the undertaking's business partners, trade unions and social partners, civil society and non-governmental organisations, governments, analysts and academics.
Stranded assets	Some, but not all, <i>stakeholders</i> may belong to the two groups. Stranded assets are understood as the active or firmly planned key assets of the undertaking with significant locked-in GHG

²² Article 3(21) of Directive 2010/75/EU on industrial emissions (IED).

²³ Commission Regulation (EU) 2018/2026 of 19 December 2018 amending Annex IV to Regulation (EC) No 1221/2009 of the European Parliament and of the Council on the voluntary participation by organisations in a Community eco-management and audit scheme (EMAS) (OJ L 325, 20.12.2018, p. 18).

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Defined term	Definition
Strategic raw materials	emissions over their operating lifetime. Firmly planned key assets are those that the undertaking will most likely deploy within the next 5 years. A subset of critical raw materials that are essential for green and digital technologies, defence, and space applications. Strategic raw materials are those listed in Annex I, Section I - Critical Raw Materials Acts (2023)
Substances	Any chemical element and its compounds, with the exception of the following substances : i. substances as defined in Article 1 of Council Directive 96/29/Euratom ²⁴ laying down basic safety standards for the protection of the health of workers and the general public against the dangers arising from ionising radiation; ii. genetically modified micro-organisms as defined in Article 2(b) of Directive 2009/41/EC of the European Parliament and the Council ²⁵ on the contained use of genetically modified micro-organisms; iii. genetically modified organisms as defined in point 2 of Article 2 of Directive 2001/18/EC of the European Parliament and of the Council ²⁶ on the deliberate release into the environment of genetically modified organisms. ²⁷
Substances of concern	A substance that: i. meets the criteria laid down in Article 57 of Regulation (EC) No 1907/2006 and is identified in accordance with Article 59(1) of that Regulation;

²⁴ Council Directive 96/29/Euratom of 13 May 1996 laying down basic safety standards for the protection of the health of workers and the general public against the dangers arising from ionizing radiation (OJ L 159, 29.6.1996, p. 1).

²⁵ Directive 2009/41/EC of the European Parliament and of the Council of 6 May 2009 on the contained use of genetically modified micro-organisms (OJ L 125, 21.5.2009, p. 75).

²⁶ Directive 2001/18/EC of the European Parliament and of the Council of 12 March 2001 on the deliberate release into the environment of genetically modified organisms and repealing Council Directive 90/220/EEC (OJ L 106, 17.4.2001, p. 1).

²⁷ Directive 2010/75/EU on industrial emissions (IED).

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Defined term	Definition
	ii. is classified in Part 3 of Annex VI to Regulation (EC) No 1272/2008 in one of the following hazard classes or hazard categories: – carcinogenicity categories 1 and 2; – germ cell mutagenicity categories 1 and 2; – reproductive toxicity categories 1 and 2; – endocrine disruption for human health categories 1 and 2; – endocrine disruption for the environment categories 1 and 2; – persistent, mobile and toxic or very persistent, very mobile properties; – persistent, bioaccumulative and toxic or very persistent, very bioaccumulative properties; – respiratory sensitisation category 1; – skin sensitisation category 1; – hazard to the aquatic environment – categories chronic 1 to 4; – hazardous to the ozone layer; – specific target organ toxicity – repeated exposure categories 1 and 2; – specific target organ toxicity – single exposure categories 1 and 2.
Substances of very high concern (SVHCs)	Substances that meet the criteria laid down in Article 57 of Regulation (EC) No 1907/2006 (REACH) and were identified in accordance with Article 59(1) of that Regulation.
Substances that inhibit circularity	Materials or chemicals that negatively impact the ability of products to be reused, recycled, or repurposed, thereby hindering the circular economy.
Supplier	Entity upstream from the organisation (i.e., in the organisation's supply chain), which provides a product or service that is used in the development of the organisation's own products or services. A supplier can have a direct

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Defined term	Definition
Supply chain	business relationship with the organisation (often referred to as a first-tier supplier) or an indirect business relationship. The full range of activities or processes carried out by entities upstream from the undertaking, which provide products or services that are used in the development and production of the undertaking's own products or services. This includes upstream entities with which the undertaking has a direct relationship (often referred to as a first-tier supplier) and entities with which the undertaking has an indirect business relationship.
Surface water	[Under review] Inland waters, except groundwater ; transitional waters and coastal waters, except in respect of chemical status for which it shall also include territorial waters ²⁸ .
Sustainability statement	The dedicated section of the undertaking's management report where the information about sustainability topics prepared in compliance with Directive 2013/34/EU of the European Parliament and of the Council ²⁹ and the ESRS is presented.
Sustainability-related opportunities	Uncertain environmental, social or governance events or conditions that, if they occur, could cause a potential material positive effect on the undertaking's business model , or strategy on its capability to achieve its goals and targets and to create value, and therefore may influence its decisions and those of its business relationship partners with regard to sustainability topics . Like any other opportunity , sustainability-related opportunities are measured as a combination of an impact's magnitude and the probability of occurrence.
Sustainability-related risks	Uncertain environmental, social or governance events or conditions that, if they occur, could cause a potential material negative effect on the undertaking's business model or strategy and on its capability to achieve its goals and targets

²⁸ Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy (Water Framework Directive).

²⁹ Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OI L 182, 29.6.2013, p. 19).

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Defined term	Definition
Sustainability-related impacts	and to create value, and therefore may influence its decisions and those of its business relationships with regard to sustainability topics . Like any other risks , sustainability-related risks are the combination of an impact's magnitude and the probability of occurrence. The effect the undertaking has or could have on the environment and people, including effects on their human rights, as a result of the undertaking's activities or business relationships . The impacts can be actual or potential, negative or positive, short-term, medium or long-term, intended or unintended, and reversible or irreversible. Impacts indicate the undertaking's contribution, negative or positive, to sustainable development.
Sustainable sourcing	Integration of social, ethical, and environmental performance factors into the process of selecting suppliers.
Systemic risks	Risks arising from the breakdown of the entire system, rather than the failure of individual parts. They are characterised by modest tipping points combining indirectly to produce large failures with cascading of interactions of physical and transition risks (contagion), as one loss triggers a chain of others, and with systems unable to recover equilibrium after a shock. An example is the loss of a keystone species, such as sea otters, which have a critical role in ecosystem community structure. When sea otters were hunted to near extinction in the 1900s, the coastal ecosystems flipped and biomass production was greatly reduced.
Targets	Measurable, outcome-oriented and time-bound goals that the undertaking aims to achieve in relation to material impacts , risks or opportunities . They may be set voluntarily by the undertaking or derive from legal requirements on the undertaking.
Technical materials	Non-biodegradable (refers to a substance or material that can be broken down by natural processes, typically by microorganisms like bacteria and fungi) substances such as metals, plastics, and synthetic chemicals. These materials are designed to circulate within the economy through processes like reuse, repair, remanufacturing, and recycling, thereby minimizing waste and reducing the need for virgin resource extraction. This approach contrasts with biological materials,

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Defined term	Definition
Threatened species	which are biodegradable and can safely return to the environment.
Topic	Endangered species, including flora and fauna, listed in the European Red List or the IUCN Red List, as referred to in Section 7 of Annex II to Commission Delegated Regulation (EU) 2021/2139. ESRS use the term sustainability ‘topic or sub-topic’, to be understood as synonymous with sustainability matters and/or factors. Disclosures in ESRS are structured into topics. A topic is further disaggregated in sub-topics. In ESRS, the term ‘topic’ is used to indicate either a topic or a sub-topic, depending on the most appropriate level of granularity needed to meet the respective disclosure objective.
Training	Initiatives put in place by the undertaking aimed at the maintenance and/or improvement of skills and knowledge of its own workers . It can include different methodologies, such as on-site training, and online training.
Transition plan	A specific type of action plan that is adopted by the undertaking in relation to a strategic decision and that addresses: i. a public policy objective; and/or ii. an entity-specific action plan organised as a structured set of targets and actions, associated with a key strategic decision, a major change in business model, and/or particularly important actions and allocated resources.
Transition plan for climate change mitigation	An aspect of an undertaking’s overall strategy that lays out the undertaking’s targets , actions and resources for its transition towards a lower-carbon economy, including actions such as reducing its GHG emissions with regard to the objective of limiting global warming to 1.5°C and climate neutrality.
Transition risks	Risks that result from a misalignment between an organisation’s or investor’s strategy and management and the changing regulatory, policy or societal landscape in which it operates. Developments aimed at halting or reversing damage to the climate or to nature, such as government

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Defined term	Definition
Users	measures, technological breakthroughs, market changes, litigation and changing consumer preferences can all create or change transition risks . Users of sustainability statements are primary users of general-purpose financial reporting (existing and potential investors, lenders and other creditors including asset managers, credit institutions, insurance undertakings), as well as other users , including the undertaking’s business partners, trade unions and social partners, civil society and non-governmental organisations, governments, analysts and academics.
Value chain	The full range of activities, resources and relationships related to the undertaking’s business model and the external environment in which it operates. A value chain encompasses the activities, resources and relationships the undertaking uses and relies on to create its products or services from conception to delivery, consumption and end-of- life. Relevant activities, resources and relationships include: i. those in the undertaking’s own operations, such as human resources; ii. those along its supply, marketing and distribution channels, such as materials and service sourcing and product and service sale and delivery; and iii. the financing, geographical, geopolitical and regulatory environments in which the undertaking operates. Value chain includes actors upstream and downstream from the undertaking. Actors upstream from the undertaking (e.g., suppliers) provide products or services that are used in the development of the undertaking’s products or services. Entities downstream from the undertaking (e.g., distributors, customers) receive products or services from the undertaking. ESRS use the term ‘ value chain ’ in the singular, although it is recognised that undertakings may have multiple value chains .

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Defined term	Definition
Value chain worker	An individual performing work in the <i>value chain</i> of the undertaking, regardless of the existence or nature of any contractual relationship with the undertaking. In the ESRs, the scope of workers in the <i>value chain</i> include all workers in the undertaking's upstream and downstream <i>value chain</i> who are or can be materially impacted by the undertaking. This includes <i>impacts</i> that are connected to the undertaking's own operations, and <i>value chain</i> , including through its products or services, as well as through its <i>business relationships</i> . This includes all workers who are not in the scope of ' <i>Own workforce</i> ' (' <i>Own workforce</i> ' includes people who are in an employment relationship with the undertaking (' <i>employees</i> ') and <i>non-employees</i> who are either individual contractors supplying labour to the undertaking ('self-employed people') or people provided by undertakings primarily engaged in employment activities. (NACE Code N78)
Wage	Gross <i>wage</i> , excluding variable components such as <i>overtime</i> and incentive <i>pay</i> , and excluding allowances unless they are guaranteed.
Waste	Any <i>substance</i> or object which the holder discards or intends or is required to discard ³⁰ .
Waste hierarchy	Framework used to prioritize waste management practices based on their environmental impact. According to the Directive 2008/98/EC, waste hierarchy follows: (a) prevention; (b) preparing for re-use; (c) recycling; (d) other recovery, e.g. energy recovery; and disposal.
Waste management	Collection, transport, recovery (including sorting), and disposal of waste, including the supervision of such operations and the after-care of disposal sites, and including actions taken as a dealer or broker.
Wastewater	[Under review] Water which is of no further immediate value to the purpose for which it was used or in the pursuit of which it was produced because of its quality, quantity, or time of occurrence.

³⁰ Article 3(1) of Directive 2008/98/EC on waste.

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Defined term	Definition
Waste stream	<i>Wastewater</i> from one user can be a potential supply to a user elsewhere. Cooling water is not considered to be <i>wastewater</i> .
Water consumption	A particular mass flow of waste from a process, activity, facility or industry often grouped by material (e.g., plastic, metal, organic), origin (e.g., household, industrial), or hazard (e.g., hazardous vs. non-hazardous). [Under review] The amount of water drawn into the boundaries of the undertaking (or facility) and not discharged back to the water environment or a third party over the course of the reporting period.
Water discharge	[Under review] The sum of effluents and other water leaving the boundaries of the organisation and released to surface water, <i>groundwater</i> , or third parties over the course of the reporting period.
Water (recycled reused)	[Under review] Water and <i>wastewater</i> (treated or untreated) that has been used more than once before being discharged from the undertaking's or shared facilities' boundary, so that water demand is reduced. This may be in the same process (recycled) or in a different process within the same facility (own or shared with other undertakings) or in another of the undertaking's facilities (reused).
Water storage/stored	Water held in water storage facilities or reservoirs.
Water withdrawal	[Under review] The sum of all water drawn into the boundaries of the undertaking from all sources for any use over the course of the reporting period.
Workers' representatives	Workers' representatives means: i. trade union representatives, namely representatives designated or elected by trade unions or by members of such unions in accordance with national legislation and practice; ii. duly elected representatives, namely representatives who are freely elected by the workers of the organisation, not under the domination or control of the employer in accordance with provisions of national laws or regulations or of collective agreements and whose functions do not include

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Defined term	Definition
Work-life balance	activities which are the exclusive prerogative of trade unions in the country concerned and which existence is not used to undermine the position of the trade unions concerned or their representatives. Satisfactory state of equilibrium between an individual's work and private life. <i>Work-life balance</i> in a broader sense encompasses not only the balance between work and private life given family or care responsibilities, but also time allocation between time spent at work and in private life beyond family responsibilities.
Work-related hazards	<i>Work-related hazards</i> can be: i. physical (e.g., radiation, temperature extremes, constant loud noise, spills on floors or tripping hazards, unguarded machinery, faulty electrical equipment); ii. ergonomic (e.g., improperly adjusted workstations and chairs, awkward movements, vibration); iii. chemical (e.g., exposure to carcinogens, mutagens, reprotoxic <i>substances</i> , solvents, carbon monoxide, or pesticides); iv. biological (e.g., exposure to blood and bodily fluids, fungi, bacteria, viruses, or insect bites); v. psychosocial (e.g., verbal abuse, <i>harassment</i> , bullying); vi. related to work-organisation (e.g., excessive workload demands, shift work, long hours, night work, workplace violence).
Work-related incident	Occurrence arising out of or in the course of work that could or does result in injury or ill health. <i>Incidents</i> might be due to, for example, electrical problems, explosion, fire, overflow, overturning, leakage, flow, breakage, bursting, splitting, loss of control, slipping, stumbling and falling, body movement without stress, body movement under/with stress, shock, fright, workplace violence or <i>harassment</i> (e.g., sexual <i>harassment</i>). An <i>incident</i> that results in injury or ill health is often referred to as an 'accident'. An <i>incident</i> that has the potential to result

Defined term	Definition
	in injury or ill health but where none occurs is often referred to as a 'close call', 'near-miss', or 'near-hit'.

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

Draft Amended ESRS Exposure Draft UNAPPROVED Working documents

Cover note - Explanatory note

Objective of this meeting

The objective of this meeting is to discuss the draft “Amended ESRS Exposure Draft” working documents and collect from EFRAG SR TEG/SRB their intention of vote for the approval of the Exposure Drafts for consultation, collect the remaining concerns/reservations (if any) and identify specific aspects to be investigated further in the public consultation to be organised at the end of July.

Background

As announced in the Explanatory Memorandum of the Omnibus proposals released on 26 February 2025, the European Commission (EC) intends to adopt a delegated act to revise the first set of European Sustainability Reporting Standards (ESRS). To deliver swiftly on the simplification and streamlining of the ESRS, and to provide clarity and legal certainty to undertakings, the EC aims to adopt the necessary delegated act as soon as possible and, at the latest, six months after the entry into force of the Omnibus proposals.

Per the 27 March 2025 letter from Commissioner Albuquerque, EFRAG received from the EC a specific mandate with respect to the ESRS simplification. The deadline for delivering EFRAG’s technical advice is 31 October 2025, subsequently modified to 30 November 2025.

The ESRS revision work plan and timeline document prepared by EFRAG was submitted to Commissioner Albuquerque on 25 April 2025¹, following its approval by the EFRAG SRB in a public session held on the same day. Following the extra one month granted to EFRAG for executing this mandate², the public consultation period is now expected to run for 60 days from the end of July until the end of September 2025.

EFRAG conducted an extensive dialogue with stakeholders of different categories as described in the progress report submitted to Commissioner Albuquerque on 20 June 2025, to base the amendments on the evidence obtained in the interviews and outreach programme that took place from early April to end May 2025, including the public call for input.

Further information on these outreach efforts can be found in the 20 June 2025 progress report. A detailed report will be issued as part of the consultation package.

¹ <https://www.efrag.org/en/news-and-calendar/news/efrag-delivers-work-plan-to-the-european-commission-in-response-to-esrs-simplification-mandate>

² <https://www.efrag.org/sites/default/files/media/document/2025-06/Status%20report%20ESRS%20Simplification%2020%20June%202025.pdf>

Status of the unapproved Amended ESRS Exposure Drafts working documents

The EFRAG SRB agreed on the strategic directions for the simplification in the first week of May. A high-level description of those directions was made public in two public hearings with the JURI Committee of the European Parliament on the 15 May and 4 June 2025. Further details were made public in the SRB meeting on 19 June and with the publication of the progress report on 20 June.

The EFRAG SRB and SR TEG undertook an intensive editorial effort in weekly or biweekly meetings to implement the directions agreed by the EFRAG SRB. To avoid a sequence of frequently changing drafts made public, that would not help the stakeholders to understand the work being done, these discussions took place in closed meetings.

The draft ESRS Amendments Exposure Drafts working documents released on 10 July 2025 do not represent yet an EFRAG position. They are made public as a basis for the discussion in the SR TEG meeting on 9/10 July and SRB meeting on 14/16 July 2025. They are not to be considered as the Exposure Drafts yet. They are unapproved and still subject to change reflecting the discussions in those meetings and for editorial and quality review that has not yet taken place. In addition, they are not accompanied by the necessary explanatory documents that are still being prepared and will accompany the Exposure Draft.

EFRAG recommends stakeholders that intend to contribute to the public consultation, to plan their review on the Exposure Drafts once they are issued, as they will benefit from the final documents and from the explanatory content.

Objective of the ESRS revision

With the revision of the ESRS, the EC aims to alleviate unnecessary administrative burdens on undertakings while still meeting the core policy objectives of the European Green Deal.

Based on the relevant paragraphs in the Omnibus proposals and the letter of 27 March 2025 mandating EFRAG to provide its relevant technical advice, EFRAG’s goal is to produce a set of revised ESRS that better support relevant and decision-useful general-purpose sustainability statements, in line with the policy aim of the CSRD, while leading to a substantial reduction of both the reporting effort and the number of mandatory datapoints. Specific attention is paid to considering the implementation work already completed and being conducted by preparers. For this purpose, the ESRS text itself from the Delegated Act is the starting point for the simplification work and is being amended, where necessary, to meet the simplification goal.

Methodology in developing the Amended ESRS and levers of simplification implemented

The following section illustrates the methodology and levers for simplification implemented in the preparation of the unapproved working documents, together with the key highlights of what did not work well in the first implementation based on the input gathered. More details will be included in the Basis for conclusion that will accompany the Exposure Draft. The simplification work has been conducted by EFRAG SRB with the advice of EFRAG SR TEG and the support of EFRAG Secretariat. In this document, EFRAG is used to indicate EFRAG SRB, SR TEG and Secretariat each with their respective roles.

EFRAG has analysed the extensive feedback obtained in the evidence gathering which identified not only suggestions for simplification but also more broadly elements to consider for a post-implementation review. In some cases, the input pointed to the need for further developing guidelines, definitions and methodologies (overlapping to some extent with the content that was already expected to be covered by EFRAG to-be-issued implementation guidance, based on the ESRS Q&A Platform in 2024 and early 2025). With a few exceptions, these additional guidelines,

definitions and methodologies are not in the scope of the current simplification work for multiple reasons, including due to timing constraints.

In general, the amendments pursue a logic of simplification in all possible instances and ways. However, to address the request to clarify the most complex and unclear provisions, as well as to spell out clearly all the existing flexibility, and allowing for even more flexibility, in some cases the amendments may add new text in the standards. The SRB had to balance from on the one hand the length of the standard and on the other the necessity to add such text. The addition of new text has been done only when strictly needed.

The content of the Exposure Draft will be tentative. EFRAG will seek feedback in the public consultation on all the aspects described below, before forming its final advice. This document presents the main proposed amendments, and it is not an exhaustive description of the content of the future Exposure Draft. The latter will be presented in the accompanying material to the Exposure Draft.

LEVER 1: Simplification of the Double Materiality Assessment (DMA)

The double materiality assessment is pivotal to the preparation of sustainability statements under ESRS, but a serious revision of the provisions related to its operationalisation is considered necessary since it has been identified as a significant source of burden in practice. There is indeed a crucial need to place the emphasis on the goal of the DMA and to eliminate ambiguities or potentially misleading provisions in order to avoid transforming this critical process into a mere compliance exercise ultimately deprived of significance.

The input gathered from the first adoption of ESRS confirms that the determination of matters (or topics) to be reported upon has been particularly intense, including for audit purposes. While there have been benefits from the DMA exercise and the involvement of various internal actors, including at board level, frequent comments concern a disproportionate effort compared to the result, an excessive focus on process rather than outcome and the company's strategic context, the list of matters (in ESRS 1 AR16) being used as a checklist to document the non-materiality of each and every item, the use of quantitative scoring at the level of single IROs as a starting point, the absence of guidelines for sectors, thresholds and level of aggregation. Divergences in practice were observed as to whether negative impacts are assessed before or after mitigation, prevention and remediation actions, with important consequences in terms of comparability and relevance of information, and what constitutes a positive impact was not clear. The filter of materiality of information was not well understood, in particular for ESRS 2, resulting in reporting that was excessively granular, also considering that in some cases the framework has been interpreted as a mere compliance exercise, leading in those cases to the systematic inclusion of individual datapoints without the flexibility needed to focus in practice on information relevant to the specific circumstances of the undertaking.

To respond to this feedback, the following key amendments are proposed:

- 1) A new section has been introduced in ESRS 1 presenting “**practical considerations**” in the execution of the DMA. To reduce the overall complexity of the process and the extent of unnecessary scoring by clarifying that the DMA is normally to start from the analysis of the business model to identify the most obvious material topics (a ‘top-down’ approach) and that the expected level of evidence to support the conclusions must be reasonable and proportionate, in particular in circumstances when it is obvious that a given topic is material for the sector, for peers and/or for the business model. EFRAG discussed whether the simplification should go even further to the introduction of practical considerations, i.e., to reduce the prescriptive content on the criteria to assess materiality but concluded that that content was needed to secure the necessary quality.

- 2) The role of **information materiality** has been clarified and made more prominent, to have an overarching filter for the inclusion of any information in the sustainability statement. In addition, all datapoints (including the ESRS 2 datapoints) are now more clearly in the scope of it. The criterion of “significance” of information has been clarified, connecting it with the users’ needs. Finally, it has been clarified that the undertaking can include in its sustainability statement information about non-material topics (e.g., when requested by rating agencies) and the transparency required when this is done. Whether even more emphasis should be put on decision usefulness has been lengthily debated, as from the one hand this would support more concise reporting, but from the other hand it could pre-empt the developing practice on impact materiality reporting.
- 3) More emphasis has been put on the **objective of fair presentation**, a key concept which is retained by the ISSB and many other reporting frameworks, based upon the key quality characteristics of relevance and faithful representation, clearly mentioned by the CSRD. EFRAG members’ majority view considered that this explicit emphasis is needed to reduce the risk of over-burdening reporting associated with a compliance exercise. Clarifying that ESRS is a fair presentation system is a critical aspect to be tested in the consultation, as some members expressed strong reservations.
- 4) The relationship between identification of material impacts, risks and opportunities (‘IROs’) and the material topics and sub-topics to be reported has been clarified. A specific focus has been put on the **intended granularity of the report (IROs versus topics)**, across all the disclosures and at a general requirement level. Flexibility is provided to the undertaking to decide at which level to report, based on the nature of the IROs and reflecting the managerial approach to them. This is to avoid unnecessary details in the reported information and stay closer to the management approach. The term “matter” is replaced consistently by “topic”, under the clarification that they are synonyms, and the latter is meant to indicate either “topic” or “subtopic” depending on the level needed to meet the relevant disclosure objective. Along the same lines, it has been clarified that when only a sub-topic is material, the undertaking must limit the information reported to that sub-topic without triggering the reporting of all the datapoints in the relevant topical standard. To support this step, a non-mandatory appendix will illustrate the disclosures related to a specific sub-topic (the content is the same issued by EFRAG in December 2024 as part of its Explanations to respond to the Q&A ID 177).
- 5) The illustrative nature of the list of topics in ESRS 1, **AR 16** has been clarified and to streamline the DMA process and reduce unnecessary granularity of it, the levels in AR 16 are now only two (eliminating the sub-sub-topic level) while respecting the content of the CSRD.
- 6) To respond to a frequent implementation question where we see divergence in practice and potentially detrimental effects on the relevance of the reported information, new guidance has been introduced on how to consider the implemented remediation, mitigation and prevention policies and actions when assessing the materiality of an impact (the so called “**gross versus net**” issue). This has been done with a focus on impacts, in consideration that in the area of financial materiality companies in general have already the experience of financial reporting which they can leverage. This is a technically complex area and EFRAG considered carefully how to combine the much needed clarification with the need to avoid over-simplification, which would not bring clarity nor solve the existing issues, considering that this is at the core of a robust sustainability reporting for impact materiality.

Even if it is not really possible to quantify the potential for burden reduction associated with the above-mentioned modifications, EFRAG is of the opinion that these modifications should significantly simplify the DMA and materiality of information, and at the same time foster more streamlined reporting by focusing it on relevant and decision-useful information.

LEVER 2: Better readability / conciseness of the sustainability statements and better inclusion in corporate reporting as a whole

Many ESRS sustainability statements have been perceived as too granular and mixing critical information with excessively detailed datapoints. At the same time, some studies suggest that on average the length of reports has not substantially increased as compared to previous practice. While different cultures exist for standardised reporting by companies (as illustrated by financial reporting practices in the EU), and while the observed number of ‘pages’ for published sustainability statements varies a lot (the average in different countries ranging from 70 to more than 200), the general feeling is that companies had difficulties in ‘telling their story’ with respect to sustainability topics and in sharing their views with their stakeholders, amongst other reasons, because the flexibilities that exist already in the standards were not clearly stated and, as such, were not always easy to understand.

As a result, the perception of sustainability reporting as a compliance exercise has developed, and this is unfortunate in relation to the ambition of the CSRD to place sustainability reporting on a comparable status with financial reporting (i) by creating a repository of quality sustainability-related data and also (ii) by providing summarised information.

From the input gathered, some considered that the content of the sustainability statement was too detailed and too comprehensive to be assimilated to the executive communication approach usually adopted in a management report. The inclusion of several dozen pages of EU Taxonomy disclosures, which is on its own often criticised with respect to their relevance, aggravated this concern. In addition, the sequence of disclosures in the Standard was rigidly interpreted as an index, limiting the possibility of structuring sustainability statements in a way that would reflect the undertaking’s circumstances, and sometimes resulting in the duplication of content.

In order to address this issue without contradicting existing reporting cultures and, therefore, without being overly prescriptive, the EFRAG SRB is proposing to clarify the following areas of flexibility.

- 1) Option to have an ‘executive summary’ at the beginning of the sustainability statement. In contrast to financial information, there are no ‘primary statements’ in sustainability reporting (such as the profit and loss account or the balance sheet in financial reporting) to offer a summarised view. Even if synthetic indicators similar to the ones in primary financial statements are not possible, the option to summarise the undertaking’s material topics, their relationship with the key aspects of its strategy and governance, its performance and its contemplated trajectory with respect to these topics appears promising.
- 2) Emphasis on the option to use appendices: option to disclose the most granular information, such as detailed metrics, in dedicated sections or appendices within the sustainability statement, while respecting the qualitative characteristics of information; option to present the EU Taxonomy-related information in a specific appendix; option to present in an appendix the additional information on non-material matters;
- 3) Clarification of the concept of connected information and discouraging fragmentation and/or repetition of information pertaining to the same topics, in particular in the area of policies-actions and targets (PAT). Reinforcing flexibility and readability of the report, by clarifying (i) that there should be no duplication of content on the same PATs in different parts of the sustainability statement, (ii) that a policy covering different topics

should only be described once and (iii) that PATs can be limited to a sub-topic without triggering disclosures at the topical level.

- 4) Combined with the reduction of mandatory datapoints described below, the above mentioned areas of flexibility, particularly those related to the avoidance of duplications, are a source of burden reduction and, what is even more important, a critical source of relevance through a focus on what matters the most.

LEVER 3: Critical modification of the relationship between Minimum Disclosure Requirements (MDR) and topical specifications

Minimum Disclosure Requirements in principle define, at a cross-cutting level (ESRS 2), the disclosures that are required on policies, actions and targets (PATs) in relation to topics that are identified to be reported based on the materiality of the related impacts, risks and opportunities. Topical standards provide detailed mandatory datapoints that specify PATs for each topic. The combination of these generic MDRs in ESRS 2 with detailed mandatory specifications has been perceived as burdensome, unnecessary duplicative/repetitive and granular as well as a source of ambiguity, leading to an unnecessary volume of excessively detailed and systematic information.

The evidence collected shows that the current architecture of the ESRS is a source of complexity in their implementation due to the overlaps that exist between MDRs (for PATs) in ESRS 2, on the one hand, and topical mandatory datapoints, on the other. Similar overlaps exist between ESRS 2 and topical standards in the areas of governance and strategy and in relation to the disclosure requirement IRO 1 (Description of the processes to identify and assess material climate-related impacts, risks and opportunities).

In addition, the datapoints in the narrative disclosures of PATs in the topical standards are considered too granular and for this reason not always informative. In general the provisions related to PATs have been perceived as requiring a granular description at IRO level in all cases. Finally, not all preparers and auditors concluded that it is possible to structure the disclosures around PATs in a more aggregated level (e.g., all environmental topics in the same policy) than at the level of a single topic or matter.

In order to address this critical point, the EFRAG proposes the following amendments:

- 1) Maintaining cross-cutting MDRs at the ESRS 2 level in terms of ‘shall’ under a revised/reduced number of datapoints and drastically reducing the mandatory PAT specifications (‘shall datapoints’) in the topical standards to the strictly essential ones, the rest being either deleted or moved to non-mandatory guidance. This is a key factor for the reduction of mandatory datapoints (see below) and reflects a different, more principle-based standard-setting approach to narrative disclosures. Renaming “minimum” to “general” disclosure requirement, reflecting the fact that they are the reference point for the required disclosure and there are no (or very limited) datapoints in topical standards for PAT.
- 2) Replicating the same approach as for MDR also for the topical specifications of ESRS 2 (Appendix C of ESRS 2).
- 3) Clarifying (i) that PATs are only to be reported ‘if you have’ them (i.e., no behaviour mandated), (ii) that aspects of PATs can be reported if made clear (to avoid not reporting at all) and (iii) that reporting of PATs can follow the categorisation of PATs adopted by the management in conjunction with the strategy and business model of the undertaking. Centralising around a single datapoint the list of material topics for which there are no PATs, without requiring the disclosure of reasons for not having them and offering an option to provide a timeline for implementing them.

The EFRAG SRB considers the above as supporting a substantial reduction of datapoints (mainly in topical standards) and a more concise, less duplicative and more effective reporting.

LEVER 4: Improved understandability, clarity and accessibility of the standards

Due to the current mix of different elements in the sections on application requirements, it was difficult to identify the requirements to comply with, separately from the non-binding content. How to consider ‘may disclose’ datapoints in determining the materiality of information was unclear, leading to different conclusions, including their use as a checklist for entity-specific disclosures.

EFRAG proposes the following amendments:

- 1) Changing the approach to the “voluntary disclosure” (“may”), which has been a source of significant discussions between preparers and auditors and interpreted by some as a checklist for entity-specific disclosures rather than an encouragement of good practice by more mature preparers. EFRAG proposes to eliminate this category, possibly with very few justified exceptions.
- 2) Amending the general structure of the Standards, separating clearly mandatory and non-mandatory content. The paragraphs on mandatory guidance (still named “Application Requirements”/AR) are now placed under the respective disclosure requirements to which they belong, while the non-mandatory content is moved to separate documents named “Non Mandatory Illustrative Guidance”/NMIG (the legal status of which will be considered by the EC in due course), except for Appendix A (list of topics to be reported, former AR 16) given its importance.
- 3) Streamlined language, in particular for ESRS 1, while not disrupting the implementation investment done by the companies in wave 1 with the introduction of new language for the most critical general requirements.

This is expected to facilitate readability and understandability and reduce implementation and auditing efforts thanks to the ability to more clearly focus on what is mandatory.

LEVER 5: Introduction of other suggested burden-reduction reliefs

The evidence-gathering exercise has identified several suggested reliefs to reduce the reporting burden beyond the reduction of individual datapoints. EFRAG proposes the following horizontal simplifications.

- 1) IFRS reliefs. EFRAG has scrutinised all the reliefs that exist in ESRS 1 and 2 and incorporated all the provisions that are compatible with the European context. These include the broad use of the ‘undue cost and effort’ for materiality assessment, the extent of coverage in the value chain and for all metrics, the disclosure of ranges for quantitative financial effects, the relief for the presentation of quantitative financial effects (with the exception on the part related to skills in consideration of the scope of the CSRD following the Omnibus proposal). This does not include the relief to omit Scope 3 GHG emissions for impracticability, considering the importance of this information for the objectives of the Green Deal. This does not include the relief for disclosing opportunities due to sensitivity of information, following a specific recommendation of the EC that this aspect will be further discussed in the finalisation of Level 1 Amendments.
- 2) Additional reliefs (the existing transitional reliefs being maintained). EFRAG considered that these reliefs will likely result in additional differences in the IFRS S1 and S2 interoperability mapping, but nevertheless the reliefs were maintained in the Exposure Draft to respond to the outcome of the input gathered. EFRAG considers that these reliefs overall strike an acceptable balance between pragmatism and loss of information, but notes that some members have reservations on them.

- a. Extension of undue cost and effort to all the metrics, including metrics in own operations.
 - b. A recurring concern is that preparers are forced to report non-relevant information when reliable input is unavailable for use in the estimation process. The EFRAG SRB is considering two reliefs for data quality: one for own operations (to deal with the time necessary to implement the appropriate data collection) and one for value chain metrics; they allow reporting on a partial scope while providing transparency on assumptions, limitations and actions to increase data availability over time.
 - c. EFRAG also proposes to remove the hierarchy for input to be used in value chain metrics: there is no more indication to try first to collect primary data and use estimates as a fall-back solution.
 - d. Relief on metrics to exclude non-material activities from calculations. This relief is intended to reduce the unnecessary reporting burden associated with complete data collection for group activities that, due to their nature, are not expected to contribute materially to the metrics being measured.
 - e. Qualitative only information on resilience (quantitative on a voluntary basis).
 - f. In the context of financial effects, limit the information on investments and plans to those that are already announced.
 - g. Limit of resilience to risks (not anymore including impacts and opportunities). Possibility to exclude from the calculation of metrics activities that due to their nature are not the main driver of an IRO.
 - h. Relief for acquisitions and disposals, based on pragmatism and the availability of data.
- 3) Relief for commercially sensitive information: EFRAG is prepared to address the question of commercially sensitive information, which is a concern frequently expressed by preparers. However, the EC representatives have indicated that this question may be subject to debate at the level of Omnibus negotiations and should therefore be addressed at a later stage. In the Exposure Draft, the existing relief for secret information is maintained and a note is added to mention the existing option at Member State level granted by the CSRD, which gives also a relief in those countries that have implemented it.
- 4) Regarding EU datapoints, EFRAG notes that the Omnibus proposals have not changed the general objectives (i) of supporting the creation of the data infrastructure necessary for implementing the Sustainable Finance Disclosure Regulation (SFDR) and (ii) taking into account the different EU regulations that require appropriate information from undertakings. In the ESRS adopted on 31 July 2023, all the related datapoints were added to the ESRS regardless of their relevance, including all optional SFDR PAI indicators. These ‘EU datapoints’ account for 16 per cent of the overall mandatory datapoints (as counted in IG 3 List of datapoints). Input from investors confirms the need to implement the correct flow of information from their investees; however, evidence also suggests that a number of these indicators are not considered relevant in practice. Under the specific mandate received from the EC, EFRAG is addressing this question from a general-purpose sustainability reporting standpoint by: (i) reviewing the issues reported by preparers and users regarding the use of SFDR PAI indicators and suggesting modifications when deemed necessary; and (ii) considering the relevance of the datapoints that have a direct correspondence to other EU regulations.
- 5) Boundaries of reporting and value chain. Several implementation issues relating to reporting boundaries have been reported, which illustrate the need to clarify the definitions of ‘own operations’ and ‘value chain’. There is general support for making clear that the starting point should be the perimeter of the consolidated financial

statements. However, stakeholders have asked for clarification on the treatment of specific transactions such as leasing – which also relates to real estate investments – as well as pension funds and financial institutions (see the bullet point below).

- a. Stakeholders have expressed concerns about the boundaries of GHG emissions, following a new concept introduced in ESRs E1, which creates complexity and diverges from international standards. The EFRAG SRB proposes amending this aspect of ESRs E1 by adopting the consolidated financial statements as the relevant boundary, with an additional disclosure following an operational control approach in specific circumstances expected to affect industries where ownership structures frequently rely on this concept in practice, which is also the standard used in market communication. EFRAG assesses that this will enhance the compatibility with IFRS and the GHG protocol (GHGP), as the old version of the E1 boundary could not find direct correspondence with any of the boundaries allowed by the GHGP, while the one proposed now corresponds to the financial control scope in the GHGP. EFRAG considered the possibility to further align with IFRS and GHGP, by allowing all the existing options in the GHGP and to wait for further developments that are expected to arrive in the context of the announced review of the protocol. However, EFRAG considered that allowing the use of different approaches is not helpful for comparability. In addition, the alignment with the scope of financial reporting was indicated by many as a simplification.

- b. The CSRD value chain cap was already embedded in the ESRs and is currently being assessed based on the proposal of using the VSME) as its basis. The Omnibus provisions on value chain cap are likely to translate into greater reliance on estimates based on secondary data. Stakeholders’ input suggests, on the one hand, reducing the emphasis on direct data collection when reporting on value chain, and on the other hand, providing reliefs when metrics are produced based on estimates (on this point, see above). Amendments are being proposed to produce less prescriptive requirements for the collection of direct information, emphasising the need to concentrate the reporting efforts where severe impacts and risks are more likely to arise. All of this falls under the general umbrella relief ‘reasonable and supportable information that is available without undue cost and effort’, replacing the previous two-step approach (i.e. assess whether direct data collection is feasible with reasonable effort and, after, estimate metrics with undue cost and effort).

- c. Financial institutions: stakeholders, in this sector, have complained that the ESRs do not adequately support the preparation of relevant disclosures, as they are primarily written from the perspective of non-financial sector undertakings. While the need to prepare sector guidance is often emphasised in the input gathered, such guidance is not compatible with the available timeline, as it would require careful consideration of unintended consequences and possibly field testing. EFRAG tried to develop few provisions to support the implementation of the concept of value chain, but preliminary feedback from its members indicate that this subject is indeed too complex to be effectively treated in the simplification project.

- 6) Reliefs for anticipated financial effects. While being critical for users, this disclosure is particularly challenging, as it entails reporting forward-looking and potentially sensitive information. Limited evidence is available on how this disclosure requirement has been implemented, as companies have generally opted to omit this

disclosure during their first reporting exercise (phase-in transitional provisions). The starting point is the relief available in IFRS S2 (in addition to the general relief of undue cost and effort). This would allow for the reporting of qualitative information only when the level of estimation uncertainty is so high that the resulting information would not be useful. While for some the proposed relief (indicated in the ESRs 2 working draft as “option 1”) was satisfactory, for others it would not address the issue of confidentiality of forward looking financial information. For this reason, EFRAG is specifically consulting on either option 1 or option 2 (require qualitative disclosure, leaving the option to the company to disclose quantitative information).

The content of the phasing-in provisions has not been changed, pending the outcome of the ongoing developments of level 1 regulation.

LEVER 6: Enhanced interoperability

From a general standpoint, EFRAG has considered all opportunities in order to align the provisions and avoid unnecessary misinterpretations or differences, particularly between the ESRs and the ISSB Standards. As described above, EFRAG considers that an important existing difference is reduced thanks to the change of the reporting boundary for GHG emissions. In addition, the language used for common provisions is being systematically revised to adopt the same wording as in IFRS S1 and S2 wherever possible. The necessity to preserve interoperability has been assessed systematically as part of the datapoint reduction decision-tree (see below), however in very few cases (see appendix I) the tentative decision has been to delete detailed datapoints while maintaining alignment at the higher level of the corresponding disclosure requirement, in order to contribute to the overall reduction of datapoint. This aspect will be specifically investigated in the consultation. EFRAG carefully considered the trade off between reduction of datapoints and maintaining interoperability at the right level and consider overall that the current proposal strikes the right balance, with a very limited number of detailed datapoints as potential differences while the overall interoperability has been improved. This assessment has not been confirmed nor reviewed by the ISSB. Further joint work on interoperability is necessary in the next phase.

Building on and contributing to the global development of sustainability reporting remains a key objective for the EFRAG SRB. The EFRAG SRB continues to maintain a fruitful dialogue with all international initiatives.

Reduction of mandatory and voluntary datapoints

EFRAG has systematically reviewed all the mandatory datapoints based on the list previously published by EFRAG in its Implementation Guidance 3: List of datapoints (“IG3”) to achieve a substantial reduction of their number.

The evidence gathered highlights that narrative datapoints are too granular, that a more principle-based approach would be welcome and that many datapoints could either be deleted or moved to non-binding guidance without hindering the overall objective of yielding high-quality data by focusing on ‘core’ information.

EFRAG has received a number of articulated proposals on datapoint reduction that have been considered very carefully. They all focus on the idea of ‘core’ information and emanate from national standard setters as well as from users of information. In line with the Omnibus proposals, most stakeholders highlight that the fundamental objectives of the CSRD are to be maintained.

Narrative information plays a crucial role in sustainability reporting and provides an essential contextual framework to understand performance and targets measured in quantitative terms. However, input from stakeholders clearly indicates that the initially retained granular standard-setting approach to narrative information is one of the most critical areas triggering

unnecessary reporting efforts, as the excessive granularity often results in less informative and more boilerplate disclosures rather than focusing on the key elements to disclose following the disclosure objective. Accordingly, EFRAG has adopted a less granular approach to narrative disclosures in the area of policies, actions and targets (PATs) as well as in the topical specifications of ESRs 2 (Appendix C of ESRs 2), therefore fostering an essential contribution to the overall reduction of “shall” datapoints deriving either from deletions or from moving the corresponding content to non-mandatory guidance, in the general, context of a more principles-based approach to standard setting.

Eliminating least relevant datapoints, in conjunction with the approach to narrative disclosures described above, the systematic review of datapoints has been performed using an agreed-upon ‘decision tree’ that combines various dimensions of reporting relevance (e.g., relevance per se with respect to the disclosure objectives, EU regulations on datapoints, ISSB or GRI datapoints, etc.), aiming at preserving the content required by the CSRD.

The key criterion adopted for the reduction of (qualitative and quantitative) datapoints is to eliminate the least relevant, i.e., those that are not strictly necessary to meet the disclosure objectives. In a more principle-based system, with the requirement to disclose additional entity-specific information when an aspect is not sufficiently covered in the ESRs, this step is particularly critical. The deletions need to streamline and not make reporting efforts more complex. Less relevant datapoints are deleted, while some granular datapoints – such as breakdowns or elements of contextual information – are being moved to non-mandatory guidance to better support preparers.

In the context of such a systematic review, merging two distinct datapoints is generally not considered a burden reduction. However, when the merged datapoints consist in granular aspects of the same disclosure, merging them and redrafting the resulting provisions with less granular content contributes to streamlining the reporting. Nevertheless, merged datapoints are not considered as deleted in the calculation of the approximate reduction below, even if it would be in line with the methodology used for the IG3 List of Datapoints published in April 2024.

Based on the Amended ESRs working documents the activation of the levers described above and the systematic review performed are expected to achieve a substantial reduction in the number of “shall” datapoints in excess of 50%, while preserving the integrity of the core objectives of the CSRD. This takes as a reference the mandatory (“shall”) datapoint count published by EFRAG as IG 3 and takes into account as reduction the datapoints that are (i) deleted, (ii) moved to voluntary and (iii) transferred to non-binding guidance.

Looking at the datapoints possibly transferred to some form of guidance that is not considered a datapoint, EFRAG considered different alternatives of drafting conventions for narrative detailed datapoints. EFRAG concluded that a clear cut is necessary, to avoid that these elements would still be treated as a list of possible items to cover if material. For this reason, the essential elements of the list of “shall” datapoints to report in narrative disclosure have been maintained in the main body of the standard as mandatory, while whenever possible other items have been deleted or moved to non-mandatory items as examples of possible disclosure. Ambiguities in the language have also been addressed, such as to clarify the “shall include” that indicate a methodological aspect rather than a separate datapoint.

Next to the reduction of “shall datapoint”, EFRAG took a drastic decision in relation to the former “may” datapoints (voluntary disclosure) which account for 277 datapoints in IG 3, and which were all eliminated, with the possibility (to be verified in the TEG meeting 9/10 July and SRB meeting 14/16 July 2025) to maintain a handful of them for less mature disclosures, on an exceptional basis.

Overall, considering the reduction of both may and shall datapoints, the preliminary counting assessment reveals an overall reduction in datapoints is approx. -66%.

Revised structure and drafting conventions

At the time of preparation of this paper the discussion and approval process is still ongoing, therefore the exception to the general rule of no new datapoints and no may datapoints moved to shall are subject to possible minor modifications.

As compared to the ESRs Set 1 (adopted in July 2023), the structure of the standards has been significantly revised and streamlined. In particular:

- All the “shall disclose/shall include/shall report/shall describe/shall explain” have been considered and simplified. They are presented in the main body of the standard. They have been counted as separate datapoints.
- Below the text of each Disclosure Requirement in topical standards (or section for ESRs 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is named “Application Requirements” (AR). This includes “shall consider” as element of methodology for preparing the disclosure and “may (present)” for presentation options. ARs are not counted as separate datapoints.
- Non mandatory appendices have been maintained in ESRs 1 on an exceptional basis, given their importance (former AR 16).
- All the “may” disclosures have been either eliminated or moved to guidance, except for a few of them which are exceptionally still being considered.

All the non-mandatory content has been moved to separate documents named “Non-Mandatory Illustrative Guidance (NMIG)”. While the four points above are drafted to become part of the delegated act, the legal status of the NMIG remains open from an EFRAG’s standpoint (either as appendices in the delegated act or as documents issued independently of the delegated act) and will be considered by the EC in due course

Question for EFRAG SR TEG/ SRB

If you were asked to indicate a vote on for the approval of the Exposure Drafts based on the present Working Documents (ESRS V.1.6), would you approve? If not, what are your remaining reservations? Please consider as reservations in this context only elements of dissent so fundamental that you cannot support the entire standard.

In case of reservations, please explain the reasoning and alternative wording.

Next steps

EFRAG SR TEG members on 9 and 10 July 2025 will express their intentions of vote and, if applicable, their reservations.

The outcome of the vote will be communicated to the EFRAG SRB, together with a list of recommended changes to ESRs V2, if applicable.

The EFRAG SRB members on 14/16 July 2025 will consider ESRs V2 and the outcome of the EFRAG SR TEG meetings (9 and 10 July) and will express their intentions of vote and, if applicable, their reservations.

Another EFRAG SRB meeting is scheduled on the 25 July 2025, to conclude on the issuance of the Exposure Draft and accompanying documents.

Agenda papers

In addition to this cover note:

- 03.01 ESRS 1 V2
- 03.02 ESRS 1 V2 NMIG
- 04.01 ESRS 2 V2
- 04.02 ESRS 2 V2 NMIG
- 05.01 ESRS E1 V2
- 05.02 ESRS E1 V2 NMIG
- 05.03 ESRS E2 V2
- 05.04 ESRS E2 V2 NMIG
- 05.05 ESRS E3 V2
- 05.06 ESRS E3 V2 NMIG
- 05.07 ESRS E4 V2
- 05.08 ESRS E4 V2 NMIG
- 05.09 ESRS E5 V2
- 05.10 ESRS E5 V2 NMIG
- 06.01 ESRS S1 V2
- 06.02 ESRS S1 V2 NMIG
- 06.03 ESRS S2 V2
- 06.04 ESRS S2 V2 NMIG
- 06.05 ESRS S3 V2
- 06.06 ESRS S3 V2 NMIG
- 06.07 ESRS S4 V2
- 06.08 ESRS S4 V2 NMIG
- 07.01 ESRS G1 V2
- 07.02 ESRS G1 V2 NMIG

APPENDIX I – LIST OF IFRS ALIGNED DATAPOINTS DELETED FROM MANDATORY REPORTING

ESRS 2 GOV-1 – The role of the administrative, management and supervisory bodies in relation to sustainability IFRS V 1. for para. 8 (22 c): The undertaking may disclose the management's role in the governance processes, controls and procedures used to monitor, manage and oversee impacts, risks and opportunities including information about whether the management role is delegated to a specific management-level position or committee and how oversight is exercised over that position or committee.

ESRS 2 GOV-2 – Integration of sustainability-related performance in incentive schemes IFRS V 2. for par. 10 (29 c) The undertaking may disclose: (a) a description of whether and how climate-related considerations are factored into executive remuneration; and (b) the percentage of executive management remuneration recognised in the current period that is linked to climate related considerations.

ESRS 2 - IRO-1 - Description of the process to identify and assess material impacts, risks and opportunities IFRS V 3. for para. 25 (b) (new) In describing the decision-making process, the undertaking may disclose the extent to which and how the process to assess and manage material sustainability impacts, risks and opportunities is integrated into the undertaking's overall risk management process.

ESRS 2 - General Disclosure Requirement for actions and resources in relation to material topics – SDR-A IFRS V 4. for para. 36 (68 (e) amended) If the undertaking monitors the progress made against the actions disclosed in previous reporting periods, including quantitative and qualitative information, it may disclose it

E1(AR 46(g), amended) If the undertaking aims to ensure interoperability with IFRS S2 it may disclose information that enables users to understand the extent to which its Scope 3 greenhouse gas emissions are measured using inputs from specific activities within the entity's value chain (primary data), secondary data or a combination of both.

E1 (53 amended) The undertaking may disclose its gross GHG emissions intensity (per unit of products and/or services). (AR 53 amended) This may be expressed on the basis of production, net revenue, or other relevant business metric, for example emissions per unit of production.

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of the EFRAG SRB/SR TEG. 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.

Draft Amended ERS 2 Exposure Draft UNAPPROVED Working documents

(ERS 2 – V 1.6)

DRAFTING PROCESS FOR THE WORKING DOCUMENTS SO FAR

The EFRAG SRB and SR TEG provided written comments on the initial versions of the Secretariat working documents prepared between the end of May and the first week of June. Based on those comments, the EFRAG Secretariat prepared the new versions for mid June which were discussed in meetings by both EFRAG SR TEG and SRB.

Subsequently these versions were amended and critically reviewed by dedicated review panels. The review panels submitted the outcome of their work and the remaining points for discussion to the EFRAG SRB and SR TEG.

All agenda papers for the 9/10 July EFRAG SR TEG meeting and 14/16 July SRB meeting (“V.1.6”) have been prepared by the Secretariat on the basis of (i) the “V.1.5” working documents discussed by the EFRAG SRB and SR TEG, (ii) the review by the respective review panels within the SRB (with SR TEG experts when appropriate) and (iii) the subsequent discussions and decisions in the SRB. These steps took place at the end of June and in the first week of July.

All additional comments shared by members in writing on the “V.1.5” working documents have been considered and incorporated when consistent with the SRB decisions.

DISCLAIMER ON THE STATUS OF THIS UNAPPROVED DOCUMENT

This working document does not represent an EFRAG view at this stage. This “V.1.6” draft is now made public as Working Document for the SR TEG discussions on 9/10 July and the SRB discussions on 14/16 July 2025, it is not to be considered as Exposure Draft yet. It is unapproved and still subject to change reflecting the discussions in those meetings and for editorial and quality review that has not yet taken place. In addition, all Working Documents are not accompanied by the necessary explanatory documents that are still being prepared and will accompany the Exposure Draft.

EFRAG recommends stakeholders that intend to contribute to the consultation to plan their review on the Exposure Drafts once they are issued, as they will benefit from the final content and from explanatory content.

REVISED STRUCTURE AND DRAFTING CONVENTIONS

As compared to the ERS Set 1 (adopted in July 2023), the structure of the standards has been significantly revised and streamlined. In particular:

- All the “shall disclose/shall include/shall report/shall describe/shall explain” have been considered and simplified. They are presented in the main body of the standard. They have been counted as separate datapoints.
- Below the text of each Disclosure Requirement in topical standards (or section for ERS 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is named “Application Requirements” (AR). This includes “shall consider” as element of methodology for preparing the disclosure and “may (present)” for presentation options. ARs are not counted as separate datapoints.

Amendments to ERS 2 – V2

- Non mandatory appendices have been maintained in ERS 1 on an exceptional basis, given their importance (former AR 16).
- All the “may” disclosures have been either eliminated or moved to guidance, except for a few of them which are exceptionally still being considered.
- All the non-mandatory content has been moved to separate documents named “Non-Mandatory Illustrative Guidance (NMIG)”. While the four points above are drafted to become part of the delegated act, the legal status of the NMIG remains open from an EFRAG’s standpoint (either as appendices in the delegated act or as documents issued independently of the delegated act) and will be considered by the EC in due course.

ESRS 2 V1.6

1. (1) This standard ESRS 2 *General disclosures* sets out the general disclosure requirements that apply across sustainability topics (i.e., cross-cutting). It covers the reporting areas defined in ESRS 1 General requirements section 1.1.

2. (new) This standard refers to disclosing on material impacts, risks and opportunities and disclosing on the **topics** related to them. In accordance with ESRS 1, the undertaking is expected to focus on the disaggregation that provides the most relevant information, i.e. at impacts, risks and opportunities level, at group of them, or at **topic** level, reflecting their nature and how the undertaking manages them.

BP-1 Basis for the preparation of the sustainability statement

3. (4 and 7 amended) The objective of this Disclosure Requirement is to provide an understanding of the basis for preparation of the sustainability statement, including the disclosures required by ESRS 1 in specific circumstances, and information about the use of phasing-in options.

4. (5 amended) The undertaking shall disclose:

(a) whether the sustainability statement has been prepared on a consolidated or individual basis and in case the reporting boundary is different from the one adopted in the consolidated financial statements, a description of and the reasons for these circumstance;

(b) an overview of the extent to which the sustainability statement covers the undertaking's upstream and downstream value chain; and

5. The undertaking shall state that the general requirements of ESRS 1 have been applied for the preparation of its sustainability statement with an indication either (i) that none of the provisions listed in ESRS 2 §5 apply, or (ii) of which of the provisions listed in ESRS 2 §5 have been applied, leading to the disclosure information required in the relevant paragraphs of ESRS 1:

(a) deviation from pre-defined time horizons (ESRS 1 paragraph 85);

(b) adjustments to comparative information (ESRS 1 paragraphs 90 and 92);

(c) application of material judgement, and information subject to significant uncertainties (ESRS 1 paragraph 94);

(d) use of relief when the undertaking discloses metrics with a partial scope (ESRS 1 paragraph 99);

(e) update of disclosures for events after the end of the reporting period (ESRS 1 paragraph 100);

(f) changes in preparation or presentation of sustainability information (ESRS 1 paragraph 101);

(g) reporting errors in prior periods (ESRS 1 paragraph 102 and 103);

(h) use of the option to omit classified and sensitive information or information about impending developments or matters in the course of negotiation (ESRS 1 paragraphs 107 and 109);

(i) presentation of additional information (ESRS 1 paragraphs 115 and 116);

(j) use of relief for metrics in the value chain (ESRS 1 paragraph 78);

(k) use of relief for acquisitions and disposals (ESRS 1 paragraph 81).

APPLICATION REQUIREMENTS – AR

AR 1. for BP-1	(new) The undertaking may present the information stemming from BP 1 in the General information Section of its sustainability statement, or alongside the relevant disclosures / metrics to which the information pertains.
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BP-2 Specific information if the undertaking uses phasing-in options

6. If the undertaking uses one of the transition provisions in Appendix F of ESRS 1 allowing to omit all the information required by ESRS E4, ESRS S1, ESRS S2, ESRS S3 or ESRS S4, it shall nevertheless disclose whether the **sustainability topics** covered respectively by them have been assessed to be material as a result of the undertaking's materiality assessment.

7. In addition, for each **topic** that relates to material impacts, risks and opportunities the undertaking shall, the undertaking shall:

(a) disclose the topic or sub-topic(s) in Appendix A of ESRS 1 that relate to the undertaking's material impacts, risks and opportunities, and briefly describe how the undertaking's business model and strategy take account of the undertaking's impacts related to those **topics**. The undertaking may disclose at the level of topic or sub-topic;

(b) briefly describe any time-bound targets it has set related to the **topics** in question, the progress it has made towards achieving those targets, and whether its targets related to biodiversity and ecosystems are based on conclusive scientific evidence;

(c) briefly describe its policies in relation to the **topics** 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 **topic** in question, and the result of such actions; and

(e) disclose metrics relevant to the **topic** in question.

GOVERNANCE

GOV-1 The role of the administrative, management and supervisory bodies in relation to sustainability

8. (20 amended) The objective of this disclosure requirement is to provide an understanding of the roles and responsibilities of the administrative, management and supervisory bodies, as well as the processes, controls and procedures to monitor, manage and oversee material impacts, risks and opportunities, either individually or at a higher level (i.e. groups of impacts, risks and opportunities or related **topics**).

9. The undertaking shall disclose:

(a) (21 (d), (e) and (b)) with respect to specific aspects of the composition of its administrative, management and supervisory bodies, the percentage of independent board members¹, where it exists, the representation of employees and other workers, and the percentage by gender and by other aspects of diversity that the undertaking takes into account;

(b) (23 amended) how the administrative, management and supervisory bodies determine whether appropriate skills and expertise are available or will be developed to oversee strategies

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 I of Annex II.

and other measures designed to respond to sustainability-related impacts, risks and opportunities;

(c) (22 (a) and (b), (former 26 (6) amended) the identity and responsibilities of the individuals, board committee or similar body within the administrative, management and supervisory bodies which are responsible for the oversight of sustainability-related impacts, risks and opportunities, with an indication, if relevant, of the material impacts, risks and opportunity, groups of them or related **topics** for which the administrative, management and supervisory bodies have not delegated the key decisions to another body;

(d) (22 (d)) how the administrative, management and supervisory bodies oversee the setting of targets related to material impacts, risks and opportunities, and how they monitor progress towards them; and

(e) (26 (b)) how the administrative, management and supervisory bodies takes into account material impacts, risks and opportunities when overseeing the undertaking's strategy, its decisions on major transactions, and its risk management process and related policies, including whether the body(ies) or individual(s) have considered trade-offs associated with those impacts, risks and opportunities.

APPLICATION REQUIREMENTS – AR

AR 2. for para 9 (a)	(21(d)) The board's gender diversity shall be calculated as an average ratio of female to male board members ² .
AR 3. for para 9 (b)	Sustainability-related expertise that the bodies either directly possess or can leverage (for example through access to experts, training or other educational initiatives)
AR 4. for para. 9 (c)	(new) The description of the responsibilities shall consist in an overview of how each body's or individual's responsibilities for impacts, risks and opportunities are reflected in the undertaking's terms of reference, board mandates and other related policies.

GOV-2 – integration of sustainability-related performance in incentive schemes

10. (28) The objective of this Disclosure Requirement is to provide an understanding of whether incentive schemes that are linked to sustainability **topics** are offered to members of the administrative, management and supervisory bodies.

11. (29) Where they exist, the undertaking shall disclose the following information about the incentive schemes and remuneration policies linked to sustainability **topics** for members of the administrative, management and supervisory bodies:

(a) a description of the key characteristics of the incentive schemes;

(b) (29 (b)) when performance is assessed against specific sustainability-related targets and/or impacts, which targets or metrics are used; and

(c) (29 (d)) the proportion of variable remuneration dependent on sustainability-related targets and/or impacts.

GOV-3 - Statement on due diligence

12. (31) The objective of this Disclosure Requirement is to facilitate an understanding of the main aspects and steps of the due diligence process that the undertaking has considered with regard to sustainability **topics** reported in its sustainability statement.

13. (32) The undertaking shall explain where its application of the main aspects and steps of the due diligence process are reflected in its sustainability statement³.

APPLICATION REQUIREMENTS – AR

AR 5. for para. 1	(AR 8) The undertaking may present the description of the mapping required by paragraph 13 in the form of a table, cross-referencing the core elements of due diligence, for impacts on people and the environment, to the relevant disclosures in its sustainability statement.
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GOV-4: Risk management and internal controls over sustainability reporting

14. (35) The objective of this Disclosure Requirement is to provide an understanding of the undertaking's risk management and internal control processes and systems in relation to sustainability reporting.

15. (36 (a)) The undertaking shall disclose the scope, main features and components of its risk management and internal control processes and systems in relation to sustainability reporting.

APPLICATION REQUIREMENTS – AR

AR 6. for para. 15	(AR 11) The undertaking shall consider the completeness and integrity of the data and, the accuracy of estimation results, as aspects that are relevant in the context of risks associated to the reporting process.
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² This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out by indicator #13 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to disclosures rules on sustainable investments ('Board gender diversity') and benchmark administrators to disclose ESG factors subject to Commission Delegated Regulation (EU) 2020/1816 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as set out by indicator 'Weighted average ratio of female to male board members' in section 1 and 2 of Annex II.

³ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #10 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Lack of due diligence').

STRATEGY

SBM-1 Strategy, business model and value chain

16.(39) The objective of this Disclosure Requirement is to describe the key elements of the undertaking's general strategy, as well as the key elements of its business model and value chain, that relate to or affect material impacts, risks and opportunities, in order to provide an understanding of its exposure to material impacts, risks and opportunities and where they originate.

17.(40 amended) The undertaking shall disclose the following information about the key elements of its general strategy that relate to or affect material impacts, risks and opportunities, either individually or at a higher level (i.e. groups of impacts, risks and opportunities or related **topics**):

- (a) a description of:
 - i. the significant groups of products and/or services offered, significant markets and/or customer groups served, and the sustainability-related goals that it has associated to them, including significant changes in the reporting period (new/removed products, services, markets and/or customer groups);
 - ii. where applicable and material, products and services banned in certain markets;
 - (b) the list of its significant sectors including activities that are internal to the group, when those activities are significant and/or are connected or may be connected to materials impacts, risk and opportunities, and the sector classification system adopted for this disclosure;
 - (c) where applicable, a statement indicating, along with the respective revenues, whether the undertaking is active in:
 - i. the fossil fuel (coal, oil and gas) sector;
 - ii. chemicals production, i.e., whether its activities fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006;
 - iii. the controversial weapons industry (anti-personnel mines, cluster munitions, chemical weapons or biological weapons); and/or
 - iv. the cultivation and production of tobacco.
- 18.(42 amended) The undertaking shall disclose a description of its business model and value chain, covering the main features of them, as well as its position in the latter.

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AR 7. for para. 17 (b)	(new) Disclosing the list of significant sectors (which include sectors where the undertaking is connected with material impacts) is relevant for users, as it supports the understanding of the material impacts (and as a consequence risks and opportunities) to which the undertaking is potentially connected, as they are common in a given sector. In addition, this supports the understanding of possible entity-specific information included in the sustainability statement to cover aspects that are either specific or common in a given sector.
AR 8. for para. 17 (b)	(new) The undertaking is not considered to be active in the sectors of operations of its counterparts in the upstream and downstream value chain.

APPLICATION REQUIREMENTS – AR

AR 9. for para. 17 (c) i.	(40 (d) i.) In preparing the disclosure of its revenues derived from the fossil fuel sector, the calculation shall be based on revenues from the exploration, mining, extraction, production, processing, storage, refining and/or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council). The undertaking may present a disaggregation of revenues derived from coal, oil and gas.
AR 10. for para. 17 (a) and (b)	(AR 13 amended) When disclosing information on a group of products and/or services, a group of markets and/or customers, and on a sector, the undertaking shall apply the following criteria to assess if they are significant: (a) whether it accounts for more than 10 per cent of the undertaking's revenue or is a reportable sector in accordance with IFRS 8 / local generally accepted accounting principles; or (b) whether it is connected with its actual material impacts or potential material negative impacts.

SBM-2 Interests and views of stakeholders

19.(44 amended) The objective of this Disclosure Requirement is to provide an understanding of the undertaking's stakeholder engagement and whether and how stakeholders' interests and views are brought to the attention of its administrative, management and supervisory bodies and inform its strategy and business model.

20.(45 amended) The undertaking shall disclose:

- (a) a summarised description of its stakeholder engagement, including information about the key stakeholders with which it engaged;
- (b) its understanding of the interests and views of its key stakeholders as they relate to its strategy and business model;
- (c) whether and how the administrative, management and supervisory bodies are informed about the views and interests of key affected stakeholders (including workers' representatives) with regard to its material impacts, risks and opportunities; either individually or at a higher level (i.e. groups of impacts, risks and opportunities or related **topics**).

APPLICATION REQUIREMENTS – AR

AR 11. for para. 20 (a)	(new) Key stakeholders refer to key categories of affected stakeholders (for example, employees or workers' representatives).
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SBM-3 Interaction of reported topics with strategy and business model, and financial effects

21.(47 amended) The objective of this Disclosure Requirement is to provide an understanding of the interactions of material impacts, risks and opportunities, including financial effects, and the undertaking's strategy and business model, at the appropriate level of aggregation, i.e. individually, aggregated or at topic level.

22. (48 amended) The undertaking shall provide a high-level description of the interaction of the material impacts, risks and opportunities, with its business model, value chain, strategy and decision-making. This includes how material impacts originate from its strategy and business model, and how material risks and opportunities affect or may affect substantially its strategy and business model, as well as how the undertaking has addressed or plans to address them.

23. The undertaking shall disclose current and anticipated financial effects of its material risks and opportunities. This includes:

- (a) the effects on its financial position, financial performance and cash flows for the reporting period (current financial effects), by reference to the financial statements where this information is presented;

OPTION 1

(b) anticipated effects on its financial position, financial performance and cash flows, including the time horizons (short, medium or long term) for which those effects could reasonably be expected to occur. This shall be done by taking into consideration how sustainability-related risks and opportunities are included in the undertaking's financial planning for the various time horizons used for strategic management purposes. This shall be done by separately disclosing those 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.

If the undertaking cannot provide quantitative information about the current or anticipated financial effects of a sustainability-related risk or opportunity applying the criteria set out in AR 19, it shall:

- (a) explain why it has not provided quantitative information;
- (b) provide qualitative information about those financial effects, including identifying line items, totals and subtotals within the related financial statements that are likely to be affected, or have been affected, by that risk or opportunity; and
- (c) provide quantitative information about the combined financial effects of that risk or opportunity with other sustainability-related risks or opportunities and other factors, unless the undertaking determines that quantitative information about the combined financial effects would not be useful.

OPTION 2 (VOLUNTARY DISCLOSURE)

(b) qualitative information about anticipated financial effects on its financial position, financial performance and cash flows, including the time horizons (short, medium or long term) for which those effects could reasonably be expected to occur. This shall be done by taking into consideration how sustainability-related risks and opportunities are included in the undertaking's financial planning and how they relate to the various time-horizons the undertaking uses for management and strategic purposes. Risks and opportunities for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements shall be separately disclosed.

In addition, the undertaking may present quantitative information about anticipated financial effects.

24. The undertaking shall disclose information about the resilience of its strategy and business model regarding its capacity to address its material risks, either individually or at a higher level (i.e. groups of impacts, risks and opportunities or related **topics**). The undertaking shall disclose a qualitative analysis of its resilience, including how the analysis was conducted and the time horizons that were considered. Topical ESRs may set specific requirements about resilience.

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AR 12. for para. 22	(new) The description of the interaction of impacts, risks and opportunities with the undertaking's business model, value chain, strategy and decision-making shall be provided at the appropriate level of aggregation, either individually or at a higher level (groups of impacts, risks and opportunities or related topics) to reflect the level at which the undertaking manages them.
AR 13 for para. 22	This Disclosure Requirement is focused on the explanation of the interaction between material impacts, risks and opportunities on the one hand and business model and strategy, on the other hand. A description of them is required in accordance with IRO 2 paragraph 28(a). The undertaking may present the descriptions of its material impacts, risks and opportunities in the same location as its disclosures on the related policies, actions, targets and metrics through which it addresses them, in order to avoid duplication and support a coherent narrative.
AR 14 for para. 22	(new) Information on how the undertaking addresses or plans to address its material impacts, risks and opportunities which interact with its business model or strategy, shall be presented with a clear reference to, the specific policies, actions, targets and other measures it implemented during the reporting period to manage them, as disclosed in line with the General Disclosure Requirements and the relevant topical standards.
AR 15. for para. 23 (b)	(new) In preparing disclosures about its anticipated financial effects, an undertaking shall use reasonable and supportable information available to it at the reporting date without undue cost or effort (see paragraphs 96, 97 and 98 of ESRs 1).
AR 16. for para. 23 (b)	(48 (d) amended) In preparing the disclosure on anticipated financial effects, this undertaking shall consider how the undertaking expects its financial position, financial performance and cash flows to change over the short, medium- and long-term, given its strategy to manage risks and opportunities, taking into consideration: (a) its announced 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 to which the undertaking is not contractually committed; and (b) its planned sources of funding to implement its strategy.
AR 17. for para. 23 (b)	OPTION 1 (FOR OPTION 2 SEE VOLUNTARY DISCLOSURE) (new) An undertaking need not provide quantitative information about the current or anticipated financial effects if it determines that: (a) the effects related to a specific topic (or its impact(s), risk(s) and opportunities) are not separately identifiable from those related to another topic or impact, risk or opportunity; or (b) the level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful (see paragraphs 94 and 95 of ESRs 1), such as when there is no reasonable and

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	supportable information derived from its business plans to be used as input in the calculation of anticipated long-term financial effects.
AR 18. for para. 23	(48 (f) amended) When providing quantitative information, the undertaking may present single amounts or ranges

IRO-1 - Description of the process to identify and assess material impacts, risks and opportunities and material information to be reported

25.(52) The objective of this Disclosure Requirement is to provide an understanding of the process through which the undertaking identifies impacts, risks, opportunities, and the related topic and assesses their materiality, as the basis for determining the disclosures to be made in its sustainability statement (see ESRs 1 Chapter 3).

26.(53 amended) The undertaking shall disclose the following:

- (a) an overview of the process, the key methodologies applied, the input parameters used and key data sources, and how it determines qualitative or quantitative thresholds;
- (b) scope of operations and value chain covered, with an indication of whether it focuses on specific activities, business relationships, geographies or other factors that give rise to heightened risk of adverse impacts;
- (c) prioritisation of negative impacts based on their relative severity and likelihood, and whether this is informed by the undertaking's due diligence process and prioritisation of (sustainability-related financial) risks relative to other types of business risks, including its use of risk-assessment tools;
- (d) findings from consultations with affected or other stakeholders, engagement with workers' representatives;
- (e) how it has considered its impacts and dependencies in the identification and assessment of its risks and opportunities;
- (f) a description of the decision-making procedures; and
- (g) whether and how the process has changed compared to the prior reporting period.

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AR 19. for para. 26 (a)	(new) Input parameters may include - where relevant and beyond generic information - specific data sources, sector benchmark analysis, and key inputs.
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IRO-2 – Material impacts, risks and opportunities and Disclosure Requirements included in the sustainability statement

27.(55) The objective of this Disclosure Requirement is to provide an understanding of the outcome of the materiality assessment, in terms of material impacts, risks and opportunities and material information reported in accordance with ESRs Disclosure Requirements.

28.(56) The undertaking shall disclose:

(a) (48 (a) amended) a concise description of its actual and potential, positive and negative material impacts, including how they affect or are likely to affect people or the environment, as well as its material risks and opportunities, specifying how and where impacts, risks and opportunities are connected to its business model, its own operations and its upstream and downstream value chain;

(b) (57 amended) if it concludes that climate change is not material and therefore omits all disclosure requirements in ESRs E1 Climate change, the basis for that conclusion;

(c) (48 (g) amended) changes related to its material impacts, risks and opportunities compared to the previous reporting period;

(d) a list of the Disclosure Requirements complied with in preparing the sustainability statement allowing to identify where the related disclosures are located in the sustainability statement and a separate indication of those that are incorporated by reference (ESRs 1 Chapter 9.2);

(e) 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 or, for those that the undertaking has assessed as not material, that they are "Not material".

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AR 20. for para. 28 (a)	(new) The description of its material impacts, risks and opportunities shall be provided at the appropriate level of aggregation, either individually or for group(s) of impacts, risks and opportunities, or for the related topic(s), depending on the nature of the impacts, risks and opportunities and reflecting the level at which the undertaking manages them.
AR 21. for para. 28 (a)	(new) The undertaking may present the description of its material impact, risk or opportunity in the same location as its disclosures on the related policies, actions, targets and metrics through which it addresses them, in order to avoid duplication and support a coherent narrative. If the undertaking exercises this option, it shall still present a statement of its material impacts, risks and opportunities alongside its disclosures prepared in accordance with IRO-2.
AR 22. for para. 28 (d)	(AR 19) The undertaking may present the disclosure as a content index, i.e., a tabular list of the Disclosure Requirements included in the sustainability statement, to support the identification of where they are located (page/paragraphs) and it may present the list of information incorporated by reference in an appendix within its sustainability statement or by integrating the necessary information in the list of reported disclosure requirements as required in paragraph 29 (d).
AR 23. for para. 28 (a)	(new from Social placeholder on SFDR PAI 12 and 13 of from table 3) When the undertaking determines that its own operations or value chains are exposed to factors that give rise to heightened risk of negative material impacts related to child labour; and forced or compulsory labour, in relation to types of operations or countries or geographies with operations ⁴ , this conclusion shall be specifically included in relation to ESRs S1-S4.

⁴ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from additional indicators related to principal adverse impacts as set out by indicator # 12 and 13 in Table II of Annex I of Regulation (EU) 2019/2088, and it is used to identify and assess the adverse impacts of the undertaking's operations and value chains on suppliers at significant risk of incidents of forced or compulsory labour" and "Operations and suppliers at significant risk of child labour".

General Disclosure Requirements for Policies, Actions, Metrics and Targets

- 29.(new) Information about policies, actions and targets shall enable an understanding of the level at which the undertaking is addressing its material impacts, risks and opportunities, i.e. at topic or sub-topic level. In instances where the undertaking has adopted policies or put in place actions or set targets for certain aspects only, the undertaking shall disclose this to be the case and how it relates to the corresponding material impacts, risks and opportunities.
- 30.(62 amended) If the undertaking has not adopted policies, actions and targets with reference to a topic related to material impacts, risks and opportunities, it shall disclose this fact.
- 31.If the undertaking categorises its material impacts, risks and opportunities in accordance with a set of management priorities, reflecting their relevance to the undertaking's strategy and business model, the way disclosures are structured and presented may reflect this circumstance.
- 32.(56) The undertaking shall apply the requirements provided in this section, when it discloses either in accordance with a topical standard or on an entity-specific basis, on policies, actions, targets and metrics related to material impacts, risks and opportunities, either individually or at a higher level (i.e. groups of impacts, risks and opportunities or related *topics*), covering:
- (a) its policies, actions and targets which address the prevention, mitigation and remediation of actual and potential material impacts, to address material risks and/or to pursue material opportunities; or
 - (b) the metrics to assess progress over time in relation to its material impacts, risks and opportunities.

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AR 24. for para. 29	(new) Where the undertaking applies the same policies, actions, metrics and/or targets across more than one material impact, risk and/or opportunity, it may disclose the information just once, in aggregate, reflecting the level at which they are managed, while making clear the scope of its application. It may cross-refer to that information from other locations in the report where it is relevant.
AR 25. for para. 30	(new) When the undertaking uses a tabular form for presenting its material impacts, risks and opportunities (IRO-2 paragraph 28 (a)) and the related topics it can indicate the material topics /impacts, risks and opportunities for which it has not in place policies, actions and targets, by using a check mark in the table.
AR 26. for para. 29	(new) The undertaking may present the description of the undertaking's material impacts, risks and opportunities, as required under IRO-2 paragraph 28 (a), alongside information about the policies, actions, targets and metrics through which it addresses them, to avoid duplication and support a coherent narrative.
AR 27. for para. 29	(new) The information provided may vary in the level of detail provided with regard to each Disclosure Requirement, depending on the nature of material impacts, risks and opportunities, and on differences in the undertaking's current approach to their management. The information should wherever possible be specific to the reporting period and avoid generic descriptions

APPLICATION REQUIREMENTS - AR

	except where necessary to enable an understanding of the undertaking's current approach to manage its material impacts, risks and opportunities. (new) When reporting on policies, actions and targets, the undertaking shall report relevant information, avoiding information that is boilerplate, and therefore not relevant for users for example when policies, actions and targets have been implemented to comply with law and regulation, or the necessary information is already provided in accordance with ERS 2 SBM 1).
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General Disclosure Requirement for policies – GDR-P

33.(64) The objective of this General Disclosure Requirement is to provide an understanding of the policies that the undertaking has in place to address the prevention, mitigation and remediation of material actual and potential impacts, manage material risks and pursue material opportunities, either individually or at a higher level (i.e. groups of them or related topics), including an understanding of significant changes to the policies adopted during the reporting period.

34.(65 amended) The undertaking shall disclose the following information about policies adopted to manage material impacts, risks and opportunities:

- (a) a description of the key contents of the policy, including its general objectives, which material impacts, risks or opportunities the policy relates to;;
- (b) a description of the scope of the policy, or of its exclusions, in terms of the undertaking's own operations, upstream and/or downstream value chain and geographies and, if relevant, affected stakeholder groups;
- (c) when the policy refers to third party-standards or initiatives the undertaking commits to respect through the implementation of the policy, a reference to such third-party standard or initiative;
- (d) for social **topics**, a description of the consideration given to the interest of these stakeholders in setting this policy, when the undertaking has considered affected stakeholders' views and interests in defining the policy.

35.(new from S1-S4) The undertaking shall disclose whether it has an overarching human rights policy committing to implement 5the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises. If this is the case, the undertaking shall disclose the information defined in paragraph 33. The human rights policy shall specify which groups of affected stakeholders are covered (for example, own workforce and workers in the value chain being distinct from consumers and end-users).

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AR 28. for para. 35 (moved from Social AR as indicated in the Social PAT version zero)	When disclosing on its human rights policy to implement the UN Guiding Principles on Business and Human Rights, the undertaking shall consider . the International Bill of Human Rights, which consists of the Universal Declaration of Human Rights and the two Covenants that implement them, and the ILO principles concerning fundamental rights set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.
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⁵ (SFDR table 1 indicator 11 and SFDR table 3 indicator 9).

General Disclosure Requirement for actions and resources – GDR- A

36.(67) The objective of this General Disclosure Requirement is to provide an understanding of the undertaking's key actions taken and/or planned to manage its material impacts, risks and opportunities, either individually or at a higher level (i.e. groups of them or related topics), so as to prevent, mitigate and remediate its material actual and potential impacts and to address its material risks and opportunities, and where applicable achieve the objectives of related policies.

37.(68 amended) When the undertaking implements key actions to manage material impacts, risks and opportunities, it shall disclose:

- (a) the description of key actions taken in the reporting year and planned for the future, including their scope and timeframe;
- (b) for key actions related to environmental **topics**, the undertaking shall disclose if the key actions are collaborative actions and shall disclose the layer of the mitigation hierarchy (i.e. contributing to avoidance, minimisation, restoration and compensation) the key actions belong to, if the undertaking refers to this hierarchy in defining its actions;
- (c) the expected outcomes and, where applicable, how their implementation contributes to the achievement of the related policy objectives.

38.(69 amended) Where significant resources (operational and/or capital expenditure) have been allocated to the implementation of the key actions, the undertaking shall:

- (a) describe the type of current and future financial resources and other resources allocated to the key actions, and whether the ability to implement these key actions depends on specific preconditions (e.g., granting of financial support or public policy and market developments);
- (b) when financial resources have been allocated to the key actions in the reporting period, disclose their amount and indicate the line items and/or notes to the financial statements from which they are sourced; and
- (c) provide an indicative range of future financial resources needed to implement the key actions.

APPLICATION REQUIREMENTS – AG

AR 29. for para. 36	(AR 22) Key actions in the context of this Disclosure Requirement are those actions that play a significant role in addressing the undertaking's material impacts, risks and opportunities related to a reported topic, including the actions taken to support the provision for remedy. Actions can be individual or taken in collaboration with other undertakings, especially when actual or potential impacts are systemic or widespread in nature and cannot be addressed by the undertaking alone. For the sake of understandability, key actions may be aggregated where appropriate. Conversely, when key actions cover more than one material impact, risk or opportunity, this can be indicated and cross-referenced if necessary.
AR 30. for para. 37 (a)	(68 (a) (b) amended) The scope of the key actions refers to coverage in terms of activities within own operations, upstream/downstream value chain, (group of) subsidiaries, geographies and, if applicable, affected stakeholder groups. These include actions that are part of the undertaking's business practices, overall management and risk management. The timeframe refers

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	to the time horizons over which the undertaking intends to complete each action.
AR 31. for para. 38 (AR 23)	The undertaking may present the information on resource allocation in the form of a table broken down between (i) capital expenditure and operating expenditure, and between (ii) resources applied in the current reporting year and the planned allocation of resources over specific time horizons.

General Disclosure Requirement for metrics– GDR-M

39.(74) The objective of this General Disclosure Requirement is to provide an understanding of the metrics the undertaking discloses, which include those used to evaluate its performance and to track the effectiveness of its actions to manage its material impacts, risks and opportunities, either individually or at a higher level (i.e. groups of impacts, risks and opportunities or related **topics**).

40.(75 amended) The undertaking shall disclose any metrics that it uses to evaluate its performance and in accordance with topical ESRs, in relation to material impacts, risks and opportunities including those defined on an entity-specific basis.

41.(77 amended) For each metric, the undertaking shall disclose:

- (a) the metric itself, its unit of measurement, the calculation methodology, data types and sources used as input to the calculation, and where relevant, the estimation methodology, including significant assumptions and limitations;
- (b) for environmental metrics, the environmental context, i.e. specific environmental conditions and characteristics of the area where the impact is occurring;
- (c) for value chain metrics, the reliance on data from indirect sources or proxies, and where applicable, the planned actions to improve the data quality in the future (see ESRs 1 Chapter 5); and
- (d) contextual information about the metric and its significant changes in the performance compared to previous reporting periods.

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AR 32. for para. 41	(76 amended) The metrics include those defined in ESRs, as well as metrics identified on an entity-specific basis, whether taken from other sources or developed by the undertaking itself, such as for ESRs S2-S4 topical standards that do not contain metrics at sector agnostic level.
AR 33. for para. 41 (a)	(77 (d) amended) When currency is specified as the unit of measurement, the undertaking shall use the presentation currency of the financial statements.

General Disclosure Requirement for targets – GDR-T

42.(79 amended) The objective of this General Disclosure Requirement is to provide an understanding of how the undertaking sets targets and tracks the effectiveness of its policies and actions in relation to its material impacts, risks and opportunities, either individually or at

a higher level (i.e. groups of impacts, risks and opportunities or related **topics**) and of the overall progress and effectiveness towards the adopted targets over time. This includes - where applicable- whether the progress is aligned with related action plan and/or whether any significant facts and circumstances related to the action plan affect the achievement of the target.

43.(80 amended) The undertaking shall disclose the measurable, time-bound, outcome-oriented qualitative or quantitative targets it has set related to its impacts, risks and opportunities, either individually or at a higher level (i.e. groups of impacts, risks and opportunities or related **topics**). For each target, the undertaking shall disclose:

- (a) a description of the relationship of the target to its policy objectives and actions;
 - (b) the defined target value (or level when qualitative) 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, in terms of the undertaking's activities within own operations and/or where applicable its upstream and/or downstream value chain where applicable, as well as geographical boundaries;
 - (d) where applicable, the baseline value (or level when qualitative) and base year from which progress is measured;
 - (e) the target year or period to which the target applies and, if applicable, any milestones or interim targets set;
 - (f) the methodologies, significant assumptions used to define targets, whether the target is mandatory as required by law, the selected scenarios, the key data sources and the level compatibility with national, EU or international policy goals; and
 - (g) whether the undertaking's targets related to environmental **topics** are based on conclusive scientific evidence and, if yes, how the target considers ecological thresholds.
- 44.(81 amended) If the undertaking has not set any measurable outcome-oriented targets, it shall disclose whether and, if so, how it nevertheless tracks the effectiveness of its policies and actions in relation to its material impacts, risks and opportunities, either individually or at a higher level (groups of impacts, risks and opportunities or related **topics**).

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AR 34. for para. 43	(AR 24 amended) When disclosing targets related to the prevention or mitigation of environmental impacts, a clarification can be provided on whether targets related to the reduction of the impacts are in absolute or relative terms. When targets address the prevention or mitigation of social impacts, they can be specified in terms of the effects on outcomes for affected stakeholders.
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Appendix A: List of datapoints in cross-cutting and topical standards that derive from other EU legislation

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

Disclosure Requirement and related datapoint	SFDR ⁶ reference	Pillar 3 ⁷ reference	Benchmark Regulation ⁸ reference	EU Climate Law ⁹ reference
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d)	Indicator number 13 of Table #1 of Annex 1		Commission Delegated Regulation (EU) 2020/1816 ¹⁰ , Annex II	
ESRS 2 GOV-1 Percentage of board members who are independent paragraph 21 (e)			Delegated Regulation (EU) 2020/1816, Annex II	
ESRS 2 GOV-3 Statement on due diligence paragraph 30	Indicator number 10 of Table #3 of Annex 1			
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 18 (c) i	Indicators number 4 of Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation	Delegated Regulation (EU) 2020/1816, Annex II	

⁶ 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).

⁷ 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).

⁸ 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).

⁹ 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).

¹⁰ 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).

Disclosure Requirement and related datapoint	SFDR ⁶ reference	Pillar 3 ⁷ reference	Benchmark Regulation ⁸ reference	EU Climate Law ⁹ reference
		(EU) 2022/2453 ¹¹ Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on Social risk		
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 18 (c) ii	Indicator number 9 of Table #2 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II	
ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 18 (c) iii	Indicator number 14 of Table #1 of Annex 1		Delegated Regulation (EU) 2020/1818 ¹² , Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II	
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 18 (c) iv			Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II	
ESRS E1-1 Transition plan to reach climate neutrality by 2050 paragraph 14				Regulation (EU) 2021/1119, Article 2(1)
ESRS E1-1		Article 449a	Delegated Regulation (EU) 2020/1818,	

¹¹ 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.).

¹² 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).

Disclosure Requirement and related datapoint	SFDR ⁶ reference	Pillar 3 ⁷ reference	Benchmark Regulation ⁸ reference	EU Climate Law ⁹ reference
Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (g)		Regulation 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	Article 12.1 (d) to (g), and Article 12.2	
ESRS E1-4 GHG emission reduction targets paragraph 34	Indicator number 4 of Table #2 of Annex 1	Article 449a Regulation 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	
ESRS E1-5 Energy consumption from fossil sources disaggregated by climate impact sectors) paragraph 38	Indicator number 5 of Table #1 and Indicator n. 5 of Table #2 of Annex 1			
ESRS E1-5 Energy consumption and mix paragraph 37	Indicator number 5 of Table #1 of Annex 1			
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43	Indicator number 6 of Table #1 of Annex 1			

Disclosure Requirement and related datapoint	SFDR ⁶ reference	Pillar 3 ⁷ reference	Benchmark Regulation ⁸ reference	EU Climate Law ⁹ reference
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44	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)	
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 to 55	Indicators number 3 Table #1 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 8(1)	
ESRS E1-7 GHG removals and carbon credits paragraph 56				Regulation (EU) 2021/1119, Article 2(1)
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66			Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II	
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47;		

Disclosure Requirement and related datapoint	SFDR ⁶ reference	Pillar 3 ⁷ reference	Benchmark Regulation ⁸ reference	EU Climate Law ⁹ reference
ESRS E1-9 Location of significant assets at material physical risk paragraph 66 (c).		Template 5: Banking book - Climate change physical Exposures subject to physical risk.		
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 67 (c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraph 34; Template 2: Banking book -Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral		
ESRS E1-9 Degree of exposure of the portfolio to climate- related opportunities paragraph 69			Delegated Regulation (EU) 2020/1818, Annex II	
ESRS E2-4 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 28	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			

Disclosure Requirement and related datapoint	SFDR ⁶ reference	Pillar 3 ⁷ reference	Benchmark Regulation ⁸ reference	EU Climate Law ⁹ reference
ESRS E3-1 Water and marine resources paragraph 9	Indicator number 7 Table #2 of Annex 1			
ESRS E3-1 Dedicated policy paragraph 13	Indicator number 8 Table 2 of Annex 1			
ESRS E3-1 Sustainable oceans and seas paragraph 14	Indicator number 12 Table #2 of Annex 1			
ESRS E3-4 Total water recycled and reused paragraph 28 (c)	Indicator number 6.2 Table #2 of Annex 1			
ESRS E3-4 Total water consumption in m ³ per net revenue on own operations paragraph 29	Indicator number 6.1 Table #2 of Annex 1			
ESRS 2- SBM 3 - E4 paragraph 16 (a) i	Indicator number 7 Table #1 of Annex 1			
ESRS 2- SBM 3 - E4 paragraph 16 (b)	Indicator number 10 Table #2 of Annex 1			
ESRS 2- SBM 3 - E4 paragraph 16 (c)	Indicator number 14 Table #2 of Annex 1			
ESRS E4-2 Sustainable land / agriculture	Indicator number 11			

Disclosure Requirement and related datapoint	SFDR ⁶ reference	Pillar 3 ⁷ reference	Benchmark Regulation ⁸ reference	EU Climate Law ⁹ reference
practices or policies paragraph 24 (b)	Table #2 of Annex 1			
ESRS E4-2 Sustainable oceans / seas practices or policies paragraph 24 (c)	Indicator number 12 Table #2 of Annex 1			
ESRS E4-2 Policies to address deforestation paragraph 24 (d)	Indicator number 15 Table #2 of Annex 1			
ESRS E5-5 Non-recycled waste paragraph 37 (d)	Indicator number 13 Table #2 of Annex 1			
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	Indicator number 9 Table #1 of Annex 1			
ESRS 2- SBM3 - S1 Risk of incidents of forced labour paragraph 14 (f)	Indicator number 13 Table #3 of Annex I			
ESRS 2- SBM3 - S1 Risk of incidents of child labour paragraph 14 (g)	Indicator number 12 Table #3 of Annex I			
ESRS S1-1 Human rights policy commitments paragraph 20	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I			
ESRS S1-1			Delegated Regulation	

Disclosure Requirement and related datapoint	SFDR ⁶ reference	Pillar 3 ⁷ reference	Benchmark Regulation ⁸ reference	EU Climate Law ⁹ reference
Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 21			(EU) 2020/1816, Annex II	
ESRS S1-1 processes and measures for preventing trafficking in human beings paragraph 22	Indicator number 11 of Table #3 of Annex I			
ESRS S1-1 workplace accident prevention policy or management system paragraph 23	Indicator number 1 of Table #3 of Annex I			
ESRS S1-3 grievance/complaints handling mechanisms paragraph 32 (c)	Indicator number 5 of Table #3 of Annex I			
ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)	Indicator number 2 of Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II	
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	Indicator number 3 of Table #3 of Annex I			

Disclosure Requirement and related datapoint	SFDR ⁶ reference	Pillar 3 ⁷ reference	Benchmark Regulation ⁸ reference	EU Climate Law ⁹ reference
ESRS S1-16 Unadjusted gender pay gap paragraph 97 (a)	Indicator number 12 of Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II	
ESRS S1-16 Excessive CEO pay ratio paragraph 97 (b)	Indicator number 8 of Table #3 of Annex I			
ESRS S1-17 Incidents of discrimination paragraph 103 (a)	Indicator number 7 of Table #3 of Annex I			
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD Guidelines paragraph 104 (a)	Indicator number 10 of Table #1 and Indicator n. 14 of Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818 Art 12 (1)	
ESRS 2- SBM3 – S2 Significant risk of child labour or forced labour in the value chain paragraph 11 (b)	Indicators number 12 and n. 13 of Table #3 of Annex I			
ESRS S2-1 Human rights policy commitments paragraph 17	Indicator number 9 of Table #3 and Indicator n. 11 of Table #1 of Annex 1			
ESRS S2-1 Policies related to value chain workers paragraph 18	Indicator number 11 of Table #3 of Annex 1			
ESRS S2-1Non-respect of UNGPs on Business and Human Rights principles and	Indicator number 10 of Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation	

Disclosure Requirement and related datapoint	SFDR ⁶ reference	Pillar 3 ⁷ reference	Benchmark Regulation ⁸ reference	EU Climate Law ⁹ reference
OECD guidelines paragraph 19			(EU) 2020/1818, Art 12 (1)	
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19			Delegated Regulation (EU) 2020/1816, Annex II	
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	Indicator number 14 of Table #3 of Annex 1			
ESRS S3-1 Human rights policy commitments paragraph 16	Indicator number 9 of Table #3 of Annex 1 and Indicator number 11 of Table #1 of Annex 1			
ESRS S3-1 non-respect of UNGPs on Business and Human Rights, ILO Human Rights, ILO OECD principles or OECD guidelines paragraph 17	Indicator number 10 of Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)	
ESRS S3-4 Human rights issues and incidents paragraph 36	Indicator number 14 of Table #3 of Annex 1			
ESRS S4-1 Policies related to consumers and	Indicator number 9 of Table #3 and			

Disclosure Requirement and related datapoint	SFDR ⁶ reference	Pillar 3 ⁷ reference	Benchmark Regulation ⁸ reference	EU Climate Law ⁹ reference
end-users paragraph 16	Indicator number 11 of Table #1 of Annex 1			
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 17	Indicator number 10 of Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)	
ESRS S4-4 Human rights issues and incidents paragraph 35	Indicator number 14 of Table #3 of Annex 1			
ESRS G1-1 United Nations Convention against Corruption paragraph 10 (b)	Indicator number 15 of Table #3 of Annex 1			
ESRS G1-1 Protection of whistle-blowers paragraph 10 (d)	Indicator number 6 of Table #3 of Annex 1			
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a)	Indicator number 17 of Table #3 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II)	
ESRS G1-4 Standards of anti-corruption and anti-bribery paragraph 24 (b)	Indicator number 16 of Table #3 of Annex 1			

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of the EFRAG SRB/SR TEG. 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.

Non-mandatory illustrative guidance to – Amended ESRS 2 UNAPPROVED Exposure Draft

NMIG – ESRs 2 – V1.6

UNAPPROVED WORKING DOCUMENT – IN PREPARATION OF AMENDED ESRs EXPOSURE DRAFT

DRAFTING PROCESS FOR THE WORKING DOCUMENTS SO FAR

The EFRAG SRB and SR TEG provided written comments on the initial versions of the Secretariat working documents prepared between the end of May and the first week of June. Based on those comments, the EFRAG Secretariat prepared the new versions for mid June which were discussed in meetings by both EFRAG SR TEG and SRB. Subsequently these versions were amended and critically reviewed by dedicated review panels. The review panels submitted the outcome of their work and the remaining points for discussion to the EFRAG SRB and SR TEG.

All agenda papers for the 9/10 July EFRAG SR TEG meeting and 14/16 July SRB meeting (“V1.6”) have been prepared by the Secretariat on the basis of (i) the “V1.5” working documents discussed by the EFRAG SRB and SR TEG, (ii) the review by the respective review panels within the SRB (with SR TEG experts when appropriate) and (iii) the subsequent discussions and decisions in the SRB. These steps took place at the end of June and in the first week of July. All additional comments shared by members in writing on the “V1.5” working documents have been considered and incorporated when consistent with the SRB decisions.

DISCLAIMER ON THE STATUS OF THIS UNAPPROVED DOCUMENT

This working document does not represent an EFRAG view at this stage. This “V1.6” draft is now made public as Working Document for the SR TEG discussions on 9/10 July and the SRB discussions on 14/16 July 2025. It is not to be considered as Exposure Draft yet. It is unapproved and still subject to change reflecting the discussions in those meetings and for editorial and quality review that has not yet taken place. In addition, all Working Documents are not accompanied by the necessary explanatory documents that are still being prepared and will accompany the Exposure Draft.

EFRAG recommends stakeholders that intend to contribute to the consultation to plan their review on the Exposure Drafts once they are issued, as they will benefit from the final content and from explanatory content.

REVISED STRUCTURE AND DRAFTING CONVENTIONS

As compared to the ESRs Set 1 (adopted in July 2023), the structure of the standards has been significantly revised and streamlined. In particular:

- All the “shall disclose/shall include/shall report/shall describe/shall explain” have been considered and simplified. They are presented in the main body of the standard. They have been counted as separate datapoints.

- Below the text of each Disclosure Requirement in topical standards (or section for ESRs 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is named “Application Requirements” (AR). This includes “shall consider” as element of methodology for preparing the disclosure and “may (present)” for presentation options. ARs are not counted as separate datapoints.
- Non mandatory appendices have been maintained in ESRs 1 on an exceptional basis, given their importance (former AR 16).
- All the “may” disclosures have been either eliminated or moved to guidance, except for a few of them which are exceptionally still being considered.
- All the non-mandatory content has been moved to separate documents named “Non-Mandatory Illustrative Guidance (NMIG)”. While the four points above are drafted to become part of the delegated act, the legal status of the NMIG remains open from an EFRAG’s standpoint (either as appendices in the delegated act or as documents issued independently of the delegated act) and will be considered by the EC in due course.

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Non-mandatory illustrative guidance

Introduction

This is document provides non-mandatory illustrations for the requirements in ERS 2 (NMIG).

GOV-1

NON MANDATORY ILLUSTRATIVE GUIDANCE – NMIG

GOV-1 The role the administrative, management and supervisory bodies with regards to sustainability topics

NMIG 1. for para. 9	In disclosing about the composition of the administrative, management and supervisory bodies the undertaking might include the following elements: (a) (par. 21a) the number of executive and non-executive members. (b) (par 21 (c)) information about the administrative management and supervisory bodies members' experience relevant to the sectors, products and geographic locations of the undertaking;
NMIG 2. for para. 9	(AR 3) When disclosing about the roles and responsibilities of the administrative, management and supervisory bodies, the undertaking might include the form of oversight (e.g., information, consultation, decision-making), and how it is organised and formalised within governance processes; (AR 4) The undertaking may support the understanding of its presentation of the governance structure by using a diagram.

GOV-3

NON MANDATORY ILLUSTRATIVE GUIDANCE – NMIG

GOV-3 - Statement on due diligence

NMIG 3. for para. 13	The core elements of due diligence are reflected directly in Disclosure Requirements set out in ESRs 2 and in the topical ESRs, as illustrated below: (a) embedding due diligence in governance, strategy and business model ¹ i. ESRs 2 GOV-1: Information provided to topics addressed by the undertaking's administrative, management and supervisory bodies; ii. ESRs 2 GOV-3: Integration of sustainability-related performance in incentive schemes; and iii. ESRs 2 SBM-3: Material impacts, risks and opportunities and their interaction with strategy and business model. (b) engaging with affected stakeholders ² i. ESRs 2 GOV-2; ii. ESRs 2 SBM-2: Interests and views of stakeholders;
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¹ UN Guiding Principle 16 and its commentary; UN Interpretive Guide, Questions 21 and 25 as well as OECD Guidelines Chapter II on General Policies (paragraph A.10), and chapter IV on Human Rights (paragraph 4; and paragraph 44 of the Commentary); and OECD Due Diligence Guidance, Section II (1.1 and 1.2) and Annex, Questions 14 and 15.

² UN Guiding Principle 18 and its commentary, UN Guiding Principle 20, Commentary to UN Guiding Principles 21 and 28, and UN Guiding Principle 31(h) and its Commentary; and the UN Interpretive Guide, Questions 30, 33, 42 and 76 as well as OECD Guidelines Chapter II on General Policies (paragraph A.14 and paragraph 25 of the Commentary); and OECD Due Diligence Guidance, Section II (2.1.c, 2.3, 2.4.a, 3.1.b and 3.1.f) and Annex Questions 8-11.

NON MANDATORY ILLUSTRATIVE GUIDANCE – NMIG

GOV-3 - Statement on due diligence

	iii. ESRs 2 IRO-1; iv. ESRs 2 GDR-P; and v. topical ESRs: reflecting the different stages and purposes of stakeholder engagement throughout the due diligence process. (c) identifying and assessing negative impacts on people and the environment ³ i. ESRs 2 IRO-1; and ii. ESRs 2 IRO-2; (d) taking action to address negative impacts on people and the environment ⁴ i. ESRs 2 GDR-A; and ii. Topical ESRs: reflecting the range of actions, including transition plans, through which impacts are addressed. (e) tracking the effectiveness of these efforts ⁵ i. ESRs 2 GDR-M; ii. ESRs 2 GDR-T; and iii. topical ESRs: regarding metrics and target
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GOV-4

NON MANDATORY ILLUSTRATIVE GUIDANCE – NMIG

GOV-4: Risk management and internal controls over sustainability reporting

NMIG 4. for para. 15	In disclosing about risk management and internal control processes and systems in relation to sustainability reporting the undertaking might provide the following elements: (a) (26 (b)) the risk assessment approach followed, including the risk prioritisation methodology; (b) (26 (c)(e)) how the undertaking integrates the findings of its risk management and internal controls in relation to sustainability reporting into relevant internal functions and processes as well as how it reports these findings to the administrative, management and supervisory bodies.
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³ UN Guiding Principles 17, 18 and 24 and their Commentaries, and the Commentary to UN Guiding Principle 29; and the UN Interpretive Guide, Questions 9, 12-13, 27-28, 36-42 and 85-89 and OECD Guidelines Chapter II on General Policies (paragraphs A.10-11 and paragraph 14 of the Commentary), and Chapter IV on Human Rights (paragraphs 1-2 and paragraphs 41-43 of the Commentary); and OECD Due Diligence Guidance, Section II (2.1-2.4) and Annex Questions 3-5, and 19-31).

⁴ UN Guiding Principles 19, 22 and 23 and their Commentaries; and the UN Interpretive Guide, Questions 11, 32, 46-47, 64-68 and 82-83 and OECD Guidelines Chapter II on General Policies (paragraphs A.12 and paragraphs 18-22 of the Commentary), and Chapter IV on Human Rights (paragraphs 3 and 42-43 of the Commentary); and OECD Due Diligence Guidance, Section II (3.1-3.2) and Annex Questions 32-40).

⁵ UN Guiding Principles 20 and 31(g) and their Commentaries; and the UN Interpretive Guide, Questions 49-53 and 80 and OECD Due Diligence Guidance, Section II (4.1 and 5.1) and Annex Questions 41-47.

SBM-1**NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG****SBM-1 Strategy, business model and value chain**

NMIG 5. for para. 17 (b)	(new) ERS 2 does not mandate a specific classification system of business activities. In disclosing the list of its significant sectors the undertaking might consider the following elements: (a) the NACE classification system (Nomenclature générale des Activités Economiques dans les Communautés Européennes NACE Rev.2.1); (b) the reportable segments disclosed in the financial statements in accordance with IFRS 8 Operating segments or local general accepted accounting principles; and (c) available classification best practices or frameworks. When reporting on its significant sectors, the undertaking may incorporate information by reference to the breakdowns of its financial performance measures, as reported in the financial statements.
NMIG 6. for para. 18	(42 (c) and AR 13 amended) In disclosing the information on its business model and value chain the undertaking might include the following elements: (a) its main business actors (such as key suppliers, customers, distribution channels and endusers) and their relationship to the undertaking; (b) coverage of its key value chains, if the undertaking has multiple value chains; (c) its key business relationships and their key characteristics; (d) its key activities, resources, distribution channels and customer segments.
NMIG 7. for para. 20	(new) When disclosing about the stakeholder engagement, the undertaking might include how the engagement is organised and whether a particular purpose is sought.
NMIG 8. for para. 20 (a)	In the case of engagement with affected stakeholders, the undertaking might include whether this engagement has been directly with the affected stakeholders or through their legitimate representatives (e.g. workers' representatives).
NMIG 9. for para. 20 (a)	The channels used to engage with stakeholders include, but are not limited to, grievances mechanisms and other channels to raise their concerns or needs. Social dialogue, surveys, mediation, negotiation,

NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG**SBM-2 Interests and views of stakeholders**

	shareholder engagement, different types of meetings and on-site visits whose objectives are focused on engagement, are examples of specific channels that can be used with some stakeholders and depending on context, activities, and circumstances.
NMIG 10. for para. 20 (b)	The views and interests of stakeholders can also be collected by the undertaking through its due diligence process. They can be relevant to one or more aspects of the data point [SBM-2 paragraph 20], in particular, regarding the undertaking's strategy or business model. As such, these views and interests may affect the undertaking's decisions regarding the future direction of the strategy or business model.

IRO-2**NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG****IRO-2 – Material impacts, risks and opportunities and Disclosure Requirements included in the sustainability statement**

NMIG 11. para. 28 (a) for Social topics	(old S1-S4 SBM-3 paragraphs) In relation to affected stakeholders, the undertaking might include a description of the key stakeholders, including affected stakeholders in its value chain subject to material impacts and whether and how the undertaking has developed an understanding of how people with particular characteristics may be at a greater risk of harm based on the materiality assessment.
NMIG 12. para 28 (a) for Social topics	(old S1-S4 SBM-3 paragraphs) Material negative impacts are either (i) widespread or systemic in contexts where the undertaking operates (for example, child or forced labour or compulsory labour in specific countries or regions outside the EU), or (ii) related to individual incident (for example, an industrial accident or an oil spill). The same principle applies to positive impacts.
NMIG 13. for para. 28 (a)	(AR 17 amended) When describing where in its upstream and/or downstream value chain material impacts, risks and opportunities are concentrated, the undertaking might refer to the following elements: geographical areas, facilities or types of assets, inputs, outputs and distribution channels.

GDR-P**NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG****General Disclosure Requirement for policies – GDR-P**

NMIG 14. for para. 34	(new) A policy may cover different topics but disclosed once. An example whereby an undertaking shares the same policy across the environmental standards is a Responsible Care management system that covers pollution and water impacts. Another example is an undertaking that has a sustainable purchasing policy including a forest policy, that covers both ESRS S2 Workers in the value chain and ESRS S3 Affected communities.
NMIG 15. for para. 34 for Social	(new from existing S1-S4; S1 AR10, AR13) When disclosing its policies related to social topics, the undertaking might include the following elements: (a) supplier codes of conduct that the undertaking may have, indicating whether they include provisions addressing the safety of workers, precarious work (i.e. use of workers on short-term or limited hours contracts, workers employed via third parties, sub-contracting to third parties or use of informal workers), human trafficking, the use of forced labour or child labour, and whether such provisions are fully in line with applicable ILO standards; (b) policies and commitments to prevent or mitigate the risks and negative impacts on people in its own workforce related to reducing carbon emissions and transitioning to greener, climate-neutral operations as well as its policies and commitments to provide opportunities for the workforce such as job creation and upskilling, including explicit commitments to a 'just transition'.
NMIG 16. for para. 34 (b)	(AR 21 amended) The description of the scope of the policy can detail further boundaries relevant to a specific topic or to the undertaking's circumstances, which may include geographies, life cycles, and other similar factors.

GDR-A**NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG****General Disclosure Requirement for actions and resources – GDR- A**

NMIG 17. for para. 38	(69 (a) amended) When disclosing the resources allocated to key actions the undertaking might disclose the key contractual terms of sustainable finance instruments, such as green bonds, social bonds and green loans.
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GDR-T**NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG****General Disclosure Requirement for targets – GDR-T**

NMIG 18. for para. 43	(AR 26) The baseline and the assessment of the progress shall be related to the impacts, risks and opportunities which underpin the materiality of the topic addressed by the policy. For example, the undertaking may assess an increase of wages by a certain percentage for those below an adequate wage, or it may assess the quality of its relationships with affected communities by reference to the proportion of issues raised by communities that were resolved to their satisfaction.
NMIG 19. for para. 42	(AR 25 amended) When disclosing the information on progress made towards achieving the targets the undertaking may present it in a comprehensive table, including information on the baseline and target value, milestones, and achieved performance over the prior periods.

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Draft Amended ESRs E1 Climate Change Exposure Draft UNAPPROVED

Working document **(E1 V1.6)**

DRAFTING PROCESS FOR THE WORKING DOCUMENTS SO FAR

The EFRAG SRB and SR TEG provided written comments on the “V.1” versions of the Secretariat working drafts prepared between the end of May and the first week of June. Based on those comments, the EFRAG Secretariat prepared the “V1.5” versions which were discussed in meetings mid-June by both EFRAG SR TEG and SRB.

Subsequently these versions were amended and critically reviewed by dedicated review panels. The review panels submitted the outcome of their work and the remaining points for discussion to the EFRAG SRB and ST TEG.

All agenda papers for the 9/10 July EFRAG SR TEG meeting and 14/16 July SRB meeting (“V.1.6”) have been prepared by the Secretariat on the basis of (i) the “V1.5” working documents discussed by the EFRAG SRB and SR TEG, (ii) the review by the respective review panels within the SRB (with SR TEG experts when appropriate) and (iii) the subsequent discussions and decisions in the SRB. Step (i) and (ii) took place in the first week of July.

All comments shared by members in written on the “V1.5” working documents have been considered and incorporated when consistent with the SRB decisions.

DISCLAIMER ON THE STATUS OF THIS UNAPPROVED DOCUMENT

This working document does not represent an EFRAG view at this stage. This “V.1.6” draft is now made public as Working Document for the SR TEG discussions on 9/10 July and the SRB discussions on 14/16 July 2025. They are not to be considered as Exposure Drafts yet. They are unapproved and still subject to change reflecting the discussions in those meetings and for editorial and quality review that has not yet taken place. In addition, they are not accompanied by the necessary explanatory documents that are still being prepared and will accompany the Exposure Draft.

EFRAG recommends stakeholders that intend to contribute to the consultation to plan their review on the Exposure Drafts once they are issued, as they will benefit from the final content and from explanatory content.

REVISED STRUCTURE AND DRAFTING CONVENTIONS

As compared to the ESRs Set 1 (adopted in July 2023), the structure of the standards has been revised and streamlined. In particular:

- All the “shall disclose/shall include/shall report/shall describe/shall explain” have been considered as separate datapoints.
- Below the text of each Disclosure Requirement in topical standards (or section for ESRs 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is still named “Application Requirements” (AR). This includes “shall consider” as element of methodology for preparing the disclosure and “may (present)” for presentation options.
- Non mandatory appendices have been maintained in ESRs 1 on an exceptional basis, given their importance (former AR 16).

- All the “may” disclosures have been either eliminated or moved to another category (either deleted or moved to guidance), except for a few of them which are exceptionally still being considered.
- All the non-mandatory content has been moved to separate documents named “Non-Mandatory Illustrative Guidance (NMIG)”. While the four points above are drafted to become part of the delegated act, the legal status of the NMIG remains open from an EFRAG’s standpoint (either as appendices in the delegated act or as documents issued independently of the delegated act) and will be considered by the EC in due course.

HOW TO READ THIS DOCUMENT

The paragraph numbering has been revised to reflect the draft amendments. Where applicable, the previous Set 1 paragraph numbers are indicated in brackets – for example, ‘4. (24)’ or ‘4. (24. amended)’.

At 11:00 on 10/07/2025 this public version was updated for an editorial mistake in *Disclosure Requirement E1-8 – Gross Scopes 1, 2, 3 emissions*. Application Requirement AR22(e) regarding emissions reporting contained reference to ‘Scope 1’ GHG emissions, however this requirement is applicable to all emission scopes. ‘Scope 1’ was therefore deleted from AR22(e).

Objective

- When reporting in accordance with ESRs, the **sustainability statement** shall cover information in relation to E1. "**Climate change**", when this **topic** relates to material **impacts, risks and opportunities**. The disclosure on the material impacts, risks and opportunities is expected to cover **policies, actions and targets** (if in place), **dependencies** when relevant, **metrics** and **financial effects**.
- The objective of this Standard is to specify Disclosure Requirements ('DR') in relation to these items of information, that are not covered in ESRs 2.
- When only one of the sub-topics covered by this Standard is material, the undertaking shall report only on that sub-topic.
- This Standard sets out DRs related to climate change and in particular, with respect to the following sub-topics: "**climate change mitigation**", "**climate change adaptation**" and "**energy**".
- Climate change mitigation** relates to the undertaking's endeavours to the general process of limiting the increase in the global average temperature to 1.5 °C above pre-industrial levels in line with the Paris Agreement and the objectives of the European Climate Law (Regulation (EU) 2021/1119). This Standard covers disclosure requirements related but not limited to the seven **Greenhouse gases (GHG)** carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃). It also covers Disclosure Requirements on how the undertaking addresses its GHG emissions as well as the associated transition risks.
- Climate change adaptation** relates to the undertaking's process of adjustment to actual and expected **climate change**.
- This Standard covers Disclosure Requirements regarding climate-related hazards that can lead to physical **climate risks** for the undertaking and its adaptation solutions to reduce these risks. It also covers **transition risks** arising from the needed adaptation to climate-related hazards.
- The Disclosure Requirements related to "energy" cover all types of energy production and consumption.
- The undertaking shall apply the provisions of ESRs 2 paragraphs from 30 to 33 and GDR-P, GDR-A and GDR-T. In particular:
 - If the undertaking has not adopted **policies, actions and targets** with reference to a **topic** related to material **impacts, risks and opportunities**, it shall disclose this fact;
 - the undertaking may present the description of its material **impacts, risks and opportunities**, in accordance with ESRs 2 IRO 2, alongside information about its policies, actions, **targets** and **metrics** through which it addresses them, to avoid duplication and support a coherent narrative.
- In this Standard, each Disclosure Requirement is introduced by a disclosure objective, with the exception of **policies, actions and targets**, for which the provisions in GDR- P, GDR-A and GDR-T provides the necessary framing for the relevant disclosures.
- The DRs of this Standard consider the requirements of related EU legislation and regulation. These include EU Climate Law, Climate Benchmark Standards Regulation, Sustainable Finance Disclosure Regulation (SFDR), EU Taxonomy and EBA Pillar 3 DRs.

Interactions with other ESRs

- Social and environmental **topics** closely interact with each other. The main points of interaction between E1 and the different ESRs topical standards:
 - This Standard covers but is not limited to the seven **Greenhouse gases (GHG)** carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃). ESRs E2 addresses Ozone-depleting substances (ODS), nitrogen oxides (NOX) and sulphur oxides (SOX), among other air emissions,

that are connected to **climate change** but are covered under the reporting requirements in ESRs E2.

- Climate change mitigation and adaptation are closely related to topics addressed in particular in ESRs E3 *Water* and ESRs E4 *Biodiversity and ecosystems*. This standard addresses, among others, acute and chronic physical risks which arise from the water and ocean-related hazards. This standard also addresses **GHG emissions** from the use of resource, land-use and **land-use change** as well as removals of GHG from the atmosphere, for example, through **nature-based solutions** which may entail co-benefits for the water, biodiversity and ecosystems. **Biodiversity loss** and ecosystem degradation caused or accelerated by climate change are addressed in ESRs E4 *Biodiversity and ecosystems*.
- Impacts** on people that may arise from the transition to a climate-neutral economy are covered under the ESRs S1 *Own workforce*, ESRs S2 *Workers in the value chain*, ESRs S3 *Affected communities* and ESRs S4 *Consumers and end-users*.

Disclosure Requirements

Disclosure Requirement E1-1 – Transition plan for climate change mitigation

- (15 amended) The objective of this DR is to enable an understanding of the undertaking's past, current and future mitigation efforts to ensure that its strategy and **business model** are compatible with the transition to a sustainable economy and with limiting global warming to 1.5 °C in line with the Paris Agreement and the objectives of the European Climate Law (Regulation (EU) 2021/1119), including achieving climate neutrality by 2050.
- (16 amended) The information about the **transition plan for climate change mitigation** shall include:
 - a description of its key features, such as **GHG emission reduction targets**, the **decarbonisation levers**, key **actions**, financial and investment planning, the role of the **administrative, management and supervisory bodies**, and how the plan is embedded in and aligned with the undertaking's overall business strategy. It shall also include information on how the undertaking's strategy and **business model** are compatible with the limiting global warming to 1.5 °C in line with the Paris Agreement and with the EU's objective of achieving climate neutrality by 2050;
 - if applicable, disclosure of significant CapEx amounts invested during the reporting period related to coal, oil and gas economic activities¹;
 - information about **dependencies** on which the **transition plan** relies, including a qualitative assessment of how potential **locked-in GHG emissions** from key assets and products may jeopardise the achievement of the plan and drive **transition risk**; and
 - an explanation of the undertaking's progress in implementing the **transition plan**.
- (17 amended) If the undertaking does not have a **transition plan for climate change mitigation** in place, it shall indicate whether and, if so, when it will adopt one.

APPLICATION REQUIREMENTS – AR

AR 1 for para. 14 (Transition Plan)	A transition plan for climate mitigation sets out how the undertaking intends to transform its strategy and business model to ensure compatibility with the
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¹ The CapEx amounts considered are related to the following NACE codes: (a) B.05 Mining of coal and lignite, B.06 Extraction of crude petroleum and natural gas (limited to crude petroleum), B.09.1 Support activities for petroleum and natural gas extraction (limited to crude petroleum), (b) C.19 Manufacture of coke and refined petroleum products, (c) D.35.1 - Electric power generation, transmission and distribution, (d) D.35.3 - Steam and air conditioning supply (limited to coal-fired and oil-fired power and/or heat generation), (e) D.46.81 - Wholesale of solid, liquid and gaseous fuels and related products (limited to solid and liquid fuels).

for Climate Change Mitigation)	transition to a sustainable economy. It is a specific type of action plan, distinguished by its direct implications for the undertaking's strategic direction and business model. According to ESRs E1, paragraph 14(a), undertakings shall disclose the key features of their climate mitigation transition plan. In doing so, undertakings shall apply the qualitative characteristics of information (Appendix B of ESRs 1) to the climate mitigation transition plan disclosure (ESRs E1-1) as a whole. This is particularly important given the complexity of transition plans, which bring together multiple sustainability aspects of the undertaking's business.
AR 2 for para. 14(b) (Transition Plan for Climate Change Mitigation)	The key features referred to in paragraph 14(a) shall refer to disclosures on policies, actions, resources and targets made elsewhere (e.g. ESRs E1-5 and E1-6 as well as ESRs 2) without necessarily duplicating content but by consolidating them into a coherent narrative that demonstrates how these elements are strategically aligned to drive business transformation. The relevant disclosures for this paragraph are: (a) with reference to targets, a statement on whether the greenhouse gas ('GHG') emission reduction targets are science-based and compatible with limiting global warming to 1.5 °C (ESRs E1-6). The explanation of how the targets are compatible with limiting global warming to 1.5 °C in line with the Paris Agreement is done by benchmarking the target value against a 1.5 °C reference target value (in accordance with the provisions in E1-6, AR17) and/or by providing validation through an independent third party, including information on the third party, the methodology/standard applied and the trajectory used. (b) with reference to actions, the key actions and an explanation of the decarbonisation levers identified (ESRs E1-5), including changes in the undertaking's product and service portfolio and the adoption of new technologies in its own operations, or the upstream and/or downstream value chain; (c) with reference to financial resources, the disclosure of the investment and financial planning (including the short- and medium-term financial and investment plan) and financial resources supporting the implementation and strategic ambition of its transition plan for climate change mitigation, including quantitative short- and medium-term CapEx, and/or OpEx figures, as well as anticipated long-term CapEx and/or OpEx ranges (ESRs 2 GDR-A, ESRs E1-5). While this information helps demonstrate the coherence and credibility of the transition plan, there is no expectation that undertakings disclose all internal information used to manage the plan. Regarding electricity generation from fossil gaseous fuels, high-efficiency co-generation of heat/cool, power from fossil gaseous fuels, and production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system, as stated in the Q&A of the EU Taxonomy Complementary Climate Delegated Act covering certain nuclear and gas activities, the undertaking needs to meet either of the following emission thresholds: (a) lifecycle emissions are below 100gCO₂e/kWh; or (b) until 2030 (the date of approval of the construction permit) and where renewables are not available at a sufficient scale, direct emissions are below 270gCO₂e/kWh or, for the activity of electricity generation, their annual direct GHG emissions must not exceed an average of 550kgCO₂e/kWh of the facility's capacity over 20 years. In this case, the
AR 3 for para. 14(b) (Transition Plan for Climate Change Mitigation)	

AR 4 for para. 14(c) (Transition Plan for Climate Change Mitigation)	activity must meet a set of cumulative conditions, e.g. it replaces a facility using solid or liquid fossil fuels, the activity ensures a full switch to renewable or low-carbon gases by 2035 and a regular independent verification of compliance with the criteria is carried out.
AR 5 for para. 14(d) (Transition Plan for Climate Change Mitigation)	Information on dependencies relate to, for example, deployment of certain technologies, market demand or policies. The disclosure shall include an explanation of the plans to manage – for example by transforming, decommissioning or phasing out – its GHG-intensive and energy-intensive assets and products. Where relevant, it shall also include information in line with ESRs 2, GDR-A, regarding dependencies of future financial resources and other resources and how these may constrain the ability to implement the transition plan actions. The qualitative locked-in emission assessment seeks to ensure that these emissions were adequately considered by the undertaking in its transition plan explaining how the magnitude of the locked-in emissions can potentially put at risk – or not – the eventual implementation of the climate mitigation transition plan.
AR 5 for para. 14(d) (Transition Plan for Climate Change Mitigation)	When explaining its progress in implementing the transition plan, the undertaking shall describe the deployment of resources, the actions taken and the GHG emission reductions achieved or expected to be achieved. Information on progress shall include, where appropriate, sector-specific metrics that can be used to track progress against specific climate targets the undertaking may have set, using recognised sectoral decarbonization standards.
Strategy	
Disclosure Requirement E1-2 – Climate-related risks and scenario analysis	
16. The objective of this DR is to enable users an understanding of how the undertaking identifies and assesses climate-related impacts, risks and opportunities for materiality.	
17. The undertaking shall explain for each material climate-related risk identified (per ESRs 2, paragraph 29) whether it classifies the risk as a climate-related physical risk or a climate-related transition risk.	
18. In addition to the disclosure provided in accordance with ESRs 2 IRO-1 and IRO-2, the undertaking shall disclose key elements of the methodology used to assess how its assets and business activities in own operations and value chain may be exposed: (a) to climate-related hazards (over the short-, medium- and long-term); (b) to climate-related transition events and trends (over the short-, medium- and long-term).	
19. The key elements of the methodology include: the scope of the analysis, the methodologies and/or tools used for the analysis, the ranges of scenarios used, the time period when it was carried out and how the undertaking has used climate-related scenario analysis. In addition, for 18 a) the undertaking shall include the spatial resolution of the analysis and for 18 b) it shall include the type of transition events analysed.	
APPLICATION REQUIREMENTS – AR	
AR 6 for para. 18 (Climate-related physical risk)	In conducting its climate-related physical risk analysis supported by scenario analysis, the undertaking shall:

	(a) identify climate-related hazards over the short, medium and long term and screen whether its assets and business activities are exposed to these hazards; (b) assess the extent to which its assets and business activities are 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 specific to its locations and supply chains; and (c) base its analysis on at least one high-emission climate scenario.
AR 7 for para. 18 (Climate-related transition risk)	In conducting its climate-related transition risk analysis, the undertaking shall: (a) identify transition events over the short, medium and long term and screen whether its assets and business activities are exposed to these events; (b) assess the extent to which its assets and business activities are exposed and are sensitive to the identified transition events, taking into account the likelihood, magnitude and duration of the transition events; and (c) base its analysis on at least one climate scenario in line with limiting global warming to 1.5 °C with no, or limited, overshooting.
AR 8 for para. 18 (Methodology to assess climate-related hazards and transition events)	The quantification of the exposure of assets and business activities to material climate-related risks is required under Disclosure E1-11 on anticipated financial effects.
Disclosure Requirement E1-3 – Resilience in relation to climate change 20. The objective of this DR is to provide users an understanding of the extent to which the undertaking's strategy and business model are prepared for, and can adapt to, climate-related risks. 21. In addition to the information disclosed in accordance with ESRs 2 SBM-3, the undertaking shall disclose the following information related to the resilience of its strategy and business model in response to identified climate-related risks: (a) the results of its resilience analysis in relation to climate-related risks, explaining the implications, if any, of its assessment of its strategy and business model and how it would need to respond to the effects identified in the climate-related scenario analysis, and explaining how its current and planned mitigation and adaptation actions (as per Disclosure E1-5) and transition plans (as per Disclosure E1-1) support, strengthen or impact its resilience towards climate-related risks; (b) significant areas of uncertainty in the assessment of its climate resilience; and (c) its capacity to adjust or adapt its strategy and business model to climate change over the short, medium and long term. APPLICATION REQUIREMENTS – AR	
AR 9 for para. 20 (Resilience of strategy)	When performing a qualitative scenario analysis, the undertaking shall consider the implications of the combined assessments performed according to disclosure

	requirements E1-2 (with its assessment of the exposure to different climate hazards and transition events) and E1-11 (anticipated financial effects) for its strategy and business model, including actions required to respond to the climate-related risks and opportunities identified through scenario analysis.
AR 10 for para. 21(a) (Resilience of strategy)	When disclosing the results and implications of its resilience analysis according to paragraph 21(a), the undertaking shall provide its assessment of its climate resilience at the reporting date.
AR 11 for para. 21(c) (Resilience of strategy)	When disclosing on its capacity to adjust its strategy and business model according to paragraph 21(c), the undertaking shall consider: (a) the availability and flexibility of existing financial resources to manage financial impacts of climate-related risks and to capitalise on climate-related opportunities; (b) its ability to redeploy, repurpose, upgrade or decommission existing assets in response to climate-related changes; (c) the effects of current and planned investments in climate mitigation, adaptation and transition opportunities on climate resilience enhancement.

Impact, risk and opportunity management

Disclosure Requirement E1-4 – Policies related to climate change

22. (24 amended) The undertaking shall disclose its **climate change policies** in accordance with the provisions of ESRs 2 GDR-P.

Disclosure Requirement E1-5 – Actions and resources in relation to climate change

23. (28 amended) The undertaking shall disclose its key **climate change actions** and resources allocated to their implementation in accordance with the provisions of ESRs 2 GDR-A.

24. (29 amended) In addition to ESRs 2 GDR-A, when disclosing current and planned actions, the undertaking shall:

- (a) present its key **climate change mitigation actions** by **decarbonisation lever**;
- (b) in relation to the outcome of the key climate change mitigation actions, include the achieved and expected **GHG emission** reductions; and
- (c) in relation to the type of current and future financial **resources** and other resources allocated to the key actions as per ESRs 2 GDR-A, paragraph 39, include quantitative short- and medium-term CapEx and/or OpEx figures, as well as anticipated long-term CapEx and/or OpEx ranges.

Metrics and targets

Disclosure Requirement E1-6 – Targets related to climate change

25. (32 amended) The undertaking shall disclose its **climate change targets** in accordance with the provisions of ESRs 2 GDR-T.

26. (34 amended) The undertaking shall disclose the GHG emissions reduction **targets** it has set, including:

- (a) absolute **GHG emission reduction targets** for Scope 1, 2 and 3, either separately or combined and, where relevant, in intensity value. 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 and the share related to each respective GHG emission Scope;
- (b) if the scope of the **GHG emission reduction target** diverges from the scope of the GHG inventory boundary emissions (reported under Disclosure Requirement E1-8), the percentages for Scope 1, 2 and 3 covered by the target, as well as which GHGs are covered;
- (c) a statement on whether the **GHG emission reduction targets** are science-based and compatible with limiting global warming to 1.5 °C. The undertaking shall state which framework and methodology has been used to determine these targets, including whether they are derived using a sectoral decarbonisation pathway and the underlying climate and policy scenarios. As part of the critical assumptions used for setting GHG emission reduction targets, the undertaking shall briefly explain how it has considered future developments (e.g. changes in sales volumes, shifts in customer preferences and demand, regulatory factors, and new technologies) and how these will potentially impact both its **GHG emissions** and emissions reductions.

APPLICATION REQUIREMENTS – AR

AR 12 for para. 26 (GHG emissions reduction targets)	The GHG emission reduction targets shall be gross targets, meaning that the undertaking shall not include GHG removals, carbon credits or avoided emissions as a means of achieving the GHG emission reduction targets.
AR 13 for para. 26 (GHG emissions reduction targets)	Under paragraph 26(a), the undertaking can disclose GHG emission reduction targets in intensity value: intensity targets are formulated as ratios of GHG emissions relative to a unit of physical activity or economic output. In cases where the undertaking has only set a GHG intensity reduction target, it shall nevertheless disclose the associated absolute values for the target year and interim target year(s) except for undertakings that are banks that are subject to supervisory regulation which limits the disclosure to intensity value targets only. This may result in a situation where the undertaking is required to disclose an increase of absolute GHG emissions for the target year and interim target year(s), for example because it anticipates the organic growth of its business.
AR 14 for para. 26 (GHG emissions reduction targets)	When applying GDR-T (base year and target year, baseline value and target year values): (a) the baseline value and base year are not to be changed unless key changes in either the target or reporting boundary occur; and (b) the undertaking is to select a recent base year that does not precede the first reporting year of the new target period by longer than three years. Before 2030, the base year chosen by the undertaking may be either the currently applied base year for existing targets or the first year of application of the sustainability reporting requirements.
AR 15 for para. 25 (Presentation of targets and actions)	(AR 31 amended) The undertaking may present its GHG emissions reduction targets together with its climate change mitigation actions (see paragraph 24) showing the decarbonisation levers and their 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):

- (a) as a list of key decarbonisation levers with disaggregation by key climate change mitigation actions (see for example, Table 1); or
- (b) as a table or graphic over time (see, for example, Graphic 1).

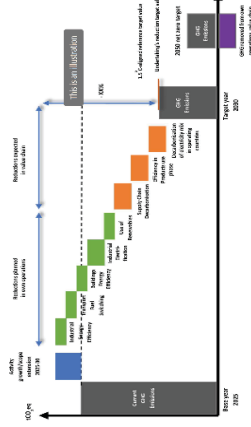


Figure 1: E1 - Graphic 1

	Base year 2019	2020 target	2030 target	Up to 2030 target
GHG emissions (tCO ₂ e)	100	40	40	40
Energy efficiency and consumption reduction	-	-	+10	+10
Material efficiency and consumption reduction	-	-	+5	+5
Fuel switching	-	-	+2	+2
Identification	-	-	-	-
Type of immediate energy	-	-	+10	+10
Phase out, substitution or modification of products	-	-	-	-
Substitution or modification of processes	-	-	-	-
Other	-	-	-	-

Figure 2: E1 - Table 1

AR 16 for para. 26
(GHG emissions reduction targets)

Undertakings reporting under E1-8 using an operational control boundary can report Scope 1 and **Scope 2 GHG emission reduction targets** referring to this organisational boundary.

AR 17 for para. 26
(GHG emissions reduction targets compatible with 1.5°C)

(AR 26 amended) When disclosing the information required under paragraphs 26(c), the undertaking shall compare its target value(s) with 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 shall calculate a 1.5 °C-aligned reference target value for Scope 1 and 2 (and, if applicable, a separate one for Scope 3) against which its own **GHG emission reduction targets** or interim targets in the respective Scopes can be compared

Disclosure Requirement E1-7 – Energy consumption and mix

27. The objective of this DR is to provide an understanding of the undertaking's energy consumption and mix.
28. (35 and 37 amended) The undertaking shall disclose information on its **energy consumption and mix**, namely on its total **energy consumption** in MWh related to its own operations, disaggregated by:

- (a) total energy consumption from fossil sources²;
- (b) total energy consumption from nuclear sources;
- (c) total energy consumption from renewable sources.
29. (38 amended) The undertaking shall further disaggregate its total **energy consumption** from fossil sources by:
- (a) fuel consumption from coal and coal products;
- (b) fuel consumption from crude oil and petroleum products;
- (c) fuel consumption from natural gas;
- (d) fuel consumption from other fossil sources;
- (e) consumption of **purchased or acquired electricity, heat, steam, or cooling** from fossil sources;
30. (39 amended) Where applicable, the undertaking shall also disaggregate and disclose separately its **non-renewable energy** production and renewable energy production in MWh³.

APPLICATION REQUIREMENTS – AR

AR 18 for para. 28 (Energy consumption and mix)	(AR 32 amended) When preparing the information on energy consumption required under paragraph 28, the undertaking shall adopt the following calculation approaches: (a) report energy consumed from processes controlled by it applying the same organisational boundary perimeter applied for reporting GHG Scopes 1 and 2 emissions; (b) exclude feedstocks and fuels that are not combusted for energy purposes (e.g. natural gas to produce polymers). The undertaking that consumes fuel as feedstocks can disclose information on this consumption separately from the required disclosures; (c) ensure all quantitative combustion-related information is reported in Mega-Watt- hours (MWh) in Lower Heating Value or net calorific value; (d) ensure all quantitative energy-related information is reported as final energy consumption, referring to the amount of energy the undertaking actually consumes; (e) avoid double counting fuel consumption when disclosing self-generated energy consumption. If the undertaking generates electricity from either a non-renewable or renewable fuel source and then consumes the generated electricity, the energy consumption shall be counted only once under fuel consumption; (f) not offset energy consumption even if onsite generated energy is sold to and used by a third party; (g) not count energy that is sourced from within the organisational boundary under 'purchased or acquired' energy;
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² This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by Indicator #5 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Share of non-renewable energy consumption and production'). The breakdown serves as a reference for an additional indicator related to principal adverse impacts as set out by Indicator #5 in Table II of the same Annex ('Breakdown of energy consumption by type of non-renewable sources of energy').

³ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by Indicator #5 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Share of non-renewable energy consumption and production').

	(h) account for steam, heat or cooling received as 'waste energy' from a third party's industrial processes under 'purchased or acquired' energy; (i) account for renewable hydrogen as a renewable fuel. Hydrogen that is not completely derived from renewable sources shall be included under 'fuel consumption from other non-renewable sources'; and (j) adopt a conservative approach when splitting the electricity, steam, heat or cooling between renewable and non-renewable sources based on the approach applied to calculate market-based Scope 2 GHG emissions. The undertaking shall only consider these energy consumptions as deriving from renewable sources if the origin of the purchased energy is clearly defined in the contractual arrangements with its suppliers (renewable power purchasing agreement, standardised green electricity tariff, market instruments like Guarantee of Origin from renewable sources in Europe⁴ or similar instruments like Renewable Energy Certificates in the US and Canada, etc.).
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Disclosure Requirement E1-8 – Gross Scopes 1, 2, 3 emissions

31. The objective of this DR is to provide an understanding of the undertaking's direct and indirect **impacts** on climate change as a result of activities in its own operations and from within its **value chain**.
32. The undertaking shall disclose absolute gross **GHG emissions** generated during the reporting period, expressed as metric tonnes of CO₂eq classified as:
- (a) (44(a) amended) **Scope 1 GHG emissions**, including, if applicable, the percentage of Scope 1 GHG emissions from regulated emission trading schemes;
- (b) (44(b) amended) **Scope 2 GHG emissions** (location-based and market-based);
- (c) (44(c) amended) **Scope 3 GHG emissions** from significant **Scope 3 categories** as a total and per category;
33. (AR 43(c), AR 45(e) and AR 46(f) amended) The undertaking shall disclose its biogenic CO₂ emissions from the combustion or biodegradation of biomass separately from the emission scopes.

APPLICATION REQUIREMENTS – AR

AR 19 for para. 32 (Emissions reporting boundary)	The organisational boundary to be used in disclosing paragraph 32 shall be the reporting undertaking as defined in ESRS 1, paragraph 60, which is equivalent to the financial control (consolidation) boundary of the GHG Protocol.
AR 20 for para. 32 (Emissions reporting boundary)	(50 amended) When, due to specific facts and circumstances, the information reported in paragraph 32(a)(b) for the reporting undertaking (equivalent to the financial control organisational boundary) fails to convey a fair presentation of the emissions deriving from operated assets that are outside the reporting undertaking, the undertaking shall also separately disclose its Scope 1 and Scope 2 GHG emissions based on the operational control (consolidation) boundary, as defined in the GHG Protocol Corporate Standard (2004).

⁴ Based on Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources.

AR 21 for para. 32 (Emissions reporting boundary)	Emissions connected with assets and liabilities of joint operations that are recognised on balance sheets are classified as own operations and calculated on the basis of the accounting share of financial risks and rewards. (AR 39 amended) When preparing the information for reporting GHG emissions, the undertaking shall: (a) (AR 39(a) amended) consider the GHG Protocol Corporate Standard (2004). The undertaking can also consider Commission Recommendation (EU) 2021/2279⁵ or EN ISO 14064-1:2018. If the undertaking already applies the GHG accounting methodology of ISO 14064-1:2018, it shall nevertheless comply with the requirements of this Standard (e.g. regarding reporting boundaries); (b) include emissions of CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, and NF₃. Additional GHGs may be considered when significant; (c) use the most recent Global Warming Potential (GWP) values published by the IPCC based on a 100-year time horizon to calculate CO₂eq emissions of non-CO₂ gases. If emission factors based on older GWP values are the most suitable or available, undertakings can use these and explain under ESRs 2 GDR-M, paragraph 42, which GWPs the GHG inventory is based on; (e) (AR 43(d), AR 45(f) and AR 46(k) amended) not include any removals, any purchased, sold or transferred carbon credits or GHG allowances in the calculation of GHG emissions; and (f) (AR 43(c) amended) include biogenic emissions from the combustion or biodegradation of biomass (in particular, CH₄ and N₂O).
AR 22 for para. 32 and para 31 (Emissions reporting)	
AR 23 for para. 32(a) (Scope 1 EU ETS emissions)	(AR 43(e) amended) For activities reporting under the EU ETS, undertakings shall report on Scope 1 emissions following the EU ETS methodology. The EU ETS methodology may also be applied to activities in geographies and sectors that are not covered by the EU ETS. (AR 44.) When preparing the information on the percentage of Scope 1 GHG emissions from regulated emission trading schemes required under paragraph 32, the undertaking shall: (a) consider GHG emissions from the installations it operates that are subject to regulated Emission Trading Schemes ('ETS'), including the EU-ETS, national ETS and non-EU ETS, if applicable; (b) ensure the same accounting period for gross Scope 1 GHG emissions and GHG emissions regulated under the ETS; and (c) calculate the share by using the following formula: GHG Emissions in (t CO₂eq) from EU ETS installations + national ETS installations + non-EU ETS installations (divided by) Scope 1 GHG emissions (t CO₂eq)
AR 24 for para. 32(a) (Scope 1 emissions reporting)	

⁵Commission Recommendation (EU) 2021/2279 of 15 December 2021 on the use of the Environmental Footprint methods to measure and communicate the life cycle environmental performance of products and organisations (OJ L 471, 30.12.2021, p. 1).

AR 25 for para. 32(b) (Scope 2 emissions reporting)	(AR 45 amended) When preparing the information on gross Scope 2 GHG emissions required under paragraph 32, the undertaking shall: (a) (AR 45(a) amended) take into account the principles and requirements of the GHG Protocol Scope 2 Guidance (Version 2015, particularly the Scope 2 quality criteria in Chapter 7.1 relating to contractual instruments). The undertaking can also consider Commission Recommendation (EU) 2021/2279 or the relevant requirements for the quantification of indirect GHG emissions from imported energy in EN ISO 14064-1:2018; and (b) (AR 45(d) amended) reflect the share and types of contractual instruments it has used to purchase energy or to claim specific attributes about it in its Scope 2 market-based figure, taking also E1-7, AR 18(j), into account.
AR 26 for para. 32(c) (Scope 3 emissions reporting)	When preparing the information on gross Scope 3 GHG emissions required under paragraph 32, the undertaking shall adopt the following calculation approaches: (a) (AR 45(a) amended) consider the principles and provisions of the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011). The undertaking can also consider Commission Recommendation (EU) 2021/2279 or the relevant requirements for the quantification of indirect GHG emissions from EN ISO 14064-1:2018; (b) screen its total Scope 3 GHG emissions based on the 15 Scope 3 categories identified by the GHG Protocol Corporate Standard and GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011) using appropriate estimates. Alternatively, it may screen its indirect GHG emissions based on the categories provided by EN ISO 14064-1:2018, Clause 5.2.4 (excluding indirect GHG emissions from imported energy); (c) identify and disclose its significant Scope 3 categories based on the magnitude of their estimated GHG emissions and other criteria provided by the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011, p. 61 and 65-68) or EN ISO 14064-1:2018, Annex H.3.2, such as financial spend, influence, related transition risks and opportunities or stakeholder views; (d) (AR 45(f) amended) prioritise direct measurement of Scope 3 GHG emissions and, where this is not possible, further prioritise their inputs and assumptions based on the characteristics of the data (e.g. data from specific activities within the entity's value chain, timely data that faithfully represents the jurisdiction of, and the technology used for, the value chain activity and its GHG emissions, and data that has been verified); (e) update Scope 3 GHG emissions in each significant category every year on the basis of current activity data and update the full Scope 3 GHG inventory at least every three years or on the occurrence of a significant event or a significant change in circumstances; (f) (AR 46(b) amended) if it reports financed emissions, consider the GHG Accounting and Reporting Standard for the Financial Industry from the Partnership for Carbon Accounting Financial (PCAF), specifically Part A <i>Financed Emissions</i> (Version December 2022); and (g) (AR 51 amended) if significant, disclose GHG emissions from purchased cloud computing and data centre services as a subset of the

	overarching Scope 3 category 'upstream purchased goods and services'.																																																																						
AR 27 for para. 31 and para. 32 (Emissions disaggregation)	(AR 41 and AR 49 amended) The undertaking shall disaggregate information on its GHG emissions in accordance with the provisions of ESRs 1, Section 3.7, for common and relevant categories used for disaggregation of GHG emissions, which include reporting by country, operating segments, economic activity, subsidiary, GHG (CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , and other GHGs considered by the undertaking) or source type (stationary combustion, mobile combustion, process emissions and fugitive emissions).																																																																						
	(AR 48 amended) The undertaking may present its GHG emissions disaggregated by Scopes 1 and 2 and significant Scope 3 in accordance with the table below, populating the rows as relevant in line with its disclosures under paragraph 32. A comparison of the undertaking's emissions over time may be performed by comparing current year emissions to a meaningful comparative, for example a GHG emission reduction target base year, indicating the percentage change (reduction/increase) in the corresponding column.																																																																						
	<table><tr><th></th><th colspan="2">Comparative</th><th>Current Year</th><th>% Change</th></tr><tr><th></th><th>Year</th><th>Emissions</th><th>Emissions</th><th></th></tr><tr><td>Scope 1 GHG emissions</td><td></td><td></td><td></td><td></td></tr><tr><td>Gross Scope 1 GHG emissions (tCO₂eq)</td><td></td><td></td><td></td><td></td></tr><tr><td>Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)</td><td></td><td></td><td></td><td></td></tr><tr><td>Scope 2 GHG emissions</td><td></td><td></td><td></td><td></td></tr><tr><td>Gross location-based Scope 2 GHG emissions (tCO₂eq)</td><td></td><td></td><td></td><td></td></tr><tr><td>Gross market-based Scope 2 GHG emissions (tCO₂eq)</td><td></td><td></td><td></td><td></td></tr><tr><td>Significant scope 3 GHG emissions</td><td></td><td></td><td></td><td></td></tr><tr><td>Total gross indirect (Scope 3) GHG emissions (tCO₂eq)</td><td></td><td></td><td></td><td></td></tr><tr><td>1. Purchased goods and services</td><td></td><td></td><td></td><td></td></tr><tr><td>[Optional sub-category: Cloud computing and data centre services</td><td></td><td></td><td></td><td></td></tr><tr><td>2. Capital goods</td><td></td><td></td><td></td><td></td></tr><tr><td>3. Fuel and energy-related activities (not included in Scope1 or Scope2)</td><td></td><td></td><td></td><td></td></tr></table>		Comparative		Current Year	% Change		Year	Emissions	Emissions		Scope 1 GHG emissions					Gross Scope 1 GHG emissions (tCO ₂ eq)					Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)					Scope 2 GHG emissions					Gross location-based Scope 2 GHG emissions (tCO ₂ eq)					Gross market-based Scope 2 GHG emissions (tCO ₂ eq)					Significant scope 3 GHG emissions					Total gross indirect (Scope 3) GHG emissions (tCO ₂ eq)					1. Purchased goods and services					[Optional sub-category: Cloud computing and data centre services					2. Capital goods					3. Fuel and energy-related activities (not included in Scope1 or Scope2)				
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	4. Upstream transportation and distribution			
	5. Waste generated in operations			
	6. Business traveling			
	7. Employee commuting			
	8. Upstream leased assets			
	9. Downstream transportation			
	10. Processing of sold products			
	11. Use of sold products			
	12. End-of-life treatment of sold products			
	13. Downstream leased assets			
	14. Franchises			
	15. Investments			

Disclosure Requirement E1-9 – GHG removals and GHG mitigation projects financed through carbon credits

34. (57 amended) The objective of this DR is to provide an understanding of: (1) the undertaking's actions to reduce and permanently remove GHGs from the atmosphere; and, (2) the extent and quality of **carbon credits** it has purchased or intends to purchase from the voluntary market.
35. (58 amended) If it has implemented **GHG removal and storage** projects, the undertaking shall disclose information about GHG removal projects it has developed in its own operations or contributed to in its upstream and downstream **value chain**, including:
- (a) a brief description of the **GHG removal and storage projects**;
 - (b) the amount of GHG removals and storage resulting from those projects;
 - (c) the assumptions regarding permanence and how the risk of non-permanence is managed, including determining and monitoring leakage and reversal events as appropriate; and
 - (d) disclose any reversals (in tCO₂-e) that may have occurred in the reporting period and decrease the amount of CO₂ removed and stored by the same amount;
36. (59 amended) If applicable, the undertaking shall disclose information about projects outside its **value chain** that it has financed or intends to finance through any purchase of **carbon credits**, including:
- (a) the amount of carbon credits that are verified against recognised quality standards and cancelled in the reporting period;
 - (b) the amount of carbon credits planned to be cancelled in the future; and
 - (c) (AR 62(a) amended) the share (percentage of volume) of removal projects, with an explanation of whether they are from nature-based or technological sinks.
37. (61 amended) In the case where the undertaking has made public claims of GHG neutrality that involve the use of **carbon credits**, it shall explain:

(Anticipated financial effects)	(a) consider the time horizons (short-, medium- and long-term) over which the effects of climate-related risks and opportunities could reasonably be expected to occur; (b) include all types of assets including finance-lease / right-of-use assets; (c) present the monetary amounts (or percentages) as either a single amount or range; (d) for paragraph 41(c), present the energy efficiency class in terms of either ranges of energy consumption in kWh/m² or the EPC (Energy Performance Certificate) label class. If the undertaking cannot obtain this information based on its best efforts, it shall disclose the total carrying amount of the real estate assets for which the energy consumption is based on internal estimates.
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Appendix
Voluntary disclosures

VOLUNTARY DISCLOSURE

(53 amended) The undertaking may disclose its gross GHG emissions intensity (per unit of products and/or services). (AR 53 amended) This may be expressed on the basis of production, net revenue or another relevant business metric, for example emissions per unit of production.

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Draft Amended Non-Mandatory Illustrative Guidance ESRs E1 Climate
Change UNAPPROVED Working document
(E1 V1.6)

DRAFTING PROCESS FOR THE WORKING DOCUMENTS SO FAR

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DISCLAIMER ON THE STATUS OF THIS UNAPPROVED DOCUMENT

This working document does not represent an EFRAG view at this stage. This “V1.6” draft is now made public as Working Document for the SR TEG discussions on 9/10 July and the SRB discussions on 14/16 July 2025. They are not to be considered as Exposure Drafts yet. They are unapproved and still subject to change reflecting the discussions in those meetings and for editorial and quality review that has not yet taken place. In addition, they are not accompanied by the necessary explanatory documents that are still being prepared and will accompany the Exposure Draft.

EFRAG recommends stakeholders that intend to contribute to the consultation to plan their review on the Exposure Drafts once they are issued, as they will benefit from the final content and from explanatory content.

REVISED STRUCTURE AND DRAFTING CONVENTIONS

As compared to the ESRs Set 1 (adopted in July 2023), the structure of the standards has been revised and streamlined. In particular:

- All the “shall disclose/shall include/shall report/shall describe/shall explain” have been considered as and simplified. They are presented in the main body of the standard. They have been counted as separate datapoints.
- Below the text of each Disclosure Requirement in topical standards (or section for ESRs 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is still named “Application Requirements” (AR). This includes “shall consider” as element of methodology for preparing the disclosure and “may (present)” for presentation options.
- Non mandatory appendices have been maintained in ESRs 1 on an exceptional basis, given their importance (former AR 16).

- All the “may” disclosures have been either eliminated or moved to another category (either deleted or moved to guidance), except for a few of them which are exceptionally still being considered.
- All the non-mandatory content has been moved to separate documents named “Non-Mandatory Illustrative Guidance (NMIG)”. While the four points above are drafted to become part of the delegated act, the legal status of the NMIG remains open from an EFRAG’s standpoint (either as appendices in the delegated act or as documents issued independently of the delegated act) and will be considered by the EC in due course.

HOW TO READ THIS DOCUMENT

The paragraph numbering has been revised to reflect the draft amendments. Where applicable, the previous Set 1 paragraph numbers are indicated in brackets – for example, ‘4, (24)’ or ‘4, (24, amended)’.

NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on E1-2 Climate-related risks and scenario analysis

When disclosing information on the process used to identify **physical risks**, the undertaking might refer to the categories of climate-related hazards in the table below.

NMIG 1 for para. 17 (physical climate-related hazards)	Classification of climate-related hazards		
	Type	Chronic hazards	Acute hazards
	Temperature-related	Changing temperature (air, <i>freshwater</i> , marine); heat stress; temperature variability; permafrost thaw	Heatwaves; cold spells / frost; wildfires
	Wind-related	Changing wind patterns	Cyclones, hurricanes; typhoons; storms (blizzards, dust/sandstorms), tornadoes)
	Water-related	Changing precipitation patterns and variability; ocean acidification; saline intrusion; sea level rise; water stress	Drought; heavy precipitation (rain, hail, snow); floods (coastal, river, surface, groundwater); glacial lake outbursts
Solid mass-related	Coastal erosion; soil degradation / erosion; solifluction	Avalanches; landslides; subsidence	

When disclosing information on the process used to identify **transition risks**, the undertaking might refer to the examples of climate-related transition events in the table below.

NMIG 2 for para. 17 (climate-related transition events)	Examples of climate-related transition events			
	Policy and legal	Technology	Market	Reputation
	- Increased pricing of GHG emissions - Enhanced emissions-reporting obligations - Mandates on and regulation of existing products and services - Mandates on and regulation of existing production processes - Exposure to litigation	- Substitution of existing products and services with lower emissions options - Unsuccessful investment in new technologies - Costs of transition to lower emissions technology	- Changing customer behaviour - Uncertainty in market signals - Increased cost of raw materials	- Shifts in consumer preferences - Stigmatisation of sector - Increased stakeholder concern - Negative stakeholder feedback

NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on E1-4 Policies related to climate change	
NMIG 3 for para. 22 (Policies related to climate change)	(25 amended) When disclosing on policies related to climate change , the undertaking shall enable users of the sustainability statements an understanding of: (a) how they address climate change mitigation ; (b) how they address climate change adaptation ; (c) how they address energy.
NMIG 4 for para. 22 (Policies related to climate change)	(AR 17 amended) Policies related to climate change mitigation address the management of the undertaking's greenhouse gas ('GHG') emissions, GHG removals and transition risks over different time horizons in its own operations and/or in the upstream and downstream value chain. Policies related to climate change adaptation address the management of the undertaking's physical climate risks and of its transition risks related to climate change adaptation.
NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on E1-5 Actions and resources in relation to climate change	
NMIG 5 for para. 24 (Financial resources)	(amended AR 20) As per ESRs 2 AR 29, information on resource allocation can be broken down between: (a) capital expenditure and operating expenditure. In this case, if disclosing CapEx and OpEx, only significant amounts required for the implementation of the key actions are needed, as the purpose of this information is to demonstrate the credibility of the undertaking's actions rather than to reconcile the disclosed amounts to the financial statements; (b) resources applied in the current reporting year, in which case CapEx and OpEx amounts shall be the additions made to both tangible and intangible assets during the current financial year; (c) the planned allocation of resources over specific time horizons, covering future periods of implementing actions and where the figures can be reported as ranges, given their higher uncertainty.
NMIG 6 for para. 24 (Financial resources)	(amended AR 22) Undertakings can fulfil their reporting obligations under ESRs 2 GDR-A, paragraph 37, by referring to their CapEx and OpEx key performance indicators and, if applicable, the CapEx plan required by EU Taxonomy (Commission Delegated Regulation (EU) 2021/2178). The undertaking can 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 can 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.
NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on E1-6 Targets related to climate change	

NMIG 7 for para. 26 (Intensity target)	(AR 23 amended) Intensity targets are formulated as ratios of GHG emissions relative to a unit of physical activity or economic output. Relevant units of activity or output are dependent on the activities the undertaking conducts as well as common and best practice in the sector.
NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on E1-7 Energy consumption and mix	
NMIG 8 for para. 28 (Renewable sources)	When disclosing total energy consumption from renewable sources, the following are possible elements to cover: (a) fuel consumption from renewable sources including biomass (also comprising industrial and municipal waste of biologic origin), biofuels, biogas, hydrogen from renewable sources, etc.; (b) consumption of purchased or acquired electricity, heat, steam and cooling from renewable sources; and (c) consumption of self-generated non-fuel renewable energy.
NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on E1-8 Gross scopes 1, 2, 3 emissions	
NMIG 9 for para. 32 (Emissions reporting boundary)	(AR 40 amended) When preparing the information for reporting GHG emissions as required by AR 20, the undertaking might consolidate 100% of the GHG emissions of the entities it operationally controls. In practice, this happens when the undertakings holds the license – or permit – to operate assets. When it has a contractually defined part-time operational control , it shall consolidate 100% of the GHGs emitted during the time of its operational control.
NMIG 10 for para. 32 (Contractual instruments)	Contractual instruments are any type of contract between an undertaking and another party for the sale and purchase of energy bundled with attributes about the energy generation or for unbundled energy attribute claims (unbundled energy attribute claims relate to the sale and purchase of energy that is separate and distinct from the GHG attribute contractual instruments).
NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on E1-9 GHG removals and GHG mitigation projects financed through carbon credits	
NMIG 11 for para. 34 and 35 (GHG removals and carbon credits)	While there are no generally accepted concepts and methodologies for accounting for GHG removals, this Standard aims to increase transparency on the undertaking's efforts to remove GHGs from the atmosphere (paragraph 35). The GHG removals outside the value chain that the undertaking supports through the purchase of carbon credits are to be disclosed separately, as required by paragraph 34.
NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on E1-10 Internal carbon pricing	

NMIG 12 for para. 38 (Internal carbon pricing)	When disclosing the information required under paragraph 38, the undertaking might: (a) assess the materiality of internal carbon pricing based on its exposure to carbon pricing risks and opportunities; (b) where disclosure of specific internal carbon pricing values or detailed governance processes is deemed critical to business or sensitive, provide a high-level qualitative description of its internal carbon pricing approach and an explanation of why detailed figures are omitted, in line with ESRs confidentiality and materiality provisions. A statement indicating that more detailed information is available internally (e.g. to auditors or regulators under confidentiality) can also be used.
NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on E1-11 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	(amended AR 75) Other approaches and methodologies might be applied to assess how transition risks might affect the future financial position of the undertaking. In any case, the disclosure of anticipated financial effects shall include a description of the methodologies and definitions used by the undertaking.
NMIG 13 for para. 41 (Transition risk)	(amended AR 74) The following are examples of information to be disclosed on potential liabilities from material transition risks required under paragraph 41(d): (a) undertakings that operate installations regulated under an emission trading scheme might include a range of potential future liabilities originating from these schemes; (b) undertakings subject to the EU ETS might disclose potential future liabilities that relate to their allocation plans for the period before and until 2030 based on: i. the number of allowances held by the undertaking at the beginning of the reporting period; ii. the number of allowances to be purchased in the market yearly, i.e. before and until 2030; iii. the gap between estimated future emissions under various transition scenarios and free allocations of allowances that are known for the period until 2030; and iv. the estimated yearly cost per tonne of CO₂ for which an allowance needs to be purchased; (c) the number of Scope 1 GHG emission allowances within regulated emission trading schemes and the cumulative number of emission allowances stored (from previous allowances) at the beginning of the reporting period; (d) undertakings disclosing volumes of carbon credits planned to be cancelled in the near future (Disclosure Requirement E1-9) might disclose potential future liabilities associated with those based on existing contractual agreements; (e) monetised gross Scope 1, 2 and total GHG emissions (in monetary units) calculated as follows:
NMIG 14 for para. 41(d) (Potential liability)	(c) the number of Scope 1 GHG emission allowances within regulated emission trading schemes and the cumulative number of emission allowances stored (from previous allowances) at the beginning of the reporting period; (d) undertakings disclosing volumes of carbon credits planned to be cancelled in the near future (Disclosure Requirement E1-9) might disclose potential future liabilities associated with those based on existing contractual agreements; (e) monetised gross Scope 1, 2 and total GHG emissions (in monetary units) calculated as follows:

	i. monetised Scope 1 and 2 GHG emissions in the reporting year by the following formula: $(a) \quad \frac{(\text{gross Scope 1 GHG emissions (t CO}_2\text{eq)} + \text{gross Scope 2 GHG emission (t CO}_2\text{eq)})}{\text{GHG emission cost rate (t CO}_2\text{eq)}} \times \text{GHG emission cost rate (t CO}_2\text{eq)}$ ii. monetised total GHG emissions in the reporting year by the following formula: $(b) \quad \text{Total GHG emissions (t CO}_2\text{eq)} \times \text{GHG emission cost rate (t CO}_2\text{eq)}$ iii. by use of a lower, middle and upper cost rate for GHG emissions (e.g. market carbon price and different estimates for the societal costs of carbon) and the reasons for selecting them.
NMIG 15 for para. 41(e) (Revenue at transition risk)	(amended AR 76) When disclosing the revenue from business activities at transition risk, the undertaking might present a breakdown of its business activities with the corresponding details of the associated percentage of current net revenue, risk factors (events and exposure) and, when possible, the anticipated financial effects related to margin erosion over the short, medium and long term. The nature of business activities might also be disaggregated by operating segments if the undertaking has disclosed the contribution of margins by operational segments in its segment reporting in the financial statements.
NMIG 16 for para. 42 (Climate-related opportunity)	(amended 69) When disclosing on climate-related opportunities, the undertaking can consider expected cost savings from climate change mitigation and adaptation actions as well as potential market size, expected changes to revenue from low-carbon products and services or adaptation solutions to which the undertaking has or might have access.

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Draft Amended ESRs E2 Pollution Exposure Draft UNAPPROVED

Working documents (E2 - V1.6)

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REVISED STRUCTURE AND DRAFTING CONVENTIONS

As compared to the ESRs Set 1 (adopted in July 2023), the structure of the standards has been revised and streamlined. In particular:

- All the “shall disclose/shall include/shall report/shall describe/shall explain” have been considered and simplified. They are presented in the main body of the standard. They have been counted as separate datapoints.
- Below the text of each Disclosure Requirement in topical standards (or section for ESRs 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is still named “Application Requirements” (AR). This includes “shall consider” as element of methodology for preparing the disclosure and “may (present)” for presentation options.
- Non mandatory appendices have been maintained in ESRs 1 on an exceptional basis, given their importance (former AR 16).

- All the “may” disclosures have been either eliminated or moved to another category (either deleted or moved to guidance), except for a few of them which are exceptionally still being considered.
- All the non-mandatory content has been moved to separate documents named “Non-Mandatory Illustrative Guidance (NMIG)”. While the four points above are drafted to become part of the delegated act, the legal status of the NMIG remains open from an EFRAG’s standpoint (either as appendices in the delegated act or as documents issued independently of the delegated act) and will be considered by the EC in due course.

How to read the document

The paragraph numbering has been revised to reflect the draft amendments. Where applicable, the previous Set 1 paragraph number is indicated in brackets—for example, ‘4, (24)’ or ‘4, (24, amended)’.

Objective

1. When reporting in accordance with ESRs, the **sustainability statement** shall cover the following items of information, in relation to E2 '**Pollution**', when this topic is related to material **impacts, risks and opportunities**. The disclosure on the material **impacts, risks and opportunities** is expected to cover **policies, actions and targets** (if in place), **dependencies** when relevant, **metrics** and the related **financial effects**.
2. The objective of this Standard is to specify Disclosure Requirements ('DRs') in relation to these items of information, that are not covered in ESRs 2.
3. When only one of the sub-topics covered by this Standard is material, the undertaking shall report only on that sub-topic.
4. The Standard sets out the DRs related to **pollution** and in particular, with respect to the following sub-topics: pollution of air, pollution of water and pollution of **soil, microplastics; and substances of concern ('SoC')**, including **substances of very high concern ('SVHC')**.
5. The undertaking shall apply the provisions of ESRs 2 paragraphs from 30 to 33 and GDR- P, GDR-A and GDR-T. In particular:
 - (a) if the undertaking has not adopted **policies, actions and targets** with reference to a **topic** related to material **impacts, risks and opportunities**, it shall disclose this fact; and
 - (b) the undertaking may present the description of its material **impacts, risks and opportunities**, in accordance with ESRs 2 IRO-2, alongside information about its **policies, actions, targets and metrics** through which it addresses them, to avoid duplication and support a coherent narrative.
6. In this standard, each Disclosure Requirement is introduced by a disclosure objective, with the exception of **policies, actions and targets**, for which the provisions in GDR- P, GDR-A and GDR-T provide the necessary framing for the relevant disclosures.
7. [3., 4., 5. amended] **Pollution** of air, pollution of water, and pollution of **soil** refer to the undertaking's **emissions**, respectively, into air, water and soil, as well as to the prevention, control and reduction of such emissions. Emissions to water includes both **freshwater** as well as marine water (the ocean).
8. [6. amended] DRs on **substances of concern**, including **substances of very high concern** aim at providing **users** with an understanding of the related actual or potential **impacts**, also considering possible restrictions on their production, use, distribution and/or commercialisation.
9. The objective of this standard shall also enable **users** of the **sustainability statement** to understand the plans and capacity of the undertaking to adapt its strategy and **business model** in line with:
 - (a) EU Action Plan 'Towards a Zero Pollution for Air, Water and Soil';
 - (b) Chemicals Strategy for Sustainability Towards a Toxic-Free Environment;
 - (c) Kyiv Protocol on Pollutant Release and Transfer Registers;
 - (d) IEPR (Regulation 166/2006/EC and amendments in Regulation 2024/1244/EU);
 - (e) IED (Directive 2010/75/EU and amendments in Directive 2024/1785);
 - (f) REACH (Regulation 1907/2006/EC and amendments on **microplastics** in Commission Regulation 2023/2055/EU); and
 - (g) CLP (Regulation 1272/2008/EC).
10. Location-specific considerations are particularly important in relation to **pollution**. The disaggregation of reported information by key **site** or asset, in accordance with ESRs 1 paragraph 53, is particularly relevant when pollution-related material **impacts, risks or opportunities** materialise at that level.

Interactions with other ESRs

11. (7. amended) Social and environmental topics closely interact with each other. The main points of interaction between E2 and the different ESRs topical standards are the following:

- (a) ESRs E1 *Climate change* addresses **emissions** to air from the following seven **greenhouse gases ('GHGs')**: carbon dioxide ('CO₂'), methane ('CH₄'), nitrous oxide ('N₂O'), hydrofluorocarbons ('HFCs'), perfluorocarbons ('PFCs'), sulphur hexafluoride ('SF₆') and nitrogen trifluoride ('NF₃'). These GHGs' emissions are not to be included in disclosures to E2-4.
- (b) ESRs E3 *Water* addresses the use of water resources, including through the volume of **water discharges**. However, **pollutants**, including, **microplastics**, emitted to water (**freshwater** and ocean) are addressed in ESRs E2.
- (c) ESRs E4 *Biodiversity and ecosystems* addresses **pollution** as a direct **impact driver of biodiversity loss**, addressing the impacts, **risks and opportunities** from pollution on **ecosystems** and biodiversity, while **pollutant emissions** are addressed in ESRs E2.
- (d) ESRs E5 *Resource use and circular economy* addresses resources use and the transition to a circular economy but does not address **emissions of pollutants** generated in resource extraction, transformation and use as well as from **waste**, which are covered by ESRs E2.
- (e) [8. amended] ESRs S3 *Affected communities* addresses the undertaking's **pollution-related impacts**, as they may affect people and communities, and also the human right to a clean, healthy and sustainable environment is covered across ESRs S1, ESRs S2, ESRs S3 and ESRs S4.

Disclosure Requirements

Impact, risk and opportunity management

Disclosure Requirement E2-1 – Policies related to pollution

12. (14. amended) The undertaking shall disclose its **pollution-related policies** in accordance with the provisions of ESRs 2 GDR-P.

Disclosure Requirement E2-2 – Actions and resources related to pollution

13. (18. amended) The undertaking shall disclose its key **pollution-related actions** and significant resources allocated to the implementation of these actions, in accordance with the provisions of ESRs 2 GDR-A.

Metrics and targets

Disclosure Requirement E2-3 – Targets related to pollution

14. (22. amended) The undertaking shall disclose its **pollution-related targets** in accordance with the provisions of ESRs 2 GDR-T.

Disclosure Requirement E2-4 – Pollution of air, water and soil

15. (27. amended) The objective of this DR is to help **users** understand the **pollutant emissions** of the undertaking to air, water and **soil**, and of the manufacturing, use, and release into the environment of **microplastics**.

16. (28. amended) The undertaking shall disclose:

- (a) the amounts of any material **pollutant emissions** to air, water and **soil** from its regular operations and **incidents** in the reporting period;
- (b) in terms of **microplastics**:
 - i. the quantities of primary **microplastics** manufactured or used in products, and separately, those directly released into the environment; and/or
 - ii. information on secondary **microplastics** resulting from the breakdown of larger plastic items from the products of the undertaking.

APPLICATION REQUIREMENTS – AR

AR 1 for para. 16 (Pollution of air, water and soil)	The pollutants shall be presented in appropriate mass units, e.g. tonnes or kilograms.
AR 2 for para. 16 (a) (Pollution of air, water and soil)	The pollutants to be considered for reporting under E2-4, paragraph 16 (a) are those from Annex II of Regulation (EU) 2024/1244 (Industrial Emissions Portal Regulation) that are applicable to the undertaking, complemented by pollutants it measures and monitors based on environmental permits. It can include additional pollutants that it considers material.
AR 3 for para. 16 (a) (Pollution of air, water and soil)	When determining whether the emission of a specific pollutant is material, the undertaking can consider the thresholds for releases in Annex II of Regulation (EU) 2024/1244.
AR 4 for para. 16 (a) (Pollution of air, water and soil)	Pollutant emissions in the upstream or downstream value chain that the undertaking considers material shall be reported under this paragraph, identified as emissions in upstream/downstream value chain. Transfers of water pollutants to external treatment plants qualify as pollution in downstream value-chain.
AR 5 for para. 16 (a) (Pollution of air, water and soil)	When disclosing on E2-4, paragraph 16 (a), the undertaking shall consider its activities resulting in pollution in areas at water risk , including areas of high-water stress , and, if this is the case, the need to provide an entity-specific disclosure (ESRS 1 paragraph 10) related to the percentage of total emissions of pollutants to water and soil occurring in those areas.
AR 6 for para. 16 (b) (Pollution of air, water and soil)	When reporting on secondary microplastics (i.e. those resulting from the breakdown of larger plastic items, or being unintentionally produced throughout the product life cycle, including unintentionally through losses of plastic pellets) under 13(b)(ii), the undertaking may disclose qualitative or quantitative information, including through estimations.

Disclosure Requirement E2-5 – Substances of concern and substances of very high concern

17. (33. amended) The objective of this DR is to help **users** understand the undertaking's material **impacts** on health and the environment, and connected **risks** and **opportunities** stemming from the manufacturing, trading or use **substances of concern** and **substances of very high concern** including **risks** arising from changes in regulations.
18. (34. amended) Manufacturers and importers of **substances** on their own and in mixtures shall disclose the total weight of **substances of concern**, and separately, the total weight of **substances of very high concern**, that are:
- (a) procured or manufactured as **substances** on their own or in mixtures;
 - (b) sold as **substances** on their own or in mixtures; and
 - (c) directly released into the environment (air, water, and **soil**), including any unintentional releases from leaks or spills.
19. (34. amended) Users of **substances** on their own and in mixtures shall disclose the total weight of **substances of very high concern** that they use during the production and the total weight of substances of very high concern that they directly release into the environment.
20. (35. amended) Manufacturers, importers and users of articles with **substances of very high concern** shall disclose, where applicable, the quantities of those **substances** that are:

- (a) part of procured components or articles for levels above the 0.1% threshold of Art. 33 of the REACH Regulation; and
- (b) part of sold components or articles for levels above the 0.1% threshold of Art. 33 of the REACH Regulation.

APPLICATION REQUIREMENTS – AR

AR 7 for para. 18 (Substances of concern and substances of very high concern)	The requirements in paragraph 18 apply to the undertaking that manufacture chemical substances , formulate chemical mixtures and/or operate in the retail of chemical substances.
AR 8 for para. 18, 19, 20 (Substances of concern and substances of very high concern)	The undertaking reporting on paragraphs 18, 19 and 20: (a) shall report SoC and SVHC grouped by hazard class (as per CLP Regulation 1272/2008/EC). This implies that a single substance needs to be counted under multiple hazard classes. However, in the total amounts of procured/manufactured, sold and released substances, double counting shall be avoided; and (b) can present the information on quantities of SVHC as a percentage of the total amount of SoC by hazard class, instead of the total weight.
AR 9 for para. 18, 19, 20 (Substances of concern and substances of very high concern)	The substances shall be reported in mass units, e.g. tonnes or kilograms, or other mass units appropriate for the volumes and types of pollutants being released.
AR 10 for para. 18, 19, 20 (Substances of concern and substances of very high concern)	The information provided under this DR may refer to information the undertaking is already required to report under other existing legislation (i.e. Directive 2024/1785/EU, Regulation 2024/1244/EU 'IEPR', etc.).

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Draft Amended Non-Mandatory Illustrative Guidance ESRs E2 Pollution **UNAPPROVED Working documents (E2 - V1.6)**

DRAFTING PROCESS FOR THE WORKING DOCUMENTS SO FAR

The EFRAG SRB and SR TEG provided written comments on the “V1.1” versions of the Secretariat working drafts prepared between the end of May and the first week of June. Based on those comments, the EFRAG Secretariat prepared the “V1.5” versions which were discussed in meetings mid-June by both EFRAG SR TEG and SRB.

Subsequently these versions were amended and critically reviewed by dedicated review panels. The review panels submitted the outcome of their work and the remaining points for discussion to the EFRAG SRB and SR TEG.

All agenda papers for the 9/10 July EFRAG SR TEG meeting and 14/16 July SRB meeting (“V1.6”) have been prepared by the Secretariat on the basis of (i) the “V1.5” working documents discussed by the EFRAG SRB and SR TEG, (ii) the review by the respective review panels within the SRB (with SR TEG experts when appropriate) and (iii) the subsequent discussions and decisions in the SRB. Step (i) and (ii) took place in the first week of July.

All comments shared by members in written on the “V1.5” working documents have been considered and incorporated when consistent with the SRB decisions.

DISCLAIMER ON THE STATUS OF THIS UNAPPROVED DOCUMENT

This working document does not represent an EFRAG view at this stage. This “V1.6” draft is now made public as Working Document for the SR TEG discussions on 9/10 July and the SRB discussions on 14/16 July 2025. They are not to be considered as Exposure Drafts yet. They are unapproved and still subject to change reflecting the discussions in those meetings and for editorial and quality review that has not yet taken place. In addition, they are not accompanied by the necessary explanatory documents that are still being prepared and will accompany the Exposure Draft.

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REVISED STRUCTURE AND DRAFTING CONVENTIONS

As compared to the ESRs Set 1 (adopted in July 2023), the structure of the standards has been revised and streamlined. In particular:

- All the “shall disclose/shall include/shall report/shall describe/shall explain” have been considered and simplified. They are presented in the main body of the standard. They have been counted as separate datapoints.
- Below the text of each Disclosure Requirement in topical standards (or section for ESRs 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is still named “Application Requirements” (AR). This includes “shall consider” as element of methodology for preparing the disclosure and “may (present)” for presentation options.
- Non mandatory appendices have been maintained in ESRs 1 on an exceptional basis, given their importance (former AR 16).

- All the “may” disclosures have been either eliminated or moved to another category (either deleted or moved to guidance), except for a few of them which are exceptionally still being considered.
- All the non-mandatory content has been moved to separate documents named “Non-Mandatory Illustrative Guidance (NMIG)”. While the four points above are drafted to become part of the delegated act, the legal status of the NMIG remains open from an EFRAG’s standpoint (either as appendices in the delegated act or as documents issued independently of the delegated act) and will be considered by the EC in due course.

How to read the document

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NON-MANDATORY ILLUSTRATIVE GUIDANCE ON E2-1 – Policies related to pollution

NMIG 1 for para. 12 (Policies related to pollution)	The undertaking might include the following elements when disclosing policies on pollution prevention and control: (a) how policies address pollution of air, water and soil in own operations or the value chain, including the pollutants or substances covered and how it applies the mitigation hierarchy of prevention and control; (b) how policies address substances of concern ('SoCs') or substances of very high concern ('SVHCs'), including approaches to substitute or minimise the use or to phase-out those substances. The description of the policies might include information on the pollutant(s) or substance(s) covered, however, if policies are publicly available, this level of detail might not be necessary; (c) how policies address incidents, major accidents and emergency situations, and their potential consequences for people and the environment; (d) how policies contribute or are affected by the EU Action Plan 'Towards a Zero Pollution for Air, Water and Soil' and other EU legal requirements.
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NON-MANDATORY ILLUSTRATIVE GUIDANCE ON E2-2 – Actions and resources related to pollution

NMIG 2 for para. 13 (Actions and resources related to pollution)	As guidance to the disclosure in ESRs 2, paragraph (GDR mitigation hierarchy), the undertaking might include the following elements when disclosing on actions and resources related to pollution mitigation efforts: (a) avoid and prevent pollution at source (e.g. phase out of materials or substances having a negative impact); (b) reduce and minimise pollution (e.g. phase-out of materials or substances; complying with Best Available Techniques ('BATs') and other enforcement requirements; or meeting the Do No Significant Harm ('DNSH') criteria for pollution prevention and control under the EU Taxonomy Regulation and Delegated Acts; and (c) restore, regenerate and transform ecosystems where pollution has occurred (control the impacts from both regular activities and major accidents on ecosystems, i.e., restore, regenerate and transform ecosystems).
NMIG 3 for para. 13 (Actions and resources related to pollution)	When considering resources, examples of operational expenditures could be investments in research and development to innovate and develop safe and sustainable alternatives to the use of substances of concern or to decrease emissions in a production process.

NON-MANDATORY ILLUSTRATIVE GUIDANCE ON E2-3 – Targets related to pollution

NMIG 4 for para. 14 (Targets related to pollution)	Targets might relate to the prevention and control of: (a) air pollutants and respective specific loads; (b) emissions to water and respective specific loads; and (c) pollution to soil and respective specific loads; and (d) substances of concern and substances of very high concern.
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NMIG 5 for para. 14 (Targets related to pollution)	Where relevant to support the policies it has adopted, the undertaking might provide information on the targets set at site level, as per provisions in ESRs 1, paragraph 54(b).
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NON-MANDATORY ILLUSTRATIVE GUIDANCE ON E2-4 – Pollution of air, water and soil

NMIG 6. for para. 16 (a) (Pollution of air, water and soil)	Where the undertaking's activities align with the provisions of Directive 2024/1785/EU of the European Parliament and of the Council on industrial emissions (IED 2.0) or other equivalent provisions under applicable law, irrespective of whether the activity takes place within the European Union or not, it might disclose a list of any non-compliance incidents or enforcement actions necessary to ensure compliance in case of breaches of permit conditions.
NMIG 7 for para. 16 (Pollution of air, water and soil)	A possible element of context that might be covered are the changes over time.
NMIG 8 for para. 16 (a) (Pollution of air, water and soil)	When providing contextual information on the emissions, the undertaking might consider: (a) the local air quality indices ('AQI'), water quality indices ('WQI'), and soil quality indices ('SQI') for the area where the undertaking's air, water, and soil pollution occurs; (b) the degree of urbanisation ('DEGURBA')¹ for the area where air pollution occurs.
NMIG 9 for para. 13 (Pollution of air, water and soil)	When providing information on pollutants, the undertaking might consider approaches for quantification in the following order of priority: (a) direct measurement of emissions, effluents or other pollution through the use of recognised continuous monitoring systems (e.g. Automated Measuring Systems ('AMS')); (b) periodic measurements; (c) calculation based on site-specific data; (d) calculation based on published pollution factors; and (e) estimation, when not possible to report primary data.

NON-MANDATORY ILLUSTRATIVE GUIDANCE ON E2-5 – Substances of concern and substances of very high concern

NMIG 10 for paras. 18, 19 and 20 (Substances of concern and	When disclosing in accordance with paragraph 34, the undertaking might present the information in tabular format, separately for substances of concern and for substances of very high concern , and as per example below. It is to be noted that
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¹ According to Eurostat, the Degree of urbanisation ('DEGURBA') is a classification that indicates the character of an area. Based on the share of local population living in urban clusters and in urban centres, it classifies Local Administrative Units ('LAUs' or communes) into three types of area: i) Cities (densely populated areas), ii) Towns and suburbs (intermediate density areas), and iii) Rural areas (thinly populated areas).

substances of very high concern)

not all categories below might be applicable to the undertaking, and, therefore, it should adapt it to its own circumstances.

e.g. Substances of Concern ("SoC") by Main Hazard Class				
	carcinogenic ity cat. 1 and 2	reproductiv e toxicity cat. 1 and 2	[add more category columns if necessary]	Total in 2025 *
Total amounts of SoC				
That were procured				
That were manufactured				
That were sold as products**				
That were directly released into the environment				
* A single substance might belong to one or multiple hazard classes. To avoid double counting, our total is the amount of substances and not the sum of all the hazard classes.				
** Note: XX tonnes of SoC manufactured were also sold. We, therefore, decided to allocate this amount to SoC produced to avoid double counting.				
/ One (or more) substance(s) belonging to multiple hazard classes has been double counted under each hazard class total. However, the total is the amount of substances and not the sum of all the hazard classes.				

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Draft Amended ESRs E3 Water Exposure Draft UNAPPROVED Working documents (E3 - V1.6)

DRAFTING PROCESS FOR THE WORKING DOCUMENTS SO FAR

The EFRAG SRB and SR TEG provided written comments on the "V1.1" versions of the Secretariat working drafts prepared between the end of May and the first week of June. Based on those comments, the EFRAG Secretariat prepared the "V1.5" versions which were discussed in meetings mid-June by both EFRAG SR TEG and SRB.

Subsequently these versions were amended and critically reviewed by dedicated review panels. The review panels submitted the outcome of their work and the remaining points for discussion to the EFRAG SRB and ST TEG.

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EFRA recommends stakeholders that intend to contribute to the consultation to plan their review on the Exposure Drafts once they are issued, as they will benefit from the final content and from explanatory content.

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As compared to the ESRs Set 1 (adopted in July 2023), the structure of the standards has been revised and streamlined. In particular:

- All the "shall disclose/shall include/shall report/shall describe/shall explain" have been considered and simplified. They are presented in the main body of the standard. They have been counted as separate datapoints.
- Below the text of each Disclosure Requirement in topical standards (or section for ESRs 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is still named "Application Requirements" (AR). This includes "shall consider" as element of methodology for preparing the disclosure and "may (presently)" for presentation options.

- Non mandatory appendices have been maintained in ESRs 1 on an exceptional basis, given their importance (former AR 16).
- All the “may” disclosures have been either eliminated or moved to another category (either deleted or moved to guidance), except for a few of them which are exceptionally still being considered.
- All the non-mandatory content has been moved to separate documents named “Non-Mandatory Illustrative Guidance (NMIG)”. While the four points above are drafted to become part of the delegated act, the legal status of the NMIG remains open from an EFRAG’s standpoint (either as appendices in the delegated act or as documents issued independently of the delegated act) and will be considered by the EC in due course.

How to read the document

The paragraph numbering has been revised to reflect the draft amendments. Where applicable, the previous Set 1 paragraph number is indicated in brackets—for example, ‘4. (24)’ or ‘4. (24, amended)’.

Objective

1. When reporting in accordance with ESRs, the **sustainability statement** shall cover information in relation to E3 ‘**Water**’, when this **topic** is related to material **impacts, risks and opportunities**. The disclosure on the material impacts, risks and opportunities is expected to cover **policies, actions and targets** (if in place), **dependencies** when relevant, **metrics** and the related **financial effects**.
2. The objective of this Standard is to specify Disclosure Requirements (‘DRs’) in relation to these items of information, that are not covered in ESRs 2.
3. When only one of the sub-topics covered by this Standard is material, the undertaking shall report only on that sub-topic.
4. This Standard sets out DRs related to **water** and in particular, with respect to the following sub-topics: **water withdrawals; water consumption; water discharges; and water storage**.
5. The undertaking shall apply the provisions of ESRs 2 paragraphs from 30 to 33 and GDR-P, GDR-A and GDR-T. In particular:
 - (a) if the undertaking has not adopted **policies, actions and targets** with reference to a **topic** related to material **impacts, risks and opportunities**, it shall disclose this fact; and
 - (b) the undertaking may present the description of its material **impacts, risks and opportunities**, in accordance with ESRs 2 IRO-2, alongside information about its **policies, actions, targets** and **metrics** through which it addresses them, to avoid duplication and support a coherent narrative.
6. In this standard, each DR is introduced by a disclosure objective, with the exception of **policies, actions and targets**, for which the provisions in GDR-P, GDR-A and GDR-T provide the necessary framing for the relevant disclosures.
7. (2, amended) The term ‘water’ refers to **surface water, groundwater** and marine waters.
8. The objective of this Standard shall also enable **users of the sustainability statement** to understand the plans and capacity of the undertaking to adapt its strategy and **business model** in line with:
 - (a) the EU Water Framework Directive (Directive 2000/60/EC);
 - (b) the EU Drinking Water Directive (Directive 2020/2184/EU);
 - (c) the EU Water Resilience Strategy, and the Eco-Management and Audit Scheme (EMAS) Regulation (Regulation 1221/2009/EC);
 - (d) UN Watercourses Convention (1997); and
 - (e) UNECE Water Convention (1992).
9. Location-specific considerations are particularly important in relation to **water**. The disaggregation of reported information by key **site** or asset, in accordance with ESRs 1 paragraph 53, is particularly relevant when water-related material **impacts, risks or opportunities** materialise at that level.

Interactions with other ESRs

10. (7, amended) Social and environmental topics closely interact with each other. The main points of interaction between E3 **Water** and the different ESRs topical standards are the following:
 - (a) ESRs E1 *Climate Change* addresses acute and chronic physical **risks** which arise from water and ocean-related hazards caused or exacerbated by climate change, including increasing water temperature, changing precipitation patterns and types, precipitation or hydrological variability, ocean acidification, saline intrusion, sea level rise, drought, high-water stress, heavy precipitation, flood and glacial lake outbursts;
 - (b) ESRs E2 *Pollution* addresses the **emissions** to water, including emissions to oceans, and the use, generation and release of **microplastics**;
 - (c) ESRs E4 *Biodiversity and ecosystems* addresses the conservation and sustainable use of and **impact on freshwater** aquatic **ecosystems** as well as the oceans and seas;

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Draft Amended Non-Mandatory Illustrative Guidance ERS E3 Water
UNAPPROVED Working documents (E3 V1.6)

DRAFTING PROCESS FOR THE WORKING DOCUMENTS SO FAR

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REVISED STRUCTURE AND DRAFTING CONVENTIONS

As compared to the ERS Set 1 (adopted in July 2023), the structure of the standards has been revised and streamlined. In particular:

- All the “shall disclose/shall include/shall report/shall describe/shall explain” have been considered and simplified. They are presented in the main body of the standard. They have been counted as separate datapoints.
- Below the text of each Disclosure Requirement in topical standards (or section for ERS 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is still named “Application Requirements” (AR). This includes “shall consider” as element of methodology for preparing the disclosure and “may (presently)” for presentation options.
- Non mandatory appendices have been maintained in ERS 1 on an exceptional basis, given their importance (former AR 16).

- (d) ERS E5 Resource use and circular economy addresses the transition towards the extraction of non-renewable resources of **wastewater**; and
- (e) ERS S3 Affected communities addresses material **impacts** on people and communities resulting from the undertaking’s activities related to water, including changes in water availability, quality, or access.

Disclosure Requirements

Impact, risk and opportunity management

Disclosure Requirement E3-1 – Policies related to water

11. (11. amended) The undertaking shall report its water-related **policies** in accordance with the provisions of ERS 2 GDR-P.
12. (13. amended) If the undertaking has **sites** located in **areas at water risk**, including **areas of high-water stress** that are not covered by its water-related **policies**, it shall disclose this fact.

Disclosure Requirement E3-2 – Actions and resources related to water

13. (17. amended) The undertaking shall disclose its key water-related **actions** and significant resources allocated to their implementation, in accordance with the provisions of ERS 2 GDR-A.
14. (19. amended) The undertaking shall specify any **actions** and resources related to **areas at water risk**, including **areas of high-water stress**.

Metrics and targets

Disclosure Requirement E3-3 – Targets related to water

15. (22. amended) The undertaking shall disclose its water-related **targets**, in accordance with the provisions of ERS 2 GDR-T.

Disclosure Requirement E3-4 – Water metrics

16. (27. amended) The objective of this DR is to help **users** understand the undertaking’s water management practices and progress over time.
17. (28. amended) The undertaking shall disclose for its own operations:
- (a) total **water consumption**;
 - (b) total **water consumption** in **areas at water risk**, including **areas of high-water stress**;
 - (c) total **water withdrawal**;
 - (d) total **water discharges**;
 - (e) total **water recycled or reused**; and
 - (f) total **water stored**.

APPLICATION REQUIREMENTS – AR

AR 1 for para. 17 (Water metrics)	Water consumption shall be calculated using a water balance approach: it equals water withdrawal minus water discharges , adjusted for changes in water storage .
AR 2 for para. 17 (Water metrics)	Water metrics under paragraph 17 (a) - (f) are expressed in cubic meters (m³).
AR 3 for para. 17 (Water metrics)	The undertaking shall break down, where appropriate and in accordance with ERS 1 paragraph 10, water-related metrics by key sites , especially those located in areas at water risk , including areas of high-water stress .

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How to read the document

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NON-MANDATORY ILLUSTRATIVE GUIDANCE ON E3-1 – Policies related to water

NMIG 1 for para. 11 (Policies related to water)	The undertaking might include the following elements when disclosing its policy on water: a) water use and management; b) water treatment as a step towards more sustainable sourcing of water and as a tool for prevention and reduction of pollution; c) water resource efficiency, for example through the integration of water-related considerations into product and service design; d) cooperation with other stakeholders, considering the shared and local nature of water resources; e) protection and improvement of the quantitative and qualitative status of surface water and groundwater bodies; and f) avoided impact on local communities.
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NON-MANDATORY ILLUSTRATIVE GUIDANCE ON E3-2 – Actions and resources related to water

NMIG 2 for para. 13, 14 (Actions and resources related to water)	The undertaking might include the following elements when disclosing its water-related actions and resources allocated to layers in the mitigation hierarchy (when it reports on this hierarchy): a) avoid the use of water; b) reduce the use of water such as through efficiency measures; c) reclaiming the use of water; or d) restoration and regeneration of water bodies (surface water, groundwater).
NMIG 3 for para. 13, 14 (Actions and resources related to water)	Considering that water is a shared resource which may require collective actions, or action plans, involving other stakeholders, the undertaking might include collective actions as possible element to cover when disclosing on actions.

NON-MANDATORY ILLUSTRATIVE GUIDANCE ON E3-3 – Targets related to water

NMIG 4 for para. 15 (Targets related to water)	The undertaking might include the following elements when disclosing targets on water: a) the sustainable management of freshwater, including quality and quantity of water withdrawals, water consumption, water discharges, also in areas at water risk, including areas of high-water stress; b) the responsible/sustainable management of marine water; and c) protection and improvement of the status of freshwater (surface water, groundwater) and marine water bodies.
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NON-MANDATORY ILLUSTRATIVE GUIDANCE ON E3-4 – Water metrics

NMIG 5 for para. 17 (Water metrics)	The undertaking might cover the following elements as contextual information when disclosing information required under paragraph 17: (a) where the water use occurs, e.g. by basin, country or site;
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	(b) the water basins' water quality and quantity; (c) distinguishing between surface water, groundwater, municipal supply, sea or ocean water, rainwater, etc; and (d) any aspects related to seasonal variation in water availability or use.
NMIG 6 for para. 17 (Water metrics)	The undertaking can rely on publicly available tools based on different indicators for the assessment of areas at water risk and areas of high-water stress. Such tools include, but are not limited to, the WRI Aqueduct Water Risk Atlas, the EEA's Water exploitation index plus (WEI+) for river basin districts (1990-2015) interactive map, and the WWF Water Risk Filter.

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Draft Amendment ESRS E4 Biodiversity and Ecosystems Exposure

Draft UNAPPROVED Working documents (E4 - V1.6)

DRAFTING PROCESS FOR THE WORKING DOCUMENTS SO FAR

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REVISED STRUCTURE AND DRAFTING CONVENTIONS

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ESRS E4 BIODIVERSITY AND ECOSYSTEMS V1.6

Objective

1. (1 amended) When reporting in accordance with ESRs, the **sustainability statement** shall cover information in relation to E4 ‘**Biodiversity and Ecosystems**’, when this topic relates to material **impacts, risks and opportunities**. The disclosure on the material **impacts, risks and opportunities** is expected to cover **policies, actions and targets** (if in place), **dependencies** when relevant, **metrics** and the related **financial effects**.
2. (1 amended) The objective of this Standard is to specify Disclosure Requirements (‘DRs’) in relation to these items of information, that are not covered in ESRs 2.
3. When only one of the sub-topics covered by this Standard is material, the undertaking shall report only on that sub-topic.
4. This Standard sets out DRs related to **biodiversity** and **ecosystems** and in particular, with respect to the following sub-topics: drivers of biodiversity and ecosystem change; the state of species; the extent and condition of ecosystems and **ecosystem services**.
5. (8 amended) The undertaking shall apply the provisions of ESRs 2 paragraphs from 30 to 33 and GDR- P, GDR-A and GDR-T. In particular:
 - (a) if the undertaking has not adopted **policies, actions and targets** with reference to a **topic** related to material **impacts, risks and opportunities**, it shall disclose this fact;
 - (b) the undertaking may present the description of its material impacts, risks and opportunities, in accordance with ESRs 2 IRO-2, alongside information about its policies, actions, targets and **metrics** through which it addresses them, to avoid duplication and support a coherent narrative.
6. In this Standard, each DRs is introduced by a disclosure objective, with the exception of **policies, actions and targets**, for which the provisions in GDR- P, GDR-A and GDR-T provide the necessary framing for the relevant disclosures.
7. (3 amended) The terms ‘**biodiversity**’ and ‘**biological diversity**’ refer to the variability among living organisms from all sources including, inter alia, terrestrial, **freshwater**, marine and other aquatic **ecosystems** and the ecological complexes of which they are part.
8. (1(c) amended) The objective of this Standard shall also enable users of the sustainability statement to understand the plans and capacity of the undertaking to adapt its strategy and business model in line with:
 - (a) The vision of the Kunming-Montreal Global Biodiversity Framework and its relevant goals and **targets**;
 - (b) relevant aspects of the EU Biodiversity Strategy for 2030;
 - (c) Directive 2009/147/EC of the European Parliament and of the Council and Council Directive 92/43/EEC (EU Birds and Habitats Directives);
 - (d) Directive 2008/56/EC of the European Parliament and of the Council (Marine Strategy Framework Directive and the 2023 EU Marine Action Plan; and
 - (e) Regulation (EU) 2024/1991 of the European Parliament and of the Council (Nature Restoration Regulation);
9. Location-specific considerations are particularly important in relation to **biodiversity** and **ecosystems**. The disaggregation of reported information by key **site** or asset, in accordance with ESRs 1 paragraph 53, is particularly relevant when biodiversity and ecosystems-related material impacts, **risks** or **opportunities** materialise at that level.

Interactions with other ESRs

10. (4 and 5a amended) Social and environmental topics closely interact with each other. For instance, direct drivers of **biodiversity** and **ecosystems** change are climate change, **pollution**, land-use change, **freshwater**-use change and sea-use change, direct exploitation of organisms and **invasive alien species**. These drivers are covered in this Standard, except for climate change and **pollution** which are addressed by ESRs E1 Climate and ESRs E2 Pollution. The main points of interaction between E4 and the different ESRs topical standards are the following:

- (a) (5(a) amended) ESRs E1 Climate change addresses GHG **emissions** and energy resources (energy consumption), while impacts of climate change on biodiversity and ecosystems are addressed in E4;
- (b) (5(b) amended) ESRs E2 Pollution addresses the **emissions of pollutants** to air, water and **soil** and the use, generation and emission of **microplastics**, while impacts of pollution on biodiversity and ecosystems are addressed in E4;
- (c) (5(c) amended) ESRs E3 Water addresses the use of water resources, while impacts on biodiversity and ecosystems related to the use of water are addressed in E4;
- (d) (5(d) amended) ESRs E5 Resource use and circular economy addresses the type and quantification of **resource inflows, waste** and the implementation of **circular economy** principles, while the impacts on biodiversity and ecosystems of these **topics** is addressed in E4; and
- (e) (6 amended) ESRs S3 Affected communities addresses material negative impacts on **affected communities** from biodiversity and ecosystems-related impacts attributable to the undertaking.

Disclosure Requirements

Impact, risk and opportunity management

Disclosure Requirement E4-1 – Transition plan for biodiversity and ecosystems

11. (12 amended) The objective of this DR is to enable an understanding of the undertaking's response and contribution to the transition implied by the Global Biodiversity Framework, when it has in place a **biodiversity and ecosystems transition plan**.
12. (15 amended) If it has one in place and has made it public, the undertaking shall disclose its **transition plan** to transform its **business model** and strategy so it is aligned with the global goal of halting and reversing **biodiversity loss** as stated in the Kunming-Montreal Global Biodiversity Framework.

APPLICATION REQUIREMENTS – AR

AR 1 for para. 12 (Transition plan for biodiversity and ecosystems)	Transition plans for biodiversity and ecosystems are expected to address similar elements than transition plans for climate change mitigation. This includes information on targets, key actions, financial planning, governance of the plan – but also a clear explanation of how the undertaking's strategy and business model will evolve to become compatible with relevant global goals, such as halting and reversing global biodiversity loss in line with the GBF.
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Disclosure Requirement E4-2 – Policies related to biodiversity and ecosystems

13. (22 amended) The undertaking shall disclose its **biodiversity** and **ecosystems policies** in accordance with the provisions of ESRs 2 GDR-P.
14. In addition to the provisions of ESRs 2 GDR-P the undertaking shall describe the content of its **biodiversity and ecosystems-related policies** related to:

- (a) (23(d) amended) supporting traceability of products, components and **raw materials** with material **actual or potential impacts** on **biodiversity** and **ecosystems** along the **value chain**;
- (b) (24(a) amended) sites in its own operations that are in or near a **biodiversity sensitive area**.

APPLICATION REQUIREMENTS – AR

AR 2 for para. 14 (Policies related to biodiversity and ecosystems)	Paragraph [14(a)] refers to tangible or physical products and does not apply to financial products.
AR 3 for para. 14 (Policies related to biodiversity and ecosystems)	If the undertaking's site is in a biodiversity sensitive area, it is highly likely that its activities will negatively affect the area. Whether a site, which is outside of a biodiversity sensitive area, is <i>near</i> such an area shall be determined: (a) by the capacity of activities related to the site to negatively affect species and ecosystems in the biodiversity sensitive area; (b) based on a buffer zone specific to the type of activity and the species and ecosystems in the area. Buffer zones can be determined following industry best practice and science-based recommendations, such as by IBAT or IFC Performance Standard 6, or based on findings of a site-level survey.
AR 4 for para. 13 (Policies related to biodiversity and ecosystems)	When describing the content of its policies the undertaking shall specify, where relevant, that they address (24(b) amended) sustainable land / agricultural practices; (24(c) amended) sustainable oceans / seas practices; and (24(d) amended) deforestation.
AR 5 for para. 13 (Policies related to biodiversity and ecosystems)	(18 amended) Biodiversity and ecosystems scenario analysis can inform the identification, assessment and management of material risks and opportunities over short-, medium- and long-term time horizons. The undertaking shall consider the use of scenario analysis when defining its policies, actions and targets.

Disclosure Requirement E4-3 – Actions and resources related to biodiversity and ecosystems

15. (27 amended) The undertaking shall disclose its key **biodiversity** and **ecosystems-related actions** and significant resources allocated to their implementation, in accordance with the provisions of ESRs 2 GDR-A.
16. (28 amended) In addition, the undertaking shall describe the **biodiversity** offsets used in its action plans, if any, including the aim of the offsets, the financing effects in monetary terms, area, type, the quality criteria applied and the standards that the biodiversity offsets comply with.

Metrics and Targets

Disclosure Requirement E4-4 – Targets related to biodiversity and ecosystems

17. (31 amended) The undertaking shall disclose its **biodiversity** and **ecosystems targets**, in accordance with the provisions of ESRs 2 GDR-T.
18. (31/32(e) amended) If the undertaking uses **biodiversity** offsets in setting its **targets**, the disclosure required by paragraph 17 shall include how it used them.

APPLICATION REQUIREMENTS – AR

AR 6 for para. 17 (Targets related to biodiversity and ecosystems)	(AR23 amended) When disclosing information required under paragraph 17 for the purpose of setting targets the undertaking shall consider the need for a free, prior and informed consent of local and indigenous peoples, the need for appropriate consultations and the need to respect the decisions of these communities.
AR 7 for para. 17 (Targets related to biodiversity and ecosystems)	[Placeholder and Note to SRB: Review panel suggested to include AR for targets that reflects updated state of the art elements that targets can address. The suggested AR will be provided integrating input from the upcoming consultations.]
Disclosure Requirement E4-5 – Metrics related to biodiversity and ecosystems change	
19. (34. amended) The objective of this DR is to enable an understanding of the performance of the undertaking against biodiversity- and ecosystems change-related impacts, risks and opportunities .	
20. (16(a), 19(a) and 35 amended) The undertaking shall disclose the following information for material biodiversity- and ecosystem change-related impacts, risks or opportunities at site-level:	
(a) (16(a)(ii) amended) the site(s) in its own operations to which the material impact, risks or opportunities relate; (b) (16(a)(iii) amended) for those sites, if applicable, a list of biodiversity-sensitive area(s) negatively affected (name and type); (c) (16(a)(i) amended) the activities negatively affecting those areas.	
21. (33, 36, 38-41 amended) In addition to paragraphs [17 and 18] and in accordance with ESRS 2 GDR-1M, the undertaking shall report metrics related to its material impacts on biodiversity and ecosystems.	

APPLICATION REQUIREMENTS – AR

AR 8 for para. 21 (Metrics related to biodiversity and ecosystems change)	When providing description of material impacts, risks and opportunities in accordance with ESRS 2 IRO-2 the undertaking shall indicate which material impacts concern (16(b) amended) land degradation, desertification or soil sealing, and (16(c) amended) operations that affect threatened species.
AR 9 for para. 20 and 21 (Metrics related to biodiversity and ecosystems change)	The most severe impacts and the most significant risks may originate in the undertaking's upstream and downstream value chain rather than in connection with its own operations. The type of data available is likely to differ between the undertaking's value chain and own operations and determines nature and detail of metrics to be reported in accordance with ESRS 1, including Chapter 5.2 <i>Inclusion of Value chain information</i> .
AR 10 for para. 20 (Metrics related to biodiversity and ecosystems change)	Based on its materiality assessment, the undertaking shall prioritise for disclosure those sites having activities with the most significant negative effects on biodiversity & ecosystems.

AR 11 for para. 21 (Metrics related to biodiversity and ecosystems change)	Depending on which sub-topic is assessed to be material, the undertaking shall include metrics in relation to: (a) drivers of biodiversity and ecosystem change (e.g. land-use change); (b) the state of species (e.g. related to extinction risk); (c) the extent and condition of ecosystems (e.g. related to site condition and landscape condition); (d) ecosystem services.
AR 12 for para. 21 (Metrics related to biodiversity and ecosystems change)	Where possible measurement at site using state of nature metrics is best suited to determine impact on biodiversity and ecosystems. Measurement at site is especially relevant where those sites are in or near biodiversity sensitive areas. Where measurement at site is not feasible, estimation using measurement of impact drivers or estimates of state of nature can be used. Impacts in supply chain can be also measured indirectly by metrics based on sustainable sourcing of natural resources.
AR 13 for para. 21 (Metrics related to biodiversity and ecosystems change)	When identifying metrics to disclose the undertaking shall consider: (a) (27(f) amended) the frequency of monitoring, and the baseline condition/value and baseline year/period; (b) whether the metrics enable users to understand how they relate to the material impacts.

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Draft Amended Non-Mandatory Illustrative Guidance ESRs E4 Biodiversity and Ecosystems UNAPPROVED Working documents (E4 - V1.6)

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NON-MANDATORY ILLUSTRATIVE GUIDANCE ON E4-1 – <i>Transition plan for biodiversity and ecosystems</i>	
NMIG 1 for para. 15 (Transition plan for biodiversity and ecosystems)	The undertaking might include the following elements when disclosing on a transition plan: a) how the undertaking will adjust its strategy and business model to improve and, ultimately, achieve alignment with relevant local, national and global public policy goals and targets related to biodiversity and ecosystems; b) how it is responding to material impacts in its upstream and downstream value chain identified in its materiality assessment in accordance with ESRs 2 IRO-1; c) how its strategy interacts with its transition plan; d) how it contributes to addressing biodiversity and ecosystem impact drivers and its possible mitigation actions following the mitigation hierarchy and the main path-dependencies and locked-in assets and resources (e.g. plants, raw materials) that are associated with biodiversity and ecosystems change; e) explain the effects of the transition plan on the organisation's financial position, financial performance and cash flows over the short, medium, and long term, including information about how it is resourcing or plans to resource its activities in order to achieve the transition plan priorities, to the extent the financial effects of the transition plan are separately identifiable; f) how biodiversity offsets are used as part of the transition plan, and if so, where the offsets are planned to be used, the extent of use in relation to the overall transition plan, and whether the mitigation hierarchy was considered; g) how the process of implementing and updating the transition plan is managed; h) how it measures progress, namely indicate the metrics and methodologies it uses for that purpose; i) whether the administrative, management and supervisory bodies have approved the transition plan; and j) indicate current challenges and limitations to draft a plan in relation to areas of significant impact and how the company is addressing those challenges.
NMIG 2 for para. 15 (Transition plan for biodiversity and ecosystems)	If disclosing a transition plan, the undertaking might refer to the following targets from the EU Biodiversity Strategy for 2030: a) the decline of pollinators is reversed; b) the risk and use of chemical pesticides is reduced by 50%, and the use of more hazardous pesticides is reduced by 50%; c) at least 25% of agricultural land is under organic farming management, and the uptake of agro-ecological practices is significantly increased; d) three billion additional trees are planted in the EU, in full respect of ecological principles; e) significant progress in the remediation of contaminated soil sites; f) at least 25 000 km of free-flowing rivers are restored; g) the losses of nutrients from fertilisers are reduced by 50%, resulting in the reduction of the use of fertilisers by at least 20%; h) the negative impacts on sensitive species and habitats, including on the seabed through fishing and extraction activities, are substantially reduced to achieve good environmental status.

NON-MANDATORY ILLUSTRATIVE GUIDANCE ON E4-2 – <i>Policies related to biodiversity and ecosystems</i>	
NMIG 3 for para. 13 (Policies related to biodiversity and ecosystems)	(23.24(b)(c)(d) amended and AR 12.16.17) The undertaking might include the following elements when disclosing on its biodiversity and ecosystems-related policies: a) production, sourcing or consumption from ecosystems that are managed to maintain or enhance conditions for biodiversity, as demonstrated by regular monitoring and reporting of biodiversity status and gains or losses; b) how the undertaking addresses social consequences of biodiversity and ecosystems-related impacts, [AR 15 (a)(b)] particularly, the fair and equitable sharing of the benefits arising from the utilisation of genetic resources; and the free, prior and informed consent for access to genetic resources. If this is disclosed under ESRs S3 the undertaking can cross-reference it under this Section; c) any limitations that the undertaking might have applied to procurement from suppliers that cannot demonstrate that they are not contributing to significant damage to protected areas or key biodiversity areas (e.g. through certification); d) how the undertaking refers to recognised standards or third-party certifications overseen by regulators and [former AR 17(d) / former VO AGI] whether the standard used is verifiable through independent certifying or verifying bodies; e) how the undertaking addresses raw materials originating from ecosystems that have been managed to maintain or enhance conditions for biodiversity, as demonstrated by regular monitoring and reporting of biodiversity status and gains or losses.
NMIG 4 for para. 13 (Policies related to biodiversity and ecosystems)	(AR 13 amended) The undertaking might <i>present</i> connections and alignment with other global goals and agreements such as the SDGs 2, 6, 14 and 15 or any other well established global convention related to biodiversity and ecosystems.
NMIG 5 for para. 13 (Policies related to biodiversity and ecosystems)	(AR 14 amended) When disclosing policies related to social consequences of biodiversity and ecosystems related dependencies and impacts under [paragraph 12] the undertaking might refer to the Nagoya Protocol and the Convention for Biological Diversity (CBD).
NON-MANDATORY ILLUSTRATIVE GUIDANCE ON E4-3 – <i>Actions and resources related to biodiversity and ecosystems</i>	
NMIG 6 for para. 15 (Actions and resources related to biodiversity and ecosystems)	(AR 19 amended) When describing its actions, the undertaking might include whether it considers an 'avoidance' action plan, which prevents damaging actions before they take place. The three main types of avoidance are defined below: a) avoidance through site selection (Locate the entire project away from areas recognised for important biodiversity values);

	b) avoidance through project design (Configure infrastructure to preserve areas at the project site with important biodiversity values); and c) avoidance through scheduling (Time project activities to account for patterns of species behaviour (e.g. breeding, migration) or ecosystem functions (e.g. river dynamics)).
NMIG 7 for para. 15 (Actions and resources related to biodiversity and ecosystems)	(28)(c) amended) The undertaking might describe whether and how it has incorporated local and indigenous knowledge and nature-based solutions into biodiversity and <i>ecosystems</i> -related actions. (AR 21 amended) 'local and indigenous knowledge' refer to the understandings, skills and philosophies developed by societies with long histories of interaction with their natural surroundings. For rural and indigenous peoples, local knowledge informs decision-making about fundamental aspects of day-to-day life.
NMIG 8 for para. 15 (Actions and resources related to biodiversity and ecosystems)	When disclosing in accordance with ESRs 2 GDR-A, [paragraph 35] the undertaking has the option to report by referring to their CapEx and OpEx key performance indicators and, if applicable, the CapEx plan required by EU Taxonomy (Commission Delegated Regulation (EU) 2021/2178).

NON-MANDATORY ILLUSTRATIVE GUIDANCE ON E4-4 – <i>Targets related to biodiversity and ecosystems</i>															
NMIG 9 for para. 17 (Targets related to biodiversity and ecosystems)	(32)(b) amended) The description of the targets set might include 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 <i>biodiversity</i> and <i>ecosystem</i> -related national <i>policies</i> and <i>legislation</i> .														
NMIG 10 for para. 17 (Targets related to biodiversity and ecosystems)	(AR 22 amended) The undertaking might specify whether the target addresses shortcomings related to the Substantial Contribution criteria for Biodiversity as defined in the delegated acts adopted pursuant to Article 15(2) of Regulation (EU) 2020/852. Where the Do No Significant Harm (DNSH) criteria for Biodiversity as defined in delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), and Article 14(2) of Regulation (EU) 2020/852 are not met, the undertaking might specify whether the target addresses shortcomings related to those DNSH criteria.														
NMIG 11 for para. 17 (Targets related to biodiversity and ecosystems)	(AR 24 amended) The targets related to material impacts might be presented in a table as illustrated below, when the mitigation hierarchy is disclosed: <table><tr><th>Type of target according to mitigation hierarchy</th><th>Baseline value and base year</th><th>Target value and geographical scope</th><th>Connected policy or legislation if relevant</th></tr><tr><td>Avoidance</td><td>2030</td><td>Up to 2025</td><td></td></tr><tr><td>Minimization</td><td></td><td></td><td></td></tr></table>			Type of target according to mitigation hierarchy	Baseline value and base year	Target value and geographical scope	Connected policy or legislation if relevant	Avoidance	2030	Up to 2025		Minimization			
Type of target according to mitigation hierarchy	Baseline value and base year	Target value and geographical scope	Connected policy or legislation if relevant												
Avoidance	2030	Up to 2025													
Minimization															

	Rehabilitation and restoration Compensation or offsets												
NON-MANDATORY ILLUSTRATIVE GUIDANCE ON E4-5 – Metrics related to biodiversity and ecosystems change													
NMIG 12 for para. 20 (Metrics related to biodiversity and ecosystems change)	To identify biodiversity-sensitive areas in or near the undertaking's site, the undertaking can use data generated by sources mentioned under the definition of biodiversity-sensitive area in Annex II, namely for Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas. Undertakings can use relevant data for their reporting accessed through the Integrated Biodiversity Assessment Tool (IBAT) platform, including from the World Database of Key Biodiversity Areas (WDKBA), World Database on Protected Areas (WDPA), IUCN Red List of Threatened Species and the Species Threat Abatement and Restoration Metric (STAR).												
NMIG 13 for para. 20 (Metrics related to biodiversity and ecosystems change)	Environmental Impact Assessments provide supportable evidence to determine whether the activities at the site have or may have negative impacts on biodiversity sensitive sites. Where no such assessment is available, the undertaking might use external guidelines and databases (e.g. the LEAP approach, ENCORE or IBAT) to determine the right method and level of detail of its assessment.												
NMIG 14 for para. 20 (Metrics related to biodiversity and ecosystems change)	(AR 10 amended) The undertaking might present information on its sites connected to material impacts , risks and opportunities using the following template: <table><tr><th>Site Name/Location</th><th>Material IROs connected to site</th><th>Biodiversity-sensitive area(s) affected (name and type)</th><th>Activities negatively affecting Biodiversity-sensitive area(s)</th></tr><tr><td>Site 1</td><td></td><td></td><td></td></tr><tr><td>Site N</td><td></td><td></td><td></td></tr></table>	Site Name/Location	Material IROs connected to site	Biodiversity-sensitive area(s) affected (name and type)	Activities negatively affecting Biodiversity-sensitive area(s)	Site 1				Site N			
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Site 1													
Site N													
NMIG 15 for para. 20 (Metrics related to biodiversity and ecosystems change)	(AR 10 amended) The undertaking might consider the table below to facilitate its materiality assessment of material sites: <table><tr><td></td><td></td></tr></table>												

	Where are the raw materials produced or sourced from?	Absolute weight of raw material (and percentage of the raw material weight)
	In areas with species listed on the IUCN Red List of Threatened Species, the Birds and Habitats Directive or on national list of threatened species	
	In officially recognised protected areas	
	In other Key Biodiversity Areas	
	In Ecologically or Biologically Significant Marine Areas	
NMIG 16 for para. 21 (Metrics related to biodiversity and ecosystems change)	When identifying relevant metrics for disclosure the undertaking might consider: a) relevant global standards and frameworks, such as the Taskforce on Nature-related Financial Disclosures (TNFD), the Science-based Targets Network (SBTN), the Nature Positive Initiative (NPI) and GRI; b) the essential quality criteria for metrics defined by TNFD (science-based, sensitive to reflect change on annual basis, relevance, proportionate, decision-useful, verifiable, aligned to policy goals), in order to inform the interpretation of qualitative characteristics of information outlined in ESRs 1.	
NMIG 17 for para. 21 (Metrics related to biodiversity and ecosystems change)	In relation to the drivers of biodiversity and ecosystems change (impact drivers), relevant metrics might cover: a) On land-use change, freshwater-use change and/or sea-use change: i. (38(a) amended) [Changes in ecosystem extent] Land occupancy and change in area coverage (conversion over time, e.g. one or five years) of a particular ecosystem or habitat cover (e.g. forest cover), especially in biodiversity-sensitive areas; ii. (38(b) amended) [Ecosystem management] changes over time (e.g. one or five years) in the terrestrial or marine ecosystem management approach (e.g. through the intensification of agricultural management, or the application of better management practices or forestry harvesting, or changes in fishery practice); b) (39, amended) On the (accidental or voluntary) introduction of invasive alien species: i. (39, AR 32 amended) pathways of introduction; ii. (AR 32 amended) number of invasive alien species; iii. (AR 32 amended) the extent of surface covered by invasive alien species.	
NMIG 18 for para. 21 (Metrics related to biodiversity and ecosystems change)	(40, amended) In relation to material impacts on the state of species, relevant metrics, particularly those that address the state of species relative to a predetermined reference, might cover: a) (40(d) amended) extinction risk: changes over time on the threat status of species;	

	b) (40(b)(c) amended) population size, or relative abundance, and change in (relative) number of individuals of a particular species.
NMIG 19 for para. 21 (Metrics related to biodiversity and ecosystems change)	(41, amended) In relation to material impacts on ecosystems, relevant metrics might cover aspects on the ecosystem extent and condition relative to a predetermined reference state. More specifically, metrics might cover: a) (41(a) amended) changes in ecosystem extent; see also [NMIG 17 above], including through conversion of natural to non-natural ecosystem types; b) ecosystem condition, including landscape condition and site condition, such as: i. (41(b)(iii) amended) change in the composition of ecosystems condition, such as defined by species richness and abundance measuring the development of (native) species composition within an ecosystem, or an aggregation of species' conservation status if relevant; ii. (41(b)(iii) amended) [landscape condition] structural connectivity: change in structural components of condition such as habitat connectivity; iii. [landscape condition] functional connectivity: change in the ability of the ecosystem to undertake a specific process or function (e.g. net primary productivity).
NMIG 20 for para. 21 (Metrics related to biodiversity and ecosystems change)	(AR 34, amended) EMAS indicators on land-use (Annex IV, C. 2. (a)(v) of Regulation (EC) No 1221/2009) might also provide material information in connection with material impacts, risks and opportunities.

NON-MANDATORY ILLUSTRATIVE GUIDANCE to Voluntary Disclosure – Scenario analysis

NMIG 21 for para. 21 (Scenario analysis)	The undertaking might include the following elements when disclosing information about biodiversity and ecosystem scenario analysis: a) (18(a)(b) amended) how the scenarios were selected and how they are updated to reflect evolving conditions and emerging trends; and b) (18(c) amended) whether the scenarios are informed by expectations published by authoritative intergovernmental bodies, such as the Convention for Biological Diversity and, where relevant, by scientific consensus, such as that expressed by the Intergovernmental Science-policy Platform on Biodiversity and Ecosystem Services (IPBES).
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This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of the EFRAG SRB/SR TEG. 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.

Draft Amended ERSR ES Resource Use and Circular Economy (ES V1.6)

DRAFTING PROCESS FOR THE WORKING DOCUMENT SO FAR

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EFRAG recommends stakeholders that intend to contribute to the consultation to plan their review on the Exposure Drafts once they are issued, as they will benefit from the final content and from explanatory content.

REVISED STRUCTURE AND DRAFTING CONVENTIONS

As compared to the ERSR Set 1 (adopted in July 2023), the structure of the standards has been revised and streamlined. In particular:

- All the “shall disclose/shall include/shall report/shall describe/shall explain” have been considered and simplified. They are presented in the main body of the standard. They have been counted as separate datapoints.

- Below the text of each Disclosure Requirement in topical standards (or section for ERSR 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is still named “Application Requirements” (AR). This includes “shall consider” as element of methodology for preparing the disclosure and “may (present)” for presentation options.
- Non mandatory appendices have been either eliminated or moved to another basis, given their importance (former AR 16).
- All the “may” disclosures have been either eliminated or moved to another category (either deleted or moved to guidance), except for a few of them which are exceptionally still being considered.
- All the non-mandatory content has been moved to separate documents named “Non-Mandatory Illustrative Guidance (NMIG). While the four points above are drafted to become part of the delegated act, the legal status of the NMIG remains open from an EFRAG’s standpoint (either as appendices in the delegated act or as documents issued independently of the delegated act) and will be considered by the EC in due course.

HOW TO READ THE DOCUMENT

The paragraph numbering has been revised to reflect the draft amendments. Where applicable, the previous Set 1 paragraph number is indicated in brackets—for example, ‘4, (24)’ or ‘4, (24, amended)’.

Objective

- When reporting in accordance with ESRs, the **sustainability statement** shall cover information in relation to E5 '**Resource use and circular economy**', when this **topic** is related to material **Impacts, risks and opportunities**. The disclosure on the material impacts, risks and opportunities is expected to cover **policies, actions and targets** (if in place), **dependencies** when relevant, **metrics** and the related **financial effects**.
- The objective of this Standard is to specify Disclosure Requirements ('DRs') in relation to these items of information, that are not covered in ESRs 2.
- When only one of the sub-topics covered by this Standard is material, the undertaking shall report only on that sub-topic.
- This Standard sets out DRs related to the sub-topics:
 - resource inflows** (including mineral and biotic marine sources);
 - resource outflows**: products and services;
 - resource outflows: **waste**.
- The undertaking shall apply the provisions of ESRs 2 paragraphs 30 to 33 and GDR-P, GDR-A and GDR-T, in particular:
 - if the undertaking has not adopted policies, actions and targets with reference to a topic related to material impacts, risks and opportunities, it shall disclose this fact;
 - the undertaking may present the description of its material impacts, risks and opportunities, in accordance with ESRs 2 IRO 2, alongside information about its policies, actions, targets and metrics through which it addresses them, to avoid duplication and support a coherent narrative.
- In this Standard, each DR is introduced by a disclosure objective, with the exception of policies, actions and targets, for which the provisions in GDR-P, GDR-A and GDR-T provides the necessary framing for the relevant disclosures.
- Circular Economy represents a key pillar in the European Green Deal (2019), which sets ambition for the EU to become a global leader in circular economy practices by 2030.
- The objective of this standard shall also enable users of the sustainability statement to understand the plans and capacity of the undertaking to adapt its strategy and business model in line with the EU Circular Economy Action Plan (2020), the Eco-design for Sustainable Products Regulation (ESPR) (Regulation (EU) 2024/1781), the Waste Framework Directive (WFD) (Directive 2008/98/EC), and the Right to Repair Directive (R2R) (Directive (EU) 2024/1799).

Interactions with other ESRs

- Social and environmental topics closely interact with each other. The main points of interaction between E5 and the different ESRs topical standards are the following:
 - ESRS E1 *Climate Change* (**GHG emissions** & energy consumption) – E5 related activities (resource extraction, production & transformation) are, by nature, energy-intensive ones and generate high levels of **greenhouse gases** (**GHG**) emissions. Collecting energy efficiency in own operations and **value chain** can lead to reduction in carbon footprint.
 - ESRS E2 *Pollution* (emissions to **water**, air and **soil** as well as **substances of concern**) – E5 related activities can have extensive **pollution** related effects. For example, industrial

waste disposal that may pose significant pollution **risks**, particularly when it contains **substances** or is not subject to appropriate treatment.

- ESRS E3 *Water* (use and management of water resources) – E5 related activities require large volumes of water, often operating in water-stressed areas. This puts pressure on local water systems and may exacerbate water scarcity. A **circular economy** approach can significantly reduce water-related **impacts** by improving water use efficiency, implementing closed-loop water systems, and enabling **water reuse and recycling**.
- ESRS E4 *Biodiversity and Ecosystems* (**ecosystems** and species) – E5 related activities can cause habitat destruction and ecosystem fragmentation (mainly due to value chain-related issues), resulting in **biodiversity loss**. Transitioning to a circular economy, helps alleviate these pressures by reducing the need for virgin material extraction and ensuring proper waste treatment.
- ESRS S1 *Own operation* (working conditions and health and safety) – E5 related activities often involve intensive resource extraction, manufacturing, or waste processing, which can expose workers to hazardous conditions and low-wage labour, especially in lower tiers of the value chain. A circular economy approach can support safer and more sustainable employment by promoting local **repair, remanufacturing**, and recycling sectors, improving job quality and creating green employment **opportunities** in more regulated environments.
- ESRS S4 *Consumers and end-users* (information-related impacts on consumers and/or end-users) – E5 related activities endorses collaboration with consumers by promoting durable, repairable, and recyclable products, increasing transparency about environmental impacts, and enabling more sustainable consumption patterns through models such as product-as-a-service, reuse, and sharing systems.

Disclosure Requirements

Impact, risk and opportunity management

Disclosure Requirement E5-1 – Policies related to resource use and circular economy

- The undertaking shall disclose its **resource use** and **circular economy policies** in accordance with the provisions of ESRs 2 GDR-P.
- (amended 35) In addition to the information required by ESRs 2 GDR-P, the undertaking shall explain, where applicable, how it integrates **circularity** and **eco-design** principles in its **key products and services**.

Disclosure Requirement E5-2 – Actions and resources related to resource use and circular economy

- The undertaking shall disclose its **resource use** and **circular economy actions** in accordance with the provisions of ESRs 2 GDR-A.

Metrics and Targets

Disclosure Requirement E5-3 – Targets related to resource use and circular economy

- The undertaking shall disclose its **resource use** and **circular economy targets** in accordance with the provisions of ESRs 2 GDR-T.

Disclosure Requirement ES-4 – Resource Inflows

14. (amended 29) The objective of this DR is to provide an understanding on the **resource inflows** of the undertaking. This includes information on the types and quantities of resources entering the organisation, with a focus on their **circularity**.

15. (amended AR 21-25) When '**Resource Inflows**' is assessed as a material topic, the undertaking shall disclose the following information about the **key materials** used to manufacture, were put on the market or were part of the delivery of the undertaking's products and services during the reporting period:

- (a) the key materials used to manufacture products and provide services;
- (b) the total weight of key materials with a breakdown per key material (in weight or percentage of total weight);
- (c) the percentage of total weight of **critical** and **strategic raw materials**;
- (d) the percentage of total weight of secondary resourced materials;
- (e) (amended 31(b)) the percentage of total weight of key **biological materials** sustainably sourced.

APPLICATION REQUIREMENTS – AR

AR 1 for para. 15(c)-(e) (Resource Inflows)	The denominator of the percentage indicator required under paragraph 15(c) and 15(d) is the overall total weight of the key materials used during the reporting period. The denominator of the percentage indicator required in paragraph 15(e) is the total weight of key biological materials .
AR 2 for para. 15(a) (Resource Inflows)	When identifying the key materials in paragraph 15(a), if the characteristic of being a technical or a biological material is a driver of impacts, risks or opportunities , the undertaking shall designate the material in such a way as to identify this characteristic, e.g. an undertaking can refer to 'synthetic fibres' and 'natural fibres' instead of just 'fibres'.

Disclosure Requirement ES-5 – Resource outflows

16. (amended 34) The objective of this DR is to provide an understanding of how the undertaking implements **circular economy** by designing, manufacturing and providing goods and services in accordance with **circular economy principles**, and by effectively managing **waste**.

Products and services

17. (amended AR 26-28) The undertaking shall disclose:
- (a) information on the expected **durability** of its **key products**;
 - (b) information on the scope of reparability of its key products;
 - (c) the rate of recyclable materials used in its key products;
 - (d) the rate of recycled materials used in its key products.

Waste

18. (amended 38) The undertaking shall disclose the following information on waste from its own operations:

- (a) a description of the **waste streams** relevant to its sector or activities;
- (b) the total weight of waste generated;
- (c) the percentage and/or total weight diverted from disposal, with a breakdown between **hazardous waste** and **non-hazardous waste**, and a breakdown by the following **recovery** operation types:
 - i. preparations for **reuse**;
 - ii. **recycling**;
 - iii. other recovery operation;
- (d) the percentage and/or total weight directed to disposal, with a breakdown between hazardous waste and non-hazardous waste, and a breakdown by the following disposal operation types:
 - i. thermal-based disposal;
 - ii. **landfill**;
 - iii. other disposal operation;
- (e) the percentage and/or total weight for which the final destination is unknown.

19. (previously AR 29) If applicable, the undertaking shall disclose the total amount of radioactive waste it generates, where radioactive waste is defined in Article 3(7) of Council Directive 2011/70/Euratom.

APPLICATION REQUIREMENTS – AR

AR 3 for para. 17 (c) & (d) (Products and services)	(amended AR 26) The packaging is to be excluded and not considered as part of the product.
AR 4 for para. 18 and 19 (Waste)	Waste weight is expressed in tons or kilograms.
AR 5 for para. 18 (Waste)	When describing its waste streams , it is sufficient to provide a name and an indication of the key materials that are included in the waste stream. An illustrative example - for a wood furniture producer a waste stream could be 'wood waste' composed of offcuts, sawdust and defective wooden components of the key material 'wood'.

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Draft Amended Non-Mandatory Illustrative Guidance ESRs E5 Resource Use and Circular Economy (E5 V1.6)

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NON-MANDATORY ILLUSTRATIVE GUIDANCE ON E5-1 – Policies related to resource use and circular economy

NMIG 1 for para. 10 and 11 (Policies related to resource use and circular economy)	The following are possible elements to cover in disclosing the undertaking's policies: (a) resource inflows: extraction (<i>sustainable sourcing</i> and transitioning away from use of <i>virgin resources</i>; use of <i>renewable resources</i>), <i>dematerialization</i>, reduction of materials intensity (especially <i>critical</i> and <i>strategic raw materials</i>), increasing the <i>circular material use rate</i> (increases in use of <i>secondary</i> and recycled <i>resources</i>); (b) resource outflows (products & services): the implementation of key <i>eco-design</i> principles such as <i>Reuse</i>, <i>Repair</i>, <i>Refurbish</i>, <i>Remanufacture</i> and <i>Repurpose</i>; (c) resource outflows (<i>waste</i>): <i>waste hierarchy</i> tracking, reduction, <i>recycling</i> and reclamation of <i>waste</i>; other <i>recovery</i> operations and disposal.
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NON-MANDATORY ILLUSTRATIVE GUIDANCE ON E5-2 – Actions and resources related to resource use and circular economy

NMIG 2 for para. 12 (Actions and resources related to resource use and circular economy)	The following are possible elements to cover in disclosing the undertaking's actions: (a) the integration of <i>circular economy</i> operations and activities including, for instance smart <i>waste</i> collection systems; (b) organisational resources allocated to circularity-related R&D and patents filings; (c) how the undertaking engages with <i>consumers</i> to raise awareness about sustainable consumption practices, such as reduced purchasing of <i>products</i>, product sharing, exchange, <i>reuse</i>, and <i>recycling</i>.
NMIG 3 for para. 12 (Actions and resources related to resource use and circular economy)	The following are possible elements to cover when disclosing on actions under ESRs 2 GDR-A: (a) actions taken to engage with its <i>upstream</i> and <i>downstream value chain</i> and/or its local network on the development of collaborations or initiatives increasing the <i>circularity</i> of <i>products</i> and <i>materials</i>; (b) other circularity-related engagements with <i>stakeholders</i> such as competitors, <i>suppliers</i>, retailers, customers, other business partners, local communities and authorities and government agencies; (c) illustrative examples: cross-sector solutions (different sectors working together to reduce waste and improve recyclability), R&D partnerships (joint research initiatives to innovate circular practices), collaborative <i>supply chains</i> (cooperation between <i>suppliers</i>, manufacturers, and retailers for sustainable product design), community engagement (NGOs and community groups raising awareness and bringing <i>stakeholders</i> together).

NON-MANDATORY ILLUSTRATIVE GUIDANCE ON E5-3 – Targets related to resource use and circular economy

NMIG 4 for para. 13 (Targets related to resource use and circular economy)	The following are possible elements to cover when disclosing targets on resource use and <i>circular economy</i>: (a) an increase in <i>products</i> that follow <i>circular design principles</i> (including for instance design for <i>durability</i>, dismantling, <i>reparability</i>, <i>recyclability</i> etc.); (b) an increase in secondary material use-rate; (c) the minimization of <i>primary raw material</i> and in particular of critical and <i>strategic raw material</i>; (d) sustainable sourcing and use (in line with the cascading principle) of <i>renewable resources</i>. In this case the undertaking might explain its organisational definition of 'sustainable sourcing' and the use of external certification schemes; (e) waste management targets (according to <i>waste hierarchy</i>), including preparation for proper treatment; and (f) other matters related to <i>resource use</i> or <i>circular economy</i>.
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NON-MANDATORY ILLUSTRATIVE GUIDANCE ON E5-4 – Resource inflows

NMIG 5 for para. 15 (d) (Resource inflows)	A possible element to cover when reporting paragraph 15(d) is information on the materials that are secondary sourced from by-products / <i>waste stream</i> (e.g. offcuts of a material that has not previously been in a product).
NMIG 6 for para. 15 (e) (Resource inflows)	When reporting paragraph 15(e), information on sustainably sourced biological materials, the <i>undertaking</i> might explain its organisational definition of 'sustainable sourcing' and the use of external certification schemes.

NON-MANDATORY ILLUSTRATIVE GUIDANCE ON E5-5 – Resource outflows

NMIG 7 for para. 17 (Product and services)	When reporting paragraph 17, these are the possible <i>eco-design</i> related principles that can be used when referring to products or <i>product</i> categories: (a) improving product <i>durability</i>, reusability, upgradability and <i>reparability</i>; (b) enhancing energy and <i>resource efficiency</i>; (c) increasing recycled content; (d) making products easier to remanufacture and <i>recycle</i>; (e) reducing the presence of <i>substances</i> that inhibit <i>circularity</i>; (f) reducing carbon and environmental footprints; and improving the availability of information on <i>product</i> sustainability.
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NMIG 8 for para. 17 (Product and services)	When reporting paragraph 17, the following classification can be used by the undertaking to disclose on its circularity-contributing services (additional/ alternative ones can be disclosed by the undertaking): (a) maintenance and repair services: These services focus on extending the life of products by providing maintenance, repair, and refurbishment. Examples include electronics repair shops, vehicle maintenance services, and appliance repair. (b) reuse and redistribution services: These services facilitate the reuse of products by redistributing them to new users. Examples include second-hand stores, online marketplaces for used goods, and rental services. (c) product-as-a-service (PaaS): This model involves offering products as services rather than selling them outright. Customers pay for the use of the product rather than owning it. Examples include car-sharing services, subscription-based fashion, and equipment leasing. (d) recycling and resource recovery services: These services focus on recovering materials from end-of-life products and reintroducing them into the production cycle. Examples include recycling centres, waste management services, and material recovery facilities. (e) sustainable design and consulting services: These services focus on creating modular and customisable products that are easy to repair, upgrade, and recycle, while also providing lifecycle assessments (LCA) and expert sustainability consulting to help businesses integrate circular economy principles into their operations and product designs.
NMIG 9 for para. 17 (Product and services)	When reporting under paragraph 17(a),(b), a comparison of products durability and reparability metrics to industry averages (if those are available) can provide useful contextual information.
NMIG 10 for para. 18(a) (Waste)	When considering the waste streams relevant to its sectors or activities, the list of waste descriptions from the European Waste Catalogue is the reference point. Examples of waste streams include tailings for undertaking in the mining sector, electronic waste for the undertaking in the consumer electronics sector, or food waste for the undertaking in the agriculture or in the hospitality sector.
NMIG 11 for para. 18(b) (Waste)	When providing information under ESRS 2 MDR-M respecting its Resource outflows (Waste) metrics, if presenting a high percentage of waste (>50% of weight) directed to disposal the undertaking might explain the reasons for it.
NMIG 12 for para. 18(c)(iii) (Waste)	When an undertaking reports according to 18(c)(iii) 'other types of recovery', the undertaking might reference types of recovery according to Annex 2, Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives.

NMIG 13 for para. 18(d)(i) (Waste)	When an undertaking reports according to 18(d)(i) 'thermal-based disposal', the following are nonexclusive options to be reported: incineration, incineration with energy recovery, co-incineration.
NMIG 14 for para. 18(d)(iii) (Waste)	When an undertaking reports according to 18(d)(iii) 'other disposal operations', it might reference the type of operation according to Annex 1, Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives.

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of the EFRAG SR TEG/SRB. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG SRB or the 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.

Draft Amended ERS S1 Own Workforce Exposure Draft UNAPPROVED

Working document

(ERS S1 – V1.6)

DRAFTING PROCESS FOR THE WORKING DOCUMENTS SO FAR

The EFRAG SRB and SR TEG provided written comments on the “V.1.1” versions of the Secretariat working drafts prepared between the end of May and the first week of June. Based on those comments, the EFRAG Secretariat prepared the “V1.5” versions which were discussed in meetings mid-June by both EFRAG SR TEG and SRB.

Subsequently these versions were amended and critically reviewed by dedicated review panels. The review panels submitted the outcome of their work and the remaining points for discussion to the EFRAG SRB and ST TEG.

All agenda papers for the 9/10 July EFRAG SR TEG meeting and 14/16 July SRB meeting (“V1.6”) have been prepared by the Secretariat on the basis of (i) the “V1.5” working documents discussed by the EFRAG SRB and SR TEG, (ii) the review by the respective review panels within the SRB (with SR TEG experts when appropriate) and (iii) the subsequent discussions and decisions in the SRB. Step (i) and (ii) took place in the first week of July.

All comments shared by members in written on the “V1.5” working documents have been considered and incorporated when consistent with the SRB decisions.

DISCLAIMER ON THE STATUS OF THIS UNAPPROVED DOCUMENT

This working document does not represent an EFRAG view at this stage. This “V.1.6” draft is now made public as Working Document for the SR TEG discussions on 9/10 July and the SRB discussions on 14/16 July 2025. They are not to be considered as Exposure Drafts yet. They are unapproved and still subject to change reflecting the discussions in those meetings and for editorial and quality review that has not yet taken place. In addition, they are not accompanied by the necessary explanatory documents that are still being prepared and will accompany the Exposure Draft.

EFRAG recommends stakeholders that intend to contribute to the consultation to plan their review on the Exposure Drafts once they are issued, as they will benefit from the final content and from explanatory content.

REVISED STRUCTURE AND DRAFTING CONVENTIONS

As compared to the ERS Set 1 (adopted in July 2023), the structure of the standards has been revised and streamlined. In particular:

- All the “shall disclose/shall include/shall report/shall describe/shall explain” have been considered and simplified. They are presented in the main body of the standard. They

- have been counted as separate datapoints.
- Below the text of each Disclosure Requirement in topical standards (or section for ERS 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is still named “Application Requirements” (AR). This includes “shall consider” as element of methodology for preparing the disclosure and “may (present)” for presentation options.
- Non mandatory appendices have been maintained in ERS 1 on an exceptional basis, given their importance (former AR 16).
- All the “may” disclosures have been either eliminated or moved to another category (either deleted or moved to guidance), except for a few of them which are exceptionally still being considered.
- All the non-mandatory content has been moved to separate documents named “Non-Mandatory Illustrative Guidance” (NMIG). While the four points above are drafted to become part of the delegated act, the legal status of the NMIG remains open from an EFRAG’s standpoint (either as appendices in the delegated act or as documents issued independently of the delegated act) and will be considered by the EC in due course.

HOW TO READ THIS DOCUMENT

The paragraph numbering has been revised to reflect the draft amendments. Where applicable, the previous Set 1 paragraph numbers are indicated in brackets – for example, ‘4, (24)’ or ‘4, (24, amended)’.

Objective

1. When reporting in accordance with ESRs, the **sustainability statement** shall cover information in relation to ESRs S1 **“Own Workforce”**, when this **topic** relates to **material impacts, risks and opportunities**. The disclosure on the material impacts, risks and opportunities is expected to cover **policies, actions and targets** (if in place), **dependencies** when relevant, **metrics and financial effects**.
2. The objective of this Standard is to specify disclosure Requirements in relation to these items of information that are not covered in ESRs 2. It is also to enable **users** to understand the extent to which the undertaking aligns or complies with international and European human rights instruments and conventions, including the International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and ILO fundamental conventions, the UN Convention on Persons with Disabilities, the European Convention of Human Rights, the revised European Social Charter, the Charter of Fundamental Rights of the European Union, the EU **policy** priorities as set out by the European Pillar of Social Rights, and Union legislation, including the EU labour law acquis.
3. When only one of the **sub-topics** covered by this Standard is material, the undertaking shall report only on that sub-topic. This does not apply to disclosure requirements S1-5, S1-6 and S1-16, which shall be applied whenever an undertaking concludes that **Own Workforce** is material.
4. This Standard also requires an explanation of the undertaking's general approach to identifying and managing any **material actual and potential impacts, risks and opportunities** on its **own workforce** in relation to the following **sub-topics**:
 - (a) working conditions (**adequate wages, work-life balance**, working time, secure employment, including **social protection**)
 - (b) collective bargaining, freedom of association and **social dialogue**
 - (c) health and safety
 - (d) **training** and skills development;
 - (e) **equal treatment** and diversity (gender equality, equal pay for equal work, employment and inclusion of people with disabilities, non-discrimination, anti-harassment);
 - (f) other labour related human rights (child labour, forced labour, privacy and adequate housing).
5. The undertaking shall apply the provisions of ESRs 2 paragraphs from 30 to 33 and GDR- P, GDR-A and GDR-T. In particular:
 - (a) If the undertaking has not adopted **policies, actions or targets** with regard to a **topic** related to **material impacts, risks and opportunities** it shall disclose this fact.
 - (b) The undertaking may present the description of its **material impacts, risks and opportunities**, in accordance with ESRs 2 IRO 2, alongside information about its **policies, actions, targets** and metrics through which it addresses them, to avoid duplication and support a coherent narrative.
6. In this standard, each Disclosure Requirement is introduced by a disclosure objective, with the exception of **policies, actions and targets**, for which the provisions in GDR- P, GDR-A and GDR-T provides the necessary framing for the relevant disclosures.
7. An undertaking's **own workforce** includes both people who are in an employment relationship with the undertaking (**“employees”**) and **non-employees** who are either people with contracts with the undertaking to supply labour (**“self-employed people”**) or people provided by undertakings primarily engaged in “employment activities” (NACE Code N78). Information about non-employees in accordance with this Standard shall not affect their status under applicable labour law. This Standard does not cover workers in the undertaking's upstream or downstream **value chain**. These workers are covered in ESRs S2 *Workers in the value chain*.
8. **Non-employees** that fall within the scope of **Own Workforce** include:
 - (a) Contractors (self-employed persons) in the undertaking's own workforce. They include:

- i. Contractors hired by the undertaking to perform work that would otherwise be carried out by an **employee**
- ii. Contractors hired by the undertaking to perform work in a public area (e.g., on a road, on the street).
- iii. Contractors hired by the undertaking to deliver the work/service directly at the workplace of a client of the undertaking.
- (b) People employed by a third party engaged in ‘employment activities. They include people who perform the same work that employees carry out, such as:
 - i. people who fill in for employees who are temporarily absent (due to illness, holiday, parental leave, etc.);
 - ii. people performing work additional to regular employees; iii. people who are dispatched temporarily from another EU member state to work for the undertaking (‘posted workers’).
 - iii. people who are dispatched temporarily from another EU member state to work for the undertaking (‘posted workers’).
9. **Value chain workers** (i.e. workers that are not part of the undertaking's **own workforce** and who therefore fall under ESRs S2) include:
 - (a) workers for a **supplier** contracted by the undertaking who work on the supplier's premises using the supplier's work methods;
 - (b) workers for a ‘downstream’ entity which purchases goods or services from the undertaking; and
 - (c) workers of an equipment **supplier** to the undertaking who, at one or more of the undertaking's workplaces, perform regular maintenance on the supplier's equipment (for example, photocopyier) as stipulated in the contract between the equipment supplier and the undertaking. (OLD AR 3 and AR G2)

Interaction with other ESRs

10. The reporting under this Standard shall be consistent, coherent and where relevant clearly linked with reporting on the undertaking's **own workforce** under ESRs S2 *Workers in the value chain*.

Disclosure requirements

Impact, risk and opportunity management

Disclosure Requirement S1-1 – Policies related to Own workforce

11. The undertaking shall describe its **policies** for managing the **material impacts, risks and opportunities** related to its **own workforce** in accordance with ESRs 2 GDR-P. It shall state whether these **policies** cover specific groups within its own workforce (for example, **employees** working in a particular factory or geography) or all of its own workforce.
12. (22 amended) If the undertaking is connected through its own operations to **material impacts, risks and opportunities** regarding trafficking in human beings, **forced labour** or compulsory labour and **child labour**, it shall state whether its **policies** in relation to its **own workforce** explicitly address these issues¹.

¹ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #11 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments (“lack of processes and measures for preventing trafficking in human beings”).

13. (23 amended) The undertaking shall state whether it has a **policy** or management system for safeguarding the health and safety of its **own workforce** at work and preventing occupational risks².

APPLICATION REQUIREMENTS – AR

AR 1 for paragraph 12	(AR 14 amended) The channels the undertaking uses to communicate its policies to the individuals, groups of individuals or entities for whom they are relevant, either because they are expected to implement them (for example, the undertaking's employees, contractors and suppliers), or because they have a direct interest in their implementation (for example, people in its own workforce, investors) can be described as contextual information.
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Disclosure Requirement S1-2 – Engagement with own workforce and workers' representatives, existence of channels for own workers to raise concerns or needs and approaches to remedy

14. (26 amended) The objective of this Disclosure Requirement is to enable an understanding of the undertaking's general approach to engagement with its **own workforce**, the availability of channels, including **grievance mechanisms**³, and **remedy**.
15. (27 amended) The undertaking shall disclose how it engages directly with its **own workforce** or **workers' representatives** and how the perspectives of its own workforce inform its decisions or activities aimed at managing the actual and **potential impacts** on its own workforce during the reporting year. This shall include, where relevant:
- (a) (28 amended) how it gains insight into the perspectives of people in its own workforce who may be particularly vulnerable to impacts and/or marginalised (for example, women, migrants, people with disabilities); and
 - (b) the **Global Framework Agreements (GFA)** or other outcomes that the undertaking has reached with workers' representatives related to the respect of human rights of its own workforce.
16. The undertaking shall describe the channels it has for its **own workforce** to bring their concerns or needs directly to the attention of the undertaking and have them addressed. In particular, it shall state whether it has a **grievance mechanism**. It shall also explain how it assesses the effectiveness of these channels.
17. The undertaking shall describe its general approach to and processes for providing or contributing to **remedy** where it has caused or contributed to a material negative **impact** on people in its **own workforce**.

APPLICATION REQUIREMENTS – AR

AR 2 for paragraph 14	The engagement with the own workforce can take different forms such as information, consultation or participation and frequency.
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² This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impact as set out by indicator #11 in Table II of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("investments in companies without workplace accident prevention policies").

³ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #5 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("lack of grievance/complaints handling mechanisms related to employee matters").

AR 3 for paragraph 16	(AR 28 amended) Channels for raising concerns or needs under paragraph 16 are formal structures with dedicated processes through which the undertaking's own workforce can raise their concerns or needs. They include grievance mechanisms, hotlines, trade union or staff representatives at workplace level, works councils, dialogue processes, as well as, under certain circumstances, whistleblowing mechanisms. When whistleblowers mechanisms are reported to be used under paragraph 16, relevant information include whether they are limited to breaches of internal rules, including codes of ethics or conduct or the undertaking's workforce to raise wider concerns or needs.
AR 4 for paragraph 16	(32 amended) With regards to paragraph 16 on assessing the effectiveness of the channels, 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, can be used. When the undertaking has policies for protecting individuals that use these channels against retaliation, including workers' representatives and it is disclosed in ESRs G1-1, the undertaking may refer to that disclosure.
AR 5 for paragraph 16	Third party mechanisms include those operated by a government, NGO, industry association or other collaborative initiative. When such mechanisms are used, disclosure on their effectiveness, as per AR 4, is of particular relevance.
AR 6 for paragraph 17	(AR 28 amended) 'Processes' for providing or contributing to remedy include formalised steps or criteria that are followed in order to ensure that concerns or needs or complaints are adequately addressed, including, where relevant, by providing or contributing remedy for actual impacts. Such processes can also include channels to raise concerns or needs as reported at paragraph 16 as such channels can provide for or contribute to remediation.

Disclosure Requirement S1-3 Actions and Resources related to Own workforce

18. (37 amended) The undertaking shall describe the key actions and resources to manage its **material impacts, risks and opportunities** related to its **own workforce** in accordance with ESRs 2 GDR-A.
19. (38 amended) In relation to the material **impacts** related to its **own workforce**, the undertaking shall describe:
- (a) key **actions** taken, planned or underway to prevent, mitigate or remediate material negative impacts on its own workforce, including the approach in situations where tensions arise between such actions and other business pressures;
 - (b) how it tracks and assesses the effectiveness of these **actions** and initiatives in delivering outcomes for its own workforce. This disclosure can be omitted if the undertaking discloses how it tracks effectiveness of its actions in accordance with GDR-T or GDR-M. In that case, a reference to that disclosure is sufficient.

APPLICATION REQUIREMENTS – AR

AR 7 for paragraph 18	The undertaking can be connected to an impact in different ways. The undertaking may cause or contribute to a material impact, or the material impact may be directly linked to its own operations, products or services through a business relationship . The undertaking's key actions may vary depending on such connections, including actions to remedying impacts as well as seeking to use leverage in its business relationships to manage those impacts. Such actions include collective actions such as multistakeholder and/or industry initiatives.
AR 8 for paragraph 19	(AR 43 amended) The undertaking can describe the measures taken to mitigate negative impacts on its own workforce that arise from the transition to a greener, climate-neutral economy, and in the case of downscaling or mass dismissal, measures, intra-company placements and early retirement plans. In addition, present and/or expected external developments that influence whether dependencies turn into risks for just transition is another aspect that could lead to actions . This includes measures that derived from regulation.

Metrics and targets

Disclosure Requirement S1-4 – Targets related to Own Workforce

20. (46 amended) If the undertaking evaluates the effectiveness of its **policies** and managing **topics** associated with **material impacts, risks** and **opportunities** related to its **own workforce** through qualitative and/or quantitative **targets**, it shall describe them in accordance with ESRs 2 GDR-T.
21. (47 amended) When disclosing in accordance with ESRs 2 GDR-T, the undertaking shall disclose whether and how it engaged directly with its **own workforce** or **workers' representatives** during the reporting period for the purpose of:
- (a) setting any such **targets**;
 - (b) tracking the undertaking's performance against the **targets**.

APPLICATION REQUIREMENTS – AR

AR 9 for paragraph 20	(AR 52 amended) When disclosing the targets for the year, there could be situations when a modification or replacement of prior year targets by cross-referencing to significant changes in the business model or to broader changes in the accepted standard or legislation from which the target is derived to provide contextual information as per ESRs 2 BP-2 Disclosures in relation to specific circumstances.
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Disclosure Requirement S1-5 – Characteristics of the undertaking's employees

22. (49 amended) The objective of this Disclosure Requirement is to provide insight into the undertaking's approach to employment, including the scope and nature of **material impacts, risks** and **opportunities** arising from its employment practices, providing insight into the security of employment. As well as to provide contextual information that enables an understanding of the information reported in other disclosures, and to serve as the basis for calculation for quantitative **metrics** to be disclosed under other disclosure requirements in this Standard.

23. (50 amended) The undertaking shall disclose:

(a) the total number of **employees** by head count, and breakdowns by gender and by country for the countries in which the undertaking has 50 or more employees and that are the ten largest countries in terms of employee numbers for the undertaking;

(b) the total number by head count or full time equivalent (FTE) of:

- i. permanent **employees**, and breakdown by gender;
- ii. temporary employees and breakdown by gender; and
- iii. non-guaranteed hours employees.

(c) the rate of **employee** turnover in the reporting period.

(d) a qualitative explanation in case of inconsistency between information reported under paragraph (a) above and the most representative number in the financial statements.

24. (AR 56 amended) The definitions of permanent, temporary, non-guaranteed hours, full-time, and part-time **employees** differ between countries. If the undertaking has employees in more than one country, it shall use the definitions as per the national laws of the countries where the employees are based to calculate country-level data. The country-level data shall then be added up to calculate total numbers, disregarding differences in national legal definitions.

APPLICATION REQUIREMENTS – AR

AR 10 for paragraph 23 (b)	The undertaking's method for compiling the employee data (for example, end of reporting year or average) can provide contextual information.
AR 11 for paragraph 23(a)	(AR 55 amended) The undertaking shall present the requested disclosures either in a narrative format or in the following tabular formats: <i>Table 1: Template for presenting information on employee head count by gender.</i> In some Member States it is possible for persons to legally register themselves as having a third gender, which is categorised as "other" in the table above. However, if the undertaking is disclosing data about employees where this is not possible, it may explain this and indicate that the "other" category is not applicable. <i>Table 2: Template for presenting employee head count in countries where the undertaking has at least 50 employees representing at least 10% of its total number of employees.</i>
AR 12 for paragraph 23(b)	(AR 55 amended) The undertaking shall present the information either as narrative text or using the following table. <i>Table 3: Template for presenting information on employees by contract type, broken down by gender (head count or FTE) in some countries, non-guaranteed hours contracts may be considered permanent or temporary contract, according to national legislation.</i>
AR 13 For paragraph 23(c)	(AR 59 amended) For the employee turnover calculation, the undertaking shall calculate the aggregate of the number of employees who leave voluntarily or due to dismissal, retirement, or

	death in service. The undertaking shall use this number for the numerator of the employee turnover rate and the average employee headcount in the denominator.
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Disclosure Requirement S1.6 – Characteristics of non-employees in the undertaking's own workforce

25. (54 amended) The objective of this Disclosure Requirement is to provide an understanding of how much the undertaking relies on **non-employees** as part of its workforce.
26. (55 amended) The undertaking shall disclose the total number of **non-employees** in the undertaking's **own workforce**.

APPLICATION REQUIREMENTS – AR

AR 14 for paragraph 26	This Disclosure Requirement is applicable when non-employees are a significant driver of impacts, risks and opportunities related to own workforce . This situation arises when non-employees are a key part of the undertaking's business model , for example when used to provide flexible labour used in key processes, or when used instead of employees to provide cost advantages employees. Dependencies on non-employees due to the business model can be a risk for the undertaking, particularly when the reliance on non-employees is increasing, for example due to changes in labour market regulations. The use of non-employee can also be a significant driver of negative impacts when non-employee workers make up a substantial proportion of own workforce or where potential or actual negative impacts are large in relation to employees.
AR 15 for paragraph 26	If the undertaking cannot report exact figures, it shall apply the provision in relation to ESRs 1 on estimates. (OLD AR 63)

Disclosure Requirement S1.7 – Collective bargaining coverage and social dialogue

27. (59 amended) The objective of this Disclosure Requirement is to enable an understanding of the coverage of collective bargaining agreements and **social dialogue** for the undertaking's **employees**.
28. (60 amended) The undertaking shall disclose:
- (a) the percentage of its total **employees** covered by **collective bargaining** agreements;
 - (b) in the EEA, whether it has one or more **collective bargaining** agreements and, if so, the overall percentage of its **employees** covered by such agreement(s) for each country in which it has significant employment, defined as at 50 or more employees by headcount and that are the ten largest countries in terms of employee numbers for the undertaking; and
 - (c) outside the EEA, the percentage of its employees covered by collective bargaining agreements by region.
29. (63 amended) The undertaking shall disclose the following information in relation to **social dialogue** for EEA countries:
- (a) the global percentage of employees covered by **workers' representatives**, reported at the country level for each EEA country in which the undertaking has significant employment as calculated in accordance with paragraph 28 (b) above; and

- (b) where applicable, the existence of any agreement with its **employees** for representation by a European Works Council (EWC), a Societas Europaea (SE) Works Council, or a Societas Cooperativa Europaea (SCE) Works Council.

APPLICATION REQUIREMENTS – AR

AR 16 for paragraph 28 (a)	(AR 66 amended) The percentage of employees covered by collective bargaining agreements is calculated using the following formula: $\frac{\text{Number of employees covered by collective bargaining agreements}}{100} \times \text{Number of employees}$ (AR 67 amended) The employees in the undertaking's own workforce covered by collective bargaining agreements are those individuals to whom the undertaking is obliged to apply the agreement. This means that if none of the employees are covered by a collective bargaining agreement, the percentage reported is zero. An employee in the undertaking's own workforce covered by more than one collective bargaining agreement only needs to be counted once.
AR 17 for paragraph 28	(AR 70 amended) The undertaking shall present the information in a narrative format of following the table below: Table 1: Reporting template for collective bargaining coverage and social dialogue
AR 18 for paragraph 29 (a)	(AR 69 amended) For calculating the information required by paragraph 30(a), the undertaking shall identify in which European Economic Area (EEA) countries it has significant employment. For these countries it shall report the percentage of employees in that country which are employed in establishments in which employees are represented by workers' representatives. Establishment is defined as any place of operations where the undertaking carries out a non-transitory economic activity with human means and goods. Examples include: a factory, a branch of a retail chain, or an undertaking's headquarters. For countries in which there is only one establishment, the percentage reported shall be either 100% or 0%. $\frac{\text{Number of employees working in establishments with workers' representatives}}{\text{Number of employees}} \times 100$

Disclosure Requirement S1-9 – Diversity metrics

30. (65 amended) The objective of this Disclosure Requirement is to enable an understanding of gender diversity at top management level.
31. (66a amended) The undertaking shall disclose the gender distribution in number (headcount) and percentage at top management level.

APPLICATION REQUIREMENTS – AR

AR 19 for paragraph 31

(AR 71 amended) In preparing the disclosure on gender at top management, the undertaking shall use the definition of top management as one and two levels below the administrative and supervisory bodies unless this concept has already been defined with the undertaking's operations and differs from the previous description. If this is the case, the undertaking can use its own definition for top management and disclose that fact.

Disclosure Requirement S1-9 – Adequate wages

32. (68 amended) The objective of this Disclosure Requirement is to enable an understanding of whether or not the undertaking's **employees** are paid an **adequate wage**.
33. (69 amended) The undertaking shall disclose whether or not its **employees** are paid an **adequate wage**. If employees are not paid an adequate wage, it shall disclose the countries and percentage of employees concerned.

APPLICATION REQUIREMENTS – AR

AR 20 for paragraph 33

(69 amended) If all **employees** are paid an **adequate wage**, stating this is sufficient to fulfil this requirement and no further information is needed.

AR 21 for paragraph 33

(AR 72 amended) The basis of this calculation is lowest **wage** within the undertaking's **employees**, excluding interns and apprentices. This is to be based on the basic wage plus any fixed additional payments that are guaranteed to all employees. The lowest wage shall be considered separately for each country in which the undertaking has operations, except outside the EU when the relevant adequate or minimum wage is defined at a sub national level.

AR 22 for paragraph 33

The **adequate wage** benchmark used for comparison with the lowest **wage** shall not be lower than:

(a) in the EU: the wage level established through **collective bargaining**, or the statutory minimum wage set in accordance with Directive (EU) 2022/2041 of the European Parliament and of the Council⁴ on adequate minimum wages in the European Union.

(b) Outside of the EU:

⁴ Directive (EU) 2022/2041 of the European Parliament and of the Council of 19 October 2022 on adequate minimum wages in the European Union (OJ L 275, 25.10.2022, p. 33).

	i. the wage level established through collective bargaining, or the statutory minimum wage established by legislation or collective bargaining agreement which is periodically reviewed/adjusted every two years and takes into account the ILO wage setting principles. ii. if an adequate minimum wage does not exist, any living wage estimate produced by an institution mandated by the public authorities of the country where the workers are based and which takes into account the ILO principles on estimating a living wage. iii. if none of the instruments identified in (i) or (ii) exist, any existing living wage estimate, which takes into account the ILO principles on estimating a living wage. (AR 73 amended) The adequate wage benchmark used under points i), ii) or iii) should take into account both needs of workers and their families, as well as economic factors, as stated in the ILO Minimum Wage Fixing Convention No.131.
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Disclosure Requirement S1-10 – Social protection

34. (73 amended) The objective of this Disclosure Requirement is to enable an understanding of whether the undertaking's employees are covered by **social protection** against loss of income due to major life events, and, if not, the countries where this is not the case.
35. (74 amended) In situations where an undertaking's **employees** lack **social protection**, through public programs or through benefits offered by the undertaking, with regard to one or more of the four major life events listed below, the undertaking shall disclose the countries where employees lack those protections for the following major life events:
- (a) sickness;
- (b) unemployment starting from when the own worker is working for the undertaking;
- (c) employment injury and acquired disability;
- (d) maternity leave.

Disclosure Requirement S1-11 – Persons with disabilities

36. (78 amended) The objective of this Disclosure Requirement is to enable an understanding of the extent to which **persons with disabilities** are included among the undertaking's employees.
37. (79 amended) The undertaking shall disclose the percentage of **persons with disabilities** amongst its employees subject to legal restrictions on the collection of data.

APPLICATION REQUIREMENTS – AR

AR 23 for paragraph 37

The disclosure requirement about **persons with disabilities** requires the undertaking to only report data that can be lawfully collected. Disability status depends on the national legal definitions and the undertaking may have used a common definition across the various countries where it operates or the local definitions that.

(AR 76 amended) In addition, the undertaking can provide contextual information in relation to the methodology followed to collect data on persons with disabilities, for example, voluntary **employee** surveys or the information from the mandatory disability quotas reported by the undertaking.

Disclosure Requirement S1-12 – Training and skills development metrics	
38.	(82 amended) The objective of this Disclosure Requirement is to enable an understanding of the training and skills development-related activities that have been offered to employees , within the context of continuous professional growth, to upgrade employees' skills and facilitate continued employability.
39.	(83 amended) The undertaking shall disclose:
	(a) the percentage of employees that participated in regular performance and career development reviews;
	(b) the average number of training hours per employee .

APPLICATION REQUIREMENTS – AR

AR 24 for paragraph 39 (a)	(AR 77 amended) A regular performance review is defined as a review based on criteria known to the employee and his or her superior undertaken with the knowledge of the employee at least once per year. The review can include an evaluation by the worker's direct superior, peers, or a wider range of employees. The review can also involve the human resources department. In order to disclose the information required by paragraph 40 (a), the undertaking shall use the employee headcount figures provided in Disclosure Requirement ESRs S1-6 in the denominator, as follows: (# employees who participated in regular performance review / # employees according to S1 – 6) * 100.
AR 25 for paragraph 39 (b)	(AR 78 amended) The average number of training hours required by paragraph 36 (b) shall be calculated as follows: total number of training hours offered to and completed by employees divided by the total number of employees. For the total training average, the head count figures for total employment reported in Disclosure Requirement ESRs S1-6 shall be used.

Disclosure Requirement S1-13 – Health and Safety metrics

40. (87 amended) The objective of this Disclosure Requirement is to allow an understanding of the coverage, quality and performance of the health and safety management system established to prevent **work-related accidents**, ill-health, and fatalities for the undertaking.
41. (88 amended) The undertaking shall disclose the following information, where applicable broken down between **employees** and **non-employees** in the undertaking's **own workforce**:
- (a) the percentage of people in its own workforce who are covered by the undertaking's health and safety management system based on legal requirements and/or recognised standards or guidelines;

- (b) the sum of (i) the number of fatalities from work-related injuries among everybody in the undertaking's own workforce as well as other workers that work on the undertaking's sites and (ii) the number of fatalities from work-related ill health among its own employees;⁵
- (c) the number and rate of recordable **work-related accidents**;⁶
- (d) with regard to the undertaking's employees, the number of cases of recordable work-related ill health, subject to legal restrictions on the collection of data; and
- (e) with regard to the undertaking's employees, the number of days lost to work-related injuries, **recordable work-related accidents** and work-related ill health.⁷

APPLICATION REQUIREMENTS – AR

AR 26 for paragraph 41 (a)	(AR 80 amended) In relation to paragraph 38(a), the percentage of its own workforce who are covered by the undertaking's health and safety management system shall be disclosed on a head count basis rather than a full-time equivalent basis.
AR 27 for paragraph 41 (c)	(AR 89 amended) When computing the rate of work-related injuries, the undertaking shall divide the number of cases by the number of total hours worked by people in its own workforce and multiplied by 1,000,000. This represents the number of cases per one million hours worked and roughly corresponds to the total hours worked by 500 full-time workers in one year. (AR 90 amended) If the undertaking uses estimates it shall use normal or standard hours of work, taking into account entitlements to periods of paid leave of absence from work (for example, paid vacations, paid sick leave, public holidays) and explain this in its disclosures.
AR 28 for paragraph 41 (c)	(AR 91 amended) The undertaking shall include fatalities that result from work-related injury in the number and rate of recordable work-related injuries.
AR 29 for paragraph 41(d)	(AR 93 amended) 'Cases of work-related ill health' in paragraph 41(d) means cases of which the undertaking has been informed by affected people, compensation agencies or healthcare professionals or cases that it has identified through medical surveillance during the reporting

⁵ This information supports the information needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Weighted average ratio of accidents, injuries, fatalities" in section 1 and 2 of Annex II. This information supports the information needs of financial market participants subject to benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Weighted average ratio of accidents, injuries, fatalities" in section 1 and 2 of Annex II.

⁶ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #2 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Rate of accidents").

⁷ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #5 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Number of days lost to injuries, accidents, fatalities or illness").

	period. In this context, work-related musculoskeletal disorders are covered under work-related ill health (and not injuries).
AR 30 for paragraph 41 (e)	(AR 94 amended) The disclosure may include cases of work-related ill health that were detected during the reporting period among people who were formerly in the undertaking's workforce.
	(AR 95 amended) The number of days lost shall include the first full day and the last day of absence. Calendar days must be used for the count. Days on which the affected individual is not scheduled for work (for example, weekends, public holidays) will therefore count as lost days.

Disclosure Requirement S1-14 – Work-life balance metrics

42. (92 amended) The objective of this Disclosure Requirement is to provide an understanding of the entitlement and actual practices amongst the **employees** to take **family-related leave** in a gender equitable manner, as it is one of the dimensions of **work-life balance**.
43. (93 amended) The undertaking shall disclose the percentage of **employees** entitled to take **family-related leave**.

APPLICATION REQUIREMENTS – AR

AR 31 for paragraph 43	If all of the undertaking's employees are entitled to family-related leave through social policy and/or collective bargaining agreements, it is sufficient to disclose this in order to meet the requirement of paragraph 44. (former paragraph 94)
AR 32 for paragraph 43	(AR 97 amended) With regard to paragraph 43, employees entitled to family-related leave are those who are covered by regulations, organisational policies , agreements, contracts or collective bargaining agreements that contain family-related leave entitlements and have reported their entitlement to the undertaking, or the undertaking is aware of the entitlement.

Disclosure Requirement S1-15 – Remuneration metrics

44. (96 amended) The objective of this Disclosure Requirement is twofold: to allow an understanding of the extent of any gap in the **pay** between women and men amongst the undertaking's **employees**; and to provide insight into the level of remuneration inequality inside the undertaking and whether wide pay disparities exist.
45. (97 amended) The disclosure shall disclose:
- (a) the gender **pay gap**, defined as the difference of average pay levels between female and male **employees**, expressed as percentage of the average pay level of male employees;⁸

⁸ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by indicator #12 in Table 1 of Annex

- (b) the **annual total remuneration** ratio of the highest paid individual to the median annual total remuneration for all **employees** (excluding the highest-paid individual).⁹

APPLICATION REQUIREMENTS – AR

AR 33 for paragraph 45 (a)	(AR 98 amended) When compiling the information required under paragraph 45(a) for the gap in pay between its female and male employees (also known as the "gender pay gap") the undertaking shall use the following methodology: (a) include all male and female employees' gross hourly pay level; and (b) apply the following formula to calculate the gender pay gap: $\frac{\text{Average gross hourly pay level of male employees} - \text{Average gross hourly pay level of female employees}}{\text{Average gross hourly pay level of male employees}} \times 1000$
AR 34 for paragraph 45(a)	(AR 99 amended) When disclosing the information in accordance with paragraph 45, the methodology or how the data has been compiled) is contextual information that can be provided by the undertaking.
AR 35 for paragraph 45(a)	(AR 100 amended) The measure of the undertaking's gender pay gap shall be reported for the current reporting period and, if reported in previous sustainability reports, for the previous two reporting periods.
AR 36 for paragraph 45(b)	(AR 101 amended) When compiling the information required by paragraph 45(b), the undertaking shall: (a) include all employees ; (b) consider, depending on the undertaking's remuneration policies , all of the following: i. base salary, which is the sum of guaranteed, short-term, and non-variable cash compensation; ii. benefits in cash, such as cash allowances, bonuses, commissions, cash profit-sharing, and other forms of variable cash payments; iii. benefits in kind, such as cars, private health insurance, life insurance, wellness programs; and iv. total fair value of all annual long-term incentives (for example, stock option awards, restricted stock shares or units, performance stock shares or units, phantom stock shares, stock appreciation rights, and long-term cash awards). (c) apply the following formula for the annual total remuneration ratio:

⁹ I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Unadjusted gender pay gap"); and benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Weighted average gender pay gap" in section 1 and 2 of Annex II.
This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #8 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Excessive CEO pay ratio").

	<i>Annual total remuneration for the undertaking's highest paid individual</i>
	<i>Median employee annual total remuneration (excluding the highest – paid individual)</i>

Disclosure Requirement S1-16 – Incidents of discrimination and other human rights incidents

46. (101 amended) The objective of this Disclosure Requirement is to allow an understanding of the extent to which **incidents of discrimination** and other human rights incidents, are affecting the undertaking's **own workforce**.
47. (103 amended) The undertaking shall disclose:
- (a) subject to the relevant privacy regulations, the total number of **incidents of discrimination** at work on the grounds of gender, racial or ethnic origin, nationality, religion or belief, disability, age, sexual orientation, or other relevant forms of discrimination, including **harassment**, reported in the reporting period;-
 - (b) subject to the relevant privacy regulations, the number of human rights **incidents**, excluding those that relate to **discrimination** and reported according to para 44 (a, connected to its **own workforce** that it has identified in the reporting period; and-
 - (c) the total amount of fines, penalties and compensation for damages for the **incidents** described under paragraphs 47(a) and 47(b).

APPLICATION REQUIREMENTS – AR

AR 37 for paragraph 47(b)	The human rights incidents in scope for this disclosure are those that relate to non-respect of internationally recognised human rights (same list as in ESRs 2 human rights policies and CSRD art 29 point 3 – respect for human rights.)
AR 38 for paragraph 47	Incidents referred to in paragraphs 47(a) and 47(b) include the number of substantiated instances of: (a) judicial and non-judicial proceedings that have been initiated (such as cases in front of domestic courts, mediation, complaints filed with the National Contact Points for OECD Multinational Enterprises); and/or (b) incidents registered directly with the undertaking by a third party or which it identified through its internal processes or through public media and other reports.
AR 39 for paragraph 47	When disclosing under paragraph 47, information regarding the following aspects can be provided as contextual information: (a) the contextual circumstances that can support the interpretation of the disclosure. In particular, there is recognition that an increase in incidents being reported by or to the undertaking may reflect positive improvements in the effectiveness, including availability, of channels to raise concerns, including grievance mechanisms ; and (b) the methodology it has used to compile the data on the incidents referred to in 47(a) and 47(b).
AR 40 for paragraphs 47(a) and 47 (b)	The way the undertaking has addressed or is addressing incidents referred to in paragraphs 47(a) and 47(b) can be disclosed under S1-3.

Appendix I: Voluntary disclosures

S1-15 Remuneration metrics - Voluntary disclosure

V1 former paragraph 42 (a) The undertaking may disclose the gender **pay** gap as defined in paragraph 42(a) adjusted by **employee** category and may also disclose a breakdown by country/segment. The undertaking may also disclose the gender pay gap between employees by categories of employees broken down by ordinary basic salary and complementary or variable components.

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of the EFRAG SRB/SR TEG. 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.

Draft Amended Non-Mandatory Illustrative Guidance ERS S1 Own
workforce UNAPPROVED Working document
(S1 V1.6)

DRAFTING PROCESS FOR THE WORKING DOCUMENTS SO FAR

The EFRAG SRB and SR TEG provided written comments on the “V.1” versions of the Secretariat working drafts prepared between the end of May and the first week of June. Based on those comments, the EFRAG Secretariat prepared the “V1.5” versions which were discussed in meetings mid-June by both EFRAG SR TEG and SRB.

Subsequently these versions were amended and critically reviewed by dedicated review panels. The review panels submitted the outcome of their work and the remaining points for discussion to the EFRAG SRB and SR TEG.

All agenda papers for the 9/10 July EFRAG SR TEG meeting and 14/16 July SRB meeting (“V.1.6”) have been prepared by the Secretariat on the basis of (i) the “V1.5” working documents discussed by the EFRAG SRB and SR TEG, (ii) the review by the respective review panels within the SRB (with SR TEG experts when appropriate) and (iii) the subsequent discussions and decisions in the SRB. Step (i) and (ii) took place in the first week of July.

All comments shared by members in written on the “V1.5” working documents have been considered and incorporated when consistent with the SRB decisions.

DISCLAIMER ON THE STATUS OF THIS UNAPPROVED DOCUMENT

This working document does not represent an EFRAG view at this stage. This “V.1.6” draft is now made public as Working Document for the SR TEG discussions on 9/10 July and the SRB discussions on 14/16 July 2025. They are not to be considered as Exposure Drafts yet. They are unapproved and still subject to change reflecting the discussions in those meetings and for editorial and quality review that has not yet taken place. In addition, they are not accompanied by the necessary explanatory documents that are still being prepared and will accompany the Exposure Draft.

EFRAG recommends stakeholders that intend to contribute to the consultation to plan their review on the Exposure Drafts once they are issued, as they will benefit from the final content and from explanatory content.

REVISED STRUCTURE AND DRAFTING CONVENTIONS

As compared to the ERS Set 1 (adopted in July 2023), the structure of the standards has been revised and streamlined, in particular:

- All the “shall disclose/shall include/shall report/shall describe/shall explain” have been considered as and simplified. They are presented in the main body of the standard. They have been counted as separate datapoints.
- Below the text of each Disclosure Requirement in topical standards (or section for ERS 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is still named “Application Requirements” (AR). This includes “shall consider” as element of methodology for preparing the disclosure and “may (present)” for presentation options.
- Non mandatory appendices have been maintained in ERS 1 on an exceptional basis, given their importance (former AR 16).
- All the “may” disclosures have been either eliminated or moved to another category (either deleted or moved to guidance), except for a few of them which are exceptionally still being considered.

- All the non-mandatory content has been moved to separate documents named “Non-Mandatory Illustrative Guidance (NMIG)”. While the four points above are drafted to become part of the delegated act, the legal status of the NMIG remains open from an EFRAG’s standpoint (either as appendices in the delegated act or as documents issued independently of the delegated act) and will be considered by the EC in due course.

HOW TO READ THIS DOCUMENT

The paragraph numbering has been revised to reflect the draft amendments. Where applicable, the previous Set 1 paragraph numbers are indicated in brackets – for example, ‘4, (24)’ or ‘4, (24, amended)’.

NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S1-1 Policies related to own workforce

NMIG 1 for para. 12	(24 and AR15 amended) When disclosing in accordance with paragraph 12 the undertaking might describe its policies and procedures for preventing and mitigating discrimination , including harassment , promoting equal opportunities and other ways to advance diversity and inclusion (for example, through staff training on non-discrimination policies and practices with a particular focus on middle and upper management to raise awareness). Discrimination in employment and occupation occurs when someone is treated differently or less favourably because of characteristics that are not related to merit or the inherent requirements of the job. These characteristics are commonly defined in national laws.
NMIG 2 for para. 12	(AR 16 and AR 17 amended) Discrimination can arise in a variety of work-related activities. These include access to employment, particular occupations, training and vocational guidance and social security. Moreover, it can occur with respect to the terms and conditions of employment, such as recruitment, remuneration, hours of work and rest, paid holidays, maternity protection, security of tenure, job assignments, performance assessment and advancement, training opportunities , promotion prospects, occupational safety and health, termination of employment. Disclosures about the undertaking’s policies and underlying procedures might therefore cover these areas.
NMIG 3 for para. 12	(AR10 amended) When disclosing in accordance with paragraph 12 the undertaking might describe its policies and commitments for (i) preventing or mitigating the risks and negative impacts on people in its own workforce that derive from actions to reduce carbon emissions and transitioning to greener and climate-neutral operations, as well as (ii) providing opportunities for the workforce such as job creation and upskilling, including explicit commitments to a ‘just transition’.
NMIG 4 for AR 1	(AR 14 amended) Accessibility of information is an important aspect of how the undertaking communicates its policies towards its own workforce . This can include translating websites or documents, using pictures or graphics in addition to text. Among the communication channels that the undertaking might talk about in its disclosure in accordance with paragraph 12 are flyers, newsletters, dedicated websites, social media, face-to-face interactions or workers’ representatives .

NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S1-2 Engagement with own workforce and workers’ representatives, existence of channels for own workers to raise concerns or needs and approaches to remedy.

NMIG 5 for para. 16	(AR 19 amended) When disclosing in accordance with paragraph 16 the undertaking might describe: (a) whether and how the perspectives of the undertaking’s own workforce inform its decisions or activities aimed at managing the actual and potential impacts on its own workforce; (b) for the frequency of the engagement, 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
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	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; (c) whether the undertaking requires relevant staff to have certain skills, or whether it provides training or capacity building to relevant staff to undertake engagement; (d) 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; (e) 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; and (f) how the undertaking 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.
NMIG 6 for para. 16	(AR 22 amended) If the undertaking discloses in accordance with paragraph 16 and if it has agreements with national, European or international trade unions or works councils related to the rights its own workforce, it might disclose this fact to illustrate how the agreement enables the undertaking to gain insight into their perspectives.
NMIG 7 for para. 17, 18	(AR 27 amended) When disclosing in accordance with paragraph 17 and 18, the undertaking may be guided by the provisions on grievance mechanisms and remediation of the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct when completing the disclosure.
NMIG 8 for para. 17	(AR 31 and AR 32 amended) When describing the effectiveness of channels for the undertaking's own workforce and workers' representatives to raise concerns in accordance with paragraph 17 the undertaking might address the following questions that are based on the effectiveness criteria for non-judicial grievance mechanisms in the UN Guiding Principles on Business and Human Rights, in particular principle 31. These questions apply to individual channels or systems 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 the concerned stakeholder group? (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? This disclosure can include relevant and reliable data about the effectiveness of these channels from the perspective of the people concerned. Sources of such information include, for instance, surveys of people in the undertaking's workforce that have used such channels and their levels of satisfaction with the process and outcomes. The disclosures under paragraph 17 can demonstrate how the undertaking determines whether people in its own workforce are aware of, and trust, these channels and whether they are fit for purpose and explain how follow up is carried out regarding the concerns or needs raised.
NMIG 9 for para. 17, AR 5	If the undertaking uses third party mechanisms mentioned in AR 5, it might also address the following questions when disclosing in accordance with paragraph 17: (a) If members of the undertaking's workforce are either formally employed by a third party or work in the workplace of a third party, whether they or their worker representatives are able to access channels provided by that third party in relation to a material impact; and NOTE: (a) not to be replicated in S2, 3, 4) (b) whether the undertaking relies solely on information from a third party about the existence or management of such channels.
NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S1-3 Actions and resources related to Own workforce	
NMIG 10 for para. 20, AR 11	Material negative impacts on the undertaking's own workforce may be connected to entities or operations outside its financial control. If the undertaking discloses how it uses its leverage vis-à-vis business partners to manage those impacts when disclosing in accordance with paragraph 20 it might explain how it uses (a) commercial leverage (for example, enforcing contractual requirements with business relationships or implementing incentives), (b) other forms of leverage within the relationship (such as providing training or capacity-building on workers' rights to entities with which the undertaking has a business relationship), or

	(c) collaborative leverage with peers or other actors (such as initiatives aimed at responsible recruitment or ensuring workers receive an adequate wage).
NMIG 11 for para. 20(a)	(AR 36 amended) If the undertaking discloses its participation in an industry or multi-stakeholder initiative as part of its actions to address material negative impacts in accordance with paragraph 20(a), it might explain how the initiative, and its involvement in it, address the material impact concerned.
NMIG 12 for para. 20(a)	Illustrations of situations where tension may arise between the impacts of actions performed by the undertaking can be in hiring and promotion of employees , the use of labour providers and contract labour or the storing and use of personal data.
NMIG 13 for para. 20(b)	(AR 38 and AR 39 amended) Reporting on the effectiveness of actions in accordance with paragraph 20(b) demonstrates the links between the undertaking's actions and effective impact management. Tracking the effectiveness of actions can include internal or external auditing or verification, court proceedings and/or related court decisions, impact assessments, measurement systems, stakeholder feedback, grievance mechanisms , external performance ratings, and benchmarking.
NMIG 14 for para. 20(b)	(AR 42 amended) When disclosing intended or achieved positive outcomes of its actions for its own workforce in accordance with paragraph 20(b) the undertaking might distinguish between evidence of certain activities having occurred (for example, that x number of people have received financial literacy training) and evidence of actual outcomes for the people concerned (for example, that x people report that they are able to better manage their pay and their household budgets).
NMIG 15 for para. 19	(38 c) amended) Actions include initiatives by the undertaking with the primary purpose of delivering positive impacts for its own workforce and human capital value for the undertaking.
NMIG 16 for para. 20	(AR 40 amended) When disclosing information about initiatives or processes for delivering positive impacts for the undertaking's own workforce and about progress in the implementation of those initiatives or processes the undertaking might disclose: (a) information about whether and how people in its own workforce and workers' representatives play a role in decisions regarding the design and implementation of these initiatives or processes; (b) information about the intended or achieved positive outcomes for the undertaking's own workforce of these initiatives or processes.
NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S1-4 Targets related to Own workforce	
	(AR 49 amended) When disclosing information about targets in accordance with paragraph 21, the undertaking might also disclose:

NMIG 17 for para. 21	(a) the intended outcomes to be achieved in the lives of a certain number of people in its own workforce ; (b) the stability of the targets over time in terms of definitions and methodologies to enable comparability over time; and/or (c) the standards or commitments which the targets are based on (for instance codes of conduct, sourcing policies, global frameworks, or industry codes).
NMIG 18 for para. 21	Targets related to risks and opportunities may be the same as or distinct from targets related to impacts . For example, a target to reach adequate wages for non-employees could both reduce impacts on those people and reduce associated risks in terms of the quality and reliability of their output.
NMIG 19 for para. 21	(AR 51 amended) When disclosing in accordance with paragraph 21 the undertaking might distinguish between short-, medium- and long-term targets covering the same policy commitment. For example, the undertaking may have a long-term target to achieve an 80% reduction in health and safety incidents affecting its delivery drivers by 2030 and a near-term target to reduce the overtime hours of delivery drivers by x% while maintaining their income by 2024.
NMIG 20 for para. 22	When disclosing in accordance with paragraph 22, the undertaking might disclose any lessons or improvements as a result of the undertaking's engagement with its own workforce or workers' representatives .
NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S1-5 Characteristics of the undertaking's employees	
NMIG 21 for para. 24	(50 d) amended) When disclosing in accordance with paragraph 24, the undertaking might disclose the assumptions on which it based itself when compiling the data, including whether the numbers are reported in head count or full-time equivalent (FTE) (including an explanation of how FTE is defined).
NMIG 22 for para. 24(a)	(AR 57 amended) Disclosing the number of employees at the end of the reporting period provides information for that point in time, without capturing fluctuations during the reporting period. Disclosing these numbers in averages across the reporting period takes into account fluctuations during the reporting period.
NMIG 23 for para. 24, AR 11, AR 12	(AR 54 amended) Breaking employee number down by country sheds light on the distribution of activities across countries. The number of employees in each country is also a key trigger for many information, consultation and participation rights for workers and workers' representatives , both in the Union labour law acquis (for example, Directive 2009/38/EC of the European Parliament and of the Council "European Works Councils Directive" and Directive 2002/14/EC of the European Parliament and of the Council "Information and Consultation Directive") and in national law (for example, rights to establish a works

	council or to have board level employee representation). Breaking employee numbers down by gender and type of employment relationship sheds light on gender representation across the undertaking. Additionally, providing a breakdown of employees by region gives insight into regional variations. A region can mean a country or other geographic locations, such as a region within a country or a world region.
NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S1-6 Characteristics of non-employees in the undertaking's own workforce	
NMIG 24 for para. 27	(56 amended) When disclosing in accordance paragraph 27 it might explain relevant contextual information such as the most common types of non-employees (e.g. whether they are self-employed), their relationship with the undertaking or the type of work they perform.
NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S1-7 – Collective bargaining coverage and social dialogue	
NMIG 25 for para. 29	(AR 68 amended) The information that must be disclosed in accordance with paragraph 29 must not be confused with the percentage of employees represented by a works council or belonging to trade unions. The percentage of employees covered by a collective bargaining agreement can be higher than the percentage of unionised employees if the agreement applies to union and non-union members. The percentage of employees covered by a collective bargaining agreements can also be lower than the percentage of unionised employees if there is no agreement or if it does not cover all unionised employees.
NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S1-8 Diversity metrics	
NMIG 26 for para. 31	(66b) amended) When disclosing under Disclosure Requirement S1-8 the undertaking might also choose to disclose the distribution of employees by age group: under 30 years old; 30-50 years old; over 50 years old.
NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S1-9 Adequate wages	
NMIG 27 for para. 34	EU Directive (EU) 2022/2041 on adequate minimum wages in the European Union (EU) aims to improve the adequacy of minimum wages for workers in the European Union. It states that minimum wages are considered adequate if they are fair in relation to the wage distribution in the relevant Member State and if they provide a decent standard of living for a full-time employee . The Conclusions of the ILO's February 2024 'Meeting of experts on wage policies, including living wages' articulate the concept of a living wage, also referring to a decent standard of living. Within the EU, minimum wages set in accordance with Directive (EU) 2022/2041 can be considered adequate. Outside the EU, minimum wages or estimates of living wages can only be considered adequate if they comply with the ILO principles on wage-setting or the ILO principles of estimating a living wage, respectively. The ILO provides guidance on the principles that the estimation of living wages should follow. It also provides principles for wage setting, which is the process through which living wages are to be achieved.

	When disclosing in accordance with paragraph 34 the undertaking might need to use more than one of the adequate minimum wage references listed above, depending on availability in the locations where it has employees.
NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S1-12 Training and skills development metrics	
NMIG 28 for para. 40 (a) and (b)	(83 a) and (b) amended) When disclosing in accordance with paragraph 40 (a) and (b) the undertaking might break down the information by gender.
NMIG 29 for para. 40 (a) and (b), AR 25, AR 26	The undertaking might exclude inactive employees from the denominators in the calculations described in AR 25 and AR 26. In this case, it might state this fact and how many employees were counted as inactive. An employee is considered inactive if they have been on sick leave, parental leave or other kind of absence for no less than six months, despite their ongoing employment relationship with the undertaking.
NMIG 30 for para. 40(b)	To be counted as training under paragraph 40 (b) there must be an unambiguous connection between the training activity and the maintenance, or improvement, of an employee's professional skills. The ultimate goal is professional growth and maintaining employability. This includes, for example, technical skills development training or management and leadership development training. It can include health and safety training if offered to employees in industries in which a solid knowledge of health and safety risks and the prevention of accidents is crucial because of the nature of the industries' physical operations, as in mining or any kind of operation on the high seas. Similarly, compliance training can be acknowledged as training if the nature of the industry makes it necessary that employees be familiar with legal requirements for the tasks they perform. This is typically the case in highly regulated industries, such as the financial sector. It does not matter whether a training activity has been delivered by an external party or internally developed, provided that, in the case of internal training, the undertaking has a system for managing and tracking these activities. Activities that do nothing to improve the skills of an employee in a way that will make them more productive or more employable in the same firm or sector or in another cannot be counted as training under paragraph 36(b). This applies to fire safety drills, generic health and safety trainings or orientation training ('onboarding') for new employees. To be counted as training, an activity needs to be offered by the reporting undertaking. On-the-job training, the byproduct of someone doing their work and getting better at it through experience and reflection, does not qualify as training.
NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S1-13 Health and Safety metrics	
NMIG 31 for para. 42(a)	(AR 81 amended) If the undertaking's health and safety management system has been internally audited or certified externally the undertaking might state this fact and describe the standards for the audit or certifications-when disclosing in accordance with paragraph 42(a).

NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S1-14 Work-life balance metrics

NMIG 32 for para. 44	(93 b) amended) When disclosing in accordance with paragraph 44 the undertaking might also disclose the percentage of entitled employees that took family-related leave , and a breakdown by gender.
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NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S1-15 Remuneration metrics

NMIG 33 for para. 46	(AR 102 amended) When disclosing in accordance with paragraph 46 the undertaking might explain how the data has been compiled (methodology). Quantitative data, such as the annual total remuneration ratio, may not be sufficient on its own to understand pay disparity and its drivers. For example, pay ratios can be influenced by the size of the undertaking (for example, revenue, number of employees), its sector, its employment strategy (for example, reliance on outsourced workers or part-time employees, a high degree of automation), or currency volatility.
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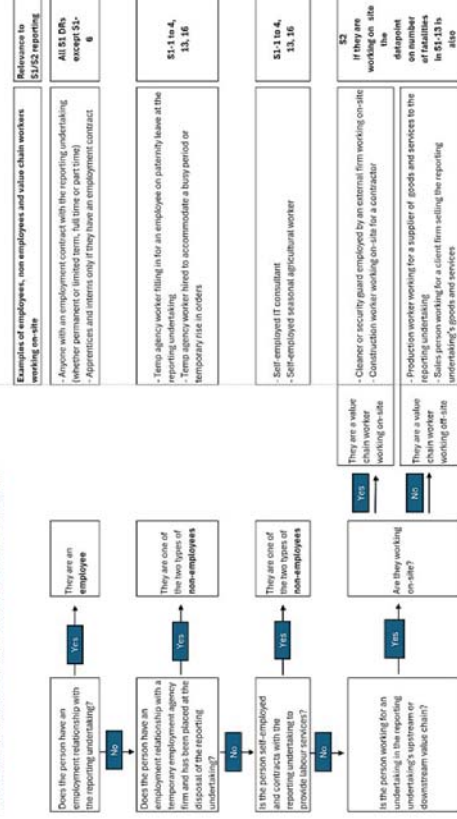
NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S1-16 Incidents of discrimination and other human rights incidents

NMIG 34 for para. 48	(103 b) amended) When disclosing in accordance with paragraph 48 the undertaking might also disclose the number of complaints filed through channels for people in the undertaking's own workforce to raise concerns (including grievance mechanisms).
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Appendix 1

Reporting on Employees and Non-Employees - Examples and relevant DIs

The definitions of employees and non-employees depend on national legislation



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Draft Amended ESRs S2 Workers in the Value Chain Exposure Draft

UNAPPROVED Working document

(S2 – V1.6)

DRAFTING PROCESS FOR THE WORKING DOCUMENTS SO FAR

The EFRAG SRB and SR TEG provided written comments on the “V1.1” versions of the Secretariat working drafts prepared between the end of May and the first week of June. Based on those comments, the EFRAG Secretariat prepared the “V1.5” versions which were discussed in meetings mid-June by both EFRAG SR TEG and SRB.

Subsequently these versions were amended and critically reviewed by dedicated review panels. The review panels submitted the outcome of their work and the remaining points for discussion to the EFRAG SRB and SR TEG.

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All comments shared by members in written on the “V1.5” working documents have been considered and incorporated when consistent with the SRB decisions.

DISCLAIMER ON THE STATUS OF THIS UNAPPROVED DOCUMENT

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REVISED STRUCTURE AND DRAFTING CONVENTIONS

As compared to the ESRs Set 1 (adopted in July 2023), the structure of the standards has been revised and streamlined, in particular:

- All the “shall disclose/shall include/shall report/shall describe/shall explain” have been considered and simplified. They are presented in the main body of the standard. They have been counted as separate datapoints.
- Below the text of each Disclosure Requirement in topical standards (or section for ESRs 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is still named “Application Requirements” (AR). This includes “shall consider” as element of methodology for preparing the disclosure and “may (present)” for presentation options.
- Non mandatory appendices have been maintained in ESRs 1 on an exceptional basis, given their importance (former AR 16).
- All the “may” disclosures have been either eliminated or moved to another category (either deleted or moved to guidance), except for a few of them which are exceptionally still being considered.
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HOW TO READ THIS DOCUMENT

The paragraph numbering has been revised to reflect the draft amendments. Where applicable, the previous Set 1 paragraph numbers are indicated in brackets – for example, ‘4. (24)’ or ‘4. (24. amended)’

ESRS S2 Workers in the value chain Version 1.6

Objective

1. When reporting in accordance with ESRs, the **sustainability statement** shall cover information in relation to S2 “**Workers in the value chain**”, when this **topic** is related to material **impacts, risks and opportunities**. The disclosure on the material impacts, risks and opportunities is expected to cover policies, **actions** and **targets** (if in place), **dependencies** when relevant, metrics and **financial effects**.
2. The objective of this Standard is to specify disclosure Requirements in relation to these items of information that are not covered in ESRs 2.
3. When only one of the **sub-topics** covered by this Standard is material, the undertaking shall report only on that sub-topic.
3bis. This Standard also requires an explanation of the undertaking’s general approach to identifying and managing any **material actual and potential impacts and risks and opportunities** on its **workers in the value chain** in relation to the following **sub-topics**:
 - (a) working conditions (adequate wages, work-life balance, working time, secure employment, including social protection)
 - (b) collective bargaining, freedom of association and social dialogue
 - (c) health and safety
 - (d) training and skills development;
 - (e) **equal treatment** and diversity (gender equality, equal pay for equal work, employment and inclusion of people with disabilities, non-discrimination, anti-harassment);
 - (f) other labour related human rights (**child labour, forced labour**, privacy and adequate housing, water and sanitation).
4. The undertaking shall apply the provisions of ESRs 2 paragraphs from 30 to 33 and GDR- P, GDR-A and GDR-T. In particular:
 - (a) if the undertaking has not adopted **policies, actions and targets** with reference to a **topic** related to **material impacts, risks and opportunities**, it shall disclose this fact; the undertaking may present the description of its material impacts, risks and opportunities, in accordance with ESRs 2 IRO 2, alongside
 - (b) information about its **policies, actions, targets and metrics** through which it addresses them, to avoid duplication and support a coherent narrative.
5. In this standard, each Disclosure Requirement is introduced by a disclosure objective, with the exception of **policies, actions and targets**, for which the provisions in GDR- P, GDR-A and GDR-T provides the necessary framing for the relevant disclosures.
6. This Standard covers all workers in the undertaking’s upstream and downstream **value chain** who are or can be materially impacted by the undertaking, including **impacts** that are connected with the undertaking’s own operations and **value chain**, including through its products or services, as well as through its **business relationships**. This includes all workers who are not included in the scope of ‘**own workforce**’ (‘own workforce’ includes **employees**, individual contractors, i.e., self-employed workers and workers provided by third party undertakings primarily engaged in ‘employment activities’). Own workforce is covered in ESRs S1 *Own workforce*. See AR 1 for examples of what is included in the scope of this Standard.
7. Examples of workers that fall within the scope of this Standard are:
 - (a) workers of outsourced services working in the workplace of the undertaking (e.g., third party catering or security workers);
 - (b) workers of a **supplier** contracted by the undertaking who work on the supplier’s premises using the supplier’s work methods;
 - (c) workers for a ‘downstream’ entity which purchases goods or services from the undertaking;

- (d) workers of an equipment **supplier** to the undertaking who, at a workplace controlled by the undertaking, perform regular maintenance on the supplier's equipment (e.g., photocopier) as stipulated in the contract between the equipment supplier and the undertaking; and

- (e) (AR 3 amended) workers deeper in the **supply chain** who are extracting commodities that are then processed into components that go in the undertaking's products.

8. The objective of the Standard is also to enable **users** to understand the extent to which the undertaking aligns or complies with international and European human rights instruments and conventions, including the International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and ILO fundamental conventions, the UN Convention on Persons with Disabilities, the European Convention on Human Rights.

Interaction with other ESRs

9. The reporting under this Standard shall be consistent, coherent and, where relevant, clearly linked with reporting on the undertaking's **own workforce** under ESRs S1 *Own Workforce*.

Disclosure requirements

Impact, risk and opportunity management

Disclosure Requirement S2-1 – Policies related to value chain workers

10. (16 amended) The undertaking shall describe its **policies** for managing the **material impacts, risks and opportunities** related to **value chain workers** in accordance with ESRs 2 GDR-P. It shall state whether these policies cover specific groups of value chain workers (for example, particular age groups, workers in a particular factory or country) or all value chain workers.

11. (18 amended) The undertaking shall state whether its **policies** in relation to **value chain workers** explicitly address trafficking in human beings¹, **forced labour** or compulsory labour and **child labour**.

12. (18 amended) The undertaking shall also state whether the undertaking has a **supplier** code of conduct.²

APPLICATION REQUIREMENT – AR

AR 1 for para. 10

(Impacts, risks and opportunities related to value chain workers)
(AR 16 amended) The channels the undertaking uses to communicate its **policies** to the individuals, groups of individuals or entities for whom they are relevant, either because they are expected to implement them (for example, the undertaking's **employees**, contractors and **suppliers**), or because they have a direct interest in their implementation can be described as contextual information.

¹ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #11 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Lack of processes and measures for preventing trafficking in human beings").

² This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #4 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Lack of a supplier code of conduct").

Disclosure Requirement S2-2 – Engagement with value chain workers, existence of channels for value chain workers to raise concerns or needs and approaches to remedy.

13. (21 amended) The objective of this Disclosure Requirement is to enable an understanding of the undertaking's general approach to engagement with **value chain workers**, the use of channels to raise concerns or **grievance mechanisms** and **remedy**.

14. (22 amended) The undertaking shall disclose how it engages, as part of its ongoing due diligence process, with **value chain workers** or their legitimate representatives or with **credible proxies**, and how the perspectives of its value chain workers inform its decisions or activities aimed at managing the **actual** and **potential impacts** on value chain workers during the reporting year. This shall include, where relevant:

- (a) (23 amended) how it gains insight into the perspectives of **workers in the value chain** who may be particularly vulnerable to **impacts** and/or marginalised (for example, women workers, migrants workers, workers with disabilities) and;
- (b) (22 amended) where applicable, the **Global Framework Agreements (GFA)** or other agreements that the undertaking has reached with **value chain workers' representatives** related to the respect of human rights of value chain workers.

15. (27 amended) The undertaking shall describe the channels it has for **value chain workers** to bring their concerns or needs directly to the attention of the undertaking and have them addressed. In particular, it shall state whether it has a **grievance mechanism**³. It shall also explain how it assesses the effectiveness of these channels.

16. (27 amended) The undertaking shall describe its general approach to and processes for providing or contributing to **remedy** where it has caused or contributed to a material negative **impact on value chain workers**.

APPLICATION REQUIREMENT – AR

AR 2 for para. 14 (Due diligence process)

(AR 18 amended) The engagement with **value chain workers** can take different forms such as information, consultation or participation and frequency.

AR 3 for para. 15 (Grievance mechanism)

(AR 22 amended) Channels for raising concerns or needs under paragraph 15 are formal structures with dedicated processes to which **value chain workers** can raise such concerns or needs. They include **grievance mechanisms**, hotlines, trade unions, works councils, dialogue processes, as well as, under certain circumstances, whistleblowing mechanisms.

When whistleblowers mechanisms are reported to be used under paragraph 15, relevant information include whether they are limited to breaches of internal rules, including codes of ethics or conduct or the undertaking's workforce to raise wider concerns or needs.

AR 4 for para. 15 (Grievance mechanism)

(AR 28 amended) With regards to paragraph 15 on assessing the effectiveness of the channels, 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, can be used.

³ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #5 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Lack of grievance/complaints handling mechanisms related to employee matters").

	When the undertaking has policies for protecting individuals that use these channels against retaliation and it is disclosed in ESRs G1-1, the undertaking may refer to that disclosure.
AR 5 for para. 15 (Grievance mechanism)	(AR 24 amended) Third party mechanisms can include those operated by a government, NGO, industry association or other collaborative initiative. When such mechanisms are used, disclosure on their effectiveness, as per AR 4, is of particular relevance.
AR 6 for para. 16 (Remedy to negative impact on value chain)	(AR 22 amended) 'Processes' for providing or contributing to remedy include formalised steps or criteria that are followed in order to ensure that concerns, or needs or complaints are adequately addressed, including, where relevant, providing or contributing remedy for actual impacts . Such processes can also include channels to raise concerns or needs as reported for paragraph 15 as such channels can provide for or contribute to remediation.

Disclosure Requirement S2-3– Actions and resources related to value chain workers

17. (31 amended) The undertaking shall provide a description of the key **actions** and **resources** to manage its **material impacts**, **risks** and **opportunities** related to **value chain workers** in accordance with ESRs 2 GDR-A.

18. (32 amended) In relation to the material **impacts** related to **value chain workers**, the undertaking shall describe:

- (a) key **actions** taken, planned or underway to prevent, mitigate or remediate material negative impacts on value chain workers, including the approach in situations where tensions arise between such actions and other business pressures;
- (b) how it tracks and assesses the effectiveness of these **actions** and initiatives in delivering outcomes for value chain workers. This disclosure can be omitted if the undertaking discloses how it tracks effectiveness of its actions in accordance with GDR-T or GDR-M. In that case, a reference to that disclosure is sufficient.

19. (36 amended) The undertaking shall also disclose whether human rights **incidents** connected to its upstream and downstream **value chain** have been reported and, if applicable, disclose these.⁴

APPLICATION REQUIREMENT – AR

AR 7 for para. 18 (Material impacts related to value chain workers)	(AR 30 amended) The undertaking can be connected to an impact in different ways. The undertaking may cause or contribute to a material impact, or the material impact may be directly linked to its own operations, products or services through a business relationship . The undertaking's key actions may vary depending on such connections, including actions to remedying impacts as well as seeking to use leverage in its business relationships to manage those impacts. Such actions include multistakeholder and/or industry initiatives.
AR 8 for para. 18	(11 amended) The undertaking can describe the measures taken to mitigate negative impacts on its workers in the value chain that arise from the transition to a greener, climate-neutral economy, and in the case of innovation and

⁴ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #14 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Number of identified cases of severe human rights issues and incidents").

(Material impacts related to value chain workers)	restructuring, closure of mines, increased mining of minerals needed for the transition to a sustainable economy and solar panel production; positive impacts such as updating purchasing practices, capacity-building to supply chain workers. In addition, present and/or expected external developments that influence whether dependencies turn into risks for just transition is another aspect that could lead to actions . This includes measures that derived from regulation.
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Metrics and Targets

Disclosure Requirement S2-4 – Targets related to value chain workers

20. (41 amended) If the undertaking evaluates the effectiveness of its **policies** and **actions** for managing topics associated with **material impacts**, **risks** and **opportunities** related to **value chain workers** through qualitative and/or quantitative **targets**, it shall describe them in accordance with ESRs 2 GDR-T.

21. (42 amended) When disclosing in accordance with ESRs 2 GDR-T, the undertaking shall disclose whether and how it engaged directly with **workers in the value chain**, their legitimate representatives, or with **credible proxies** that have insight into their situation, during the reporting period for the purpose of:

- (a) setting any such **targets**;
- (b) tracking the undertaking's performance against the **targets**.

APPLICATION REQUIREMENTS – AR

AR 9 for para. 20 (Policies and actions for managing material impacts, risks and opportunities for value chain workers)	(AR 48 amended) In case of changes to prior-year targets relevant background information includes changes to the business model or legal changes to which the targets in question are connected. In this case, ESRs 2 BP-2 <i>Disclosures in relation to specific circumstances</i> applies.
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Amended ERS S2 Workers in the value chain

[Draft] ERS S2 v-1.6

Draft Non-Mandatory Implementation Guidance to

Amended ERS – Exposure Draft UNAPPROVED

Secretariat Working Documents

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HOW TO READ THIS DOCUMENT

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ESRS S2 -NON MANDATORY ILLUSTRATIVE GUIDANCE (NMIG)

This appendix provides non-binding illustrative guidance to Disclosure Requirements in ESRS S2

Disclosure Requirement S2-1 - Policies related to value chain workers

NMIG 1 for paragraph 10	Accessibility of information is an important aspect in the way in which an undertaking communicates its policies towards its value chain workers. This can include translating websites or documents, using pictures or graphics in addition to text. (Part of the old AR 16, amended)
NMIG 2 for paragraph 12	When disclosing in accordance with paragraph 12, the undertaking might describe its supplier code of conduct and if it includes provisions addressing the safety of workers, precarious work (for example, the use of workers on short-term or limited hours contracts, workers employed via third parties, sub-contracting to third parties or use of informal workers), human trafficking, the use of forced labour or child labour, and whether such provisions are in line with applicable ILO standards. (Old AR 15) When disclosing in accordance with paragraph 10, the undertaking might describe which channels (such as flyers, newsletters, dedicated websites, social media, face-to-face) it uses to communicate its policies to the individuals or groups of individuals.

Disclosure Requirement S2-2 -Engagement with value chain workers. existence of channels for value chain workers to raise concerns or needs and approaches to remedy.

NMIG 3 for paragraph 14	When disclosing in accordance with paragraph 14 and AR 2 could address the following items and distinctions: (a) (From old para 22) Whether and how the perspectives of value chain workers inform its decisions or activities aimed at managing the actual and potential impacts on its own workforce. (b) 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; (c) Whether the undertaking requires relevant staff to have certain skills, or whether it provides training or capacity building to relevant staff to undertake engagement; (Old AR 18, amended)
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NMIG 4 for paragraph 15	When disclosing requirements set out in para 15, the undertaking might be guided by the provisions on grievance mechanisms and remediation of the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct. (Old AR 21, amended)
NMIG 5 for paragraph 15	When describing the effectiveness of channels for value chain workers to raise concerns in accordance with paragraph 15 the undertaking might address the following questions that are based on the effectiveness criteria for non-judicial grievance mechanisms in the UN Guiding Principles on Business and Human Rights, in particular principle 31. These questions apply to individual channels or systems 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 the concerned stakeholder group? (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? (Old AR 27, amended) This disclosure can include relevant and reliable data about the effectiveness of these channels from the perspective of the people concerned. Sources of such information include, for instance, surveys of people in the undertaking's value chain workforce that have used such channels and their levels of satisfaction with the process and outcomes. (Old AR 31, amended) The disclosures can demonstrate how the undertaking determines whether workers in their own value chain are aware of, and trust, these channels whether they are fit for purpose and explain how follow up is carried out regarding the concerns or needs raised.

NMIG 6 for paragraph 15	In relation to the protection of individuals that use the mechanisms against the retaliation, the undertaking might describe whether it treats grievances confidentially and with respect to the rights of privacy and data protection; and whether the mechanisms allow for workers to use them anonymously (for example, through representation by a third party). (Old AR 25)
<u>Disclosure Requirement S2-3 – Actions and resources related to value chain workers</u>	
NMIG 7 for paragraph 18	Material negative impacts that affect value chain workers may also relate to other entities or operations outside its financial control. If the undertaking discloses how it uses leverage vis-à-vis business partners to manage those impacts when disclosing in accordance with paragraph 18 it might explain how it uses a) commercial leverage (for example, enforcing contractual requirements with business relationships or implementing incentives), b) other forms of leverage within the relationship (such as providing training or capacity-building on workers' rights to entities with which the undertaking has a business relationship) or c) collaborative leverage with peers or other actors (such as initiatives aimed at responsible recruitment or ensuring workers receive an adequate wage). (Old AR30, amended)
NMIG 8 for paragraph 18	When disclosing information about initiatives or processes whose primary aim is to deliver positive impacts for value chain workers and about progress in the implementation of those initiatives or processes, the undertaking shall enable users of its sustainability statement to obtain an understanding of : (a) information about whether and how value chain workers and legitimate representatives or their credible proxies play a role in decisions regarding the design and implementation of these initiatives or processes; and (b) information about the intended or achieved positive outcomes for value chain workers of these initiatives or processes. (Old AR 36, amended)
NMIG 9 for paragraph 18	If the undertaking discloses its participation in an industry or multi-stakeholder initiative as part of its actions to address material negative impacts in accordance with paragraph 18(a), it might explain how the

	initiative, and its involvement in it, address the material impact concerned.
NMIG 10 for paragraph 18	In disclosing how it tracks the effectiveness of its actions to manage material impacts during the reporting period, the undertaking may consider any lessons learned from the previous and current reporting periods. (Old AR 33)
NMIG 11 for paragraph 18	Reporting on the effectiveness of actions in accordance with paragraph 18(b) demonstrates the links between the undertaking's actions and effective impact management Tracking the effectiveness of actions can include internal or external auditing or verification, court proceedings and/or related court decisions, impact assessments, measurement systems, stakeholder feedback, grievance mechanisms, external performance ratings, and benchmarking. (Old AR 35 and 34, amended and merged)
NMIG 12 for para 18(b)	When disclosing information about initiatives or processes for delivering positive impacts on affected workers in the undertaking's value chain and about progress in the implementation of those initiatives or processes the undertaking might disclose: (a) information about whether and how workers in the value chain and their representatives play a role in decisions regarding the design and implementation of these initiatives or processes; and (b) information about the intended or achieved positive outcomes for the undertaking's own workforce of these initiatives or processes. (Old AR 38 amended)

Metrics and Targets

Disclosure Requirement S2-4 – Targets related to value chain workers

NMIG 13 for paragraph 20	Targets related to risks and opportunities may be the same as or distinct from targets related to impacts. For example, a target to reach living wages for supply chain workers could both reduce impacts on those workers and reduce associated risks in terms of the quality and reliability of supply.
NMIG 14 for paragraph 20	When disclosing information about targets in accordance with paragraph 20, the undertaking might also disclose: (a) the intended outcomes to be achieved in the lives of value chain workers; (b) the stability of the targets over time in terms of definitions and methodologies to enable comparability over time; and/or

	(c) the standards or commitments which the targets are based on (for instance codes of conduct, sourcing policies, global frameworks, or industry codes). (Old AR 45, amended)
NMIG 15 for paragraph 20	When disclosing in accordance with paragraph 20, the undertaking might distinguish between short-, medium- and long-term targets covering the same policy commitment. For example, the undertaking may have a long-term target to achieve an 80% reduction in health and safety incidents affecting the workers of a given supplier by 2030 and a near-term target to reduce their overtime hours of delivery drivers by x% while maintaining their income by 2024. (Old AR 47, amended)

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of the EFRAG SR TEG/SRB. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG SRB or the 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.

Draft Amended ESRs S3 Affected communities Exposure Draft

UNAPPROVED Working document

(ESRS S3 – V1.6)

DRAFTING PROCESS FOR THE WORKING DOCUMENTS SO FAR

The EFRAG SRB and SR TEG provided written comments on the “V1.1” versions of the Secretariat working drafts prepared between the end of May and the first week of June. Based on those comments, the EFRAG Secretariat prepared the “V1.5” versions which were discussed in meetings mid-June by both EFRAG SR TEG and SRB.

Subsequently these versions were amended and critically reviewed by dedicated review panels. The review panels submitted the outcome of their work and the remaining points for discussion to the EFRAG SRB and ST TEG.

All agenda papers for the 9/10 July EFRAG SR TEG meeting and 14/16 July SRB meeting (“V1.6”) have been prepared by the Secretariat on the basis of (i) the “V1.5” working documents discussed by the EFRAG SRB and SR TEG, (ii) the review by the respective review panels within the SRB (with SR TEG experts when appropriate) and (iii) the subsequent discussions and decisions in the SRB. Step (i) and (ii) took place in the first week of July.

All comments shared by members in written on the “V1.5” working documents have been considered and incorporated when consistent with the SRB decisions.

DISCLAIMER ON THE STATUS OF THIS UNAPPROVED DOCUMENT

This working document does not represent an EFRAG view at this stage. This “V1.6” draft is now made public as Working Document for the SR TEG discussions on 9/10 July and the SRB discussions on 14/16 July 2025. They are not to be considered as Exposure Drafts yet. They are unapproved and still subject to change reflecting the discussions in those meetings and for editorial and quality review that has not yet taken place. In addition, they are not accompanied by the necessary explanatory documents that are still being prepared and will accompany the Exposure Draft.

EFRAG recommends stakeholders that intend to contribute to the consultation to plan their review on the Exposure Drafts once they are issued, as they will benefit from the final content and from explanatory content.

REVISED STRUCTURE AND DRAFTING CONVENTIONS

- As compared to the ESRs Set 1 (adopted in July 2023), the structure of the standards has been revised and streamlined. In particular:
- All the “shall disclose/shall include/shall report/shall describe/shall explain” have been considered and simplified. They are presented in the main body of the standard. They have been counted as separate datapoints.
- Below the text of each Disclosure Requirement in topical standards (or section for ESRs 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is

still named “Application Requirements” (AR). This includes “shall consider” as element of methodology for preparing the disclosure and “may (present)” for presentation options.

- Non mandatory appendices have been maintained in ESRS 1 on an exceptional basis, given their importance (former AR 16).
- All the “may” disclosures have been either eliminated or moved to another category (either deleted or moved to guidance), except for a few of them which are exceptionally still being considered.
- All the non-mandatory content has been moved to separate documents named “Non-Mandatory Illustrative Guidance (NMIG). While the four points above are drafted to become part of the delegated act, the legal status of the NMIG remains open from an EFRAG’s standpoint (either as appendices in the delegated act or as documents issued independently of the delegated act) and will be considered by the EC in due course.

HOW TO READ THIS DOCUMENT

The paragraph numbering has been revised to reflect the draft amendments. Where applicable, the previous Set 1 paragraph numbers are indicated in brackets – for example, ‘4. (24)’ or ‘4. (24, amended)’.

Objective

1. When reporting in accordance with ESRS, the **sustainability statement** shall cover information in relation to S3 ‘Affected communities’, when this **topic** is related to material **impacts, risks and opportunities**. The disclosure on the material impacts, risks and opportunities is expected to cover policies, **actions and targets** (if in place), **dependencies** when relevant, **metrics and financial effects**.
2. The objective of this Standard is to specify disclosure Requirements in relation to these items of information that are not covered in ESRS 2.
3. When only one of the **sub-topics** covered by this Standard is material, the undertaking shall report only on that sub-topic.

3bis. This Standard also requires an explanation of the undertaking’s general approach to identifying and managing any **material actual and potential impacts, risks and opportunities** on its **affected communities** in relation to the following sub-topics:

- (a) Communities’ economic, social and cultural rights (land-related impacts, security-related impacts, adequate housing and food, water and sanitation)
- (b) Communities’ civil and political rights (freedom of expression, freedom of assembly, impacts on human rights defenders)
- (c) Rights of indigenous peoples (**free, prior and informed consent (FPIC)**, self-determination, cultural rights)

4. The undertaking shall apply the provisions of ESRS 2 paragraphs from 30 to 33 and GDR-P, GDR-A and GDR-T. In particular:

- (a) If the undertaking has not adopted **policies, actions and targets** with reference to a **topic** related to **material impacts, risks and opportunities**, it shall disclose this fact; the undertaking may present the description of its material impacts, risks and opportunities, in accordance with ESRS 2 IRO 2, alongside
- (b) information about its policies, **actions, targets and metrics** through which it addresses them, to avoid duplication and support a coherent narrative.

5. In this standard, each Disclosure Requirement is introduced by a disclosure objective, with the exception of **policies, actions and targets**, for which the provisions in GDR-P, GDR-A and GDR-T provides the necessary framing for the relevant disclosures.

6. The objective of the Standard is also to enable **users** to understand the extent to which the undertaking aligns or complies with international and European human rights instruments and conventions, including the International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, and the UN Declaration on the Rights of Indigenous People.

Interaction with other ESRS

7. The reporting under this Standard shall be consistent, coherent and, where relevant, clearly linked with reporting on the undertaking’s **own workforce** under ESRS S1 *Own Workforce*.

Disclosure requirements

Impact, risk and opportunity management

Disclosure Requirement S3-1 – Policies related to affected communities

8. (14 amended) The undertaking shall describe its policies for managing the **material impacts, risks and opportunities** related to **affected communities** in accordance with ESRS 2 GDR-P. It shall state whether these **policies** cover specific affected communities (for example, a community of **indigenous people** or a community living around the undertaking’s **site**) or all affected communities.

9. (15 amended) The undertaking shall disclose any particular **policy** provisions for preventing and addressing **impacts on indigenous peoples**.

APPLICATION REQUIREMENTS – AR

AR 1 for paragraph 8	(AR 11 amended) The channels the undertaking uses to communicate its policies to the individuals, groups of individuals or entities for whom they are relevant, either because they are expected to implement them (for example, the undertaking's employees , contractors and suppliers), or because they have a direct interest in their implementation can be described as contextual information.
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Disclosure Requirement S3-2–Engagement with affected communities, existence of channels for affected communities to raise concerns or needs and approaches to remedy

10. (20 amended) The objective of this Disclosure Requirement is to enable an understanding of the undertaking's general approach to engagement with **affected communities**, the availability of channels, including **grievance mechanisms**, and **remedy**.

11. (21 amended) The undertaking shall disclose how it engages directly with **affected communities**, their **legitimate representatives**, or with **credible proxies**, and how the perspectives of affected communities inform its decisions or activities aimed at managing the **actual** and **potential impacts** on affected communities during the reporting year. This shall include, where relevant:

(a) (22 amended) how it gains insight into the perspectives of affected communities who may be particularly vulnerable to **impacts** and/or marginalised (for example, women, girls, migrants, people with disabilities).

12. (23 amended) 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 (FPIC)** with regard to: (i) their cultural, intellectual, religious and spiritual property; (ii) activities affecting their lands and territories; and (iii) legislative or administrative measures that affect them. In particular, where engagement occurs with indigenous peoples, the undertaking shall also disclose whether and how indigenous peoples have been consulted on the mode and parameters of the engagement (for example, in designing the agenda, nature, and timeliness of the engagement).

13. (27 amended) The undertaking shall describe the channels it has for **affected communities** to bring their concerns or needs directly to the attention of the undertaking and have them addressed. In particular, it shall state whether it has a **grievance mechanism**¹. It shall also explain how it assesses the effectiveness of these channels.

14. (27 amended) The undertaking shall describe its general approach to and processes for providing or contributing to **remedy** where it has caused or contributed to a material negative **impact** on **affected communities**.

¹ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator 45 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Lack of grievance/complaints handling mechanisms related to employee matters").

APPLICATION REQUIREMENTS – AR

AR 2 for paragraph 11	(AR 15 amended) The engagement with affected communities can take different forms such as information, consultation or participation and frequency.
AR 3 for paragraph 12	(AR 13 amended) Examples for the engagement disclosure in paragraph 12, include the process to obtain consent from indigenous people and good faith negotiations where the undertaking affects lands, territories or resources (for example, relocation or occupation).
AR 4 for paragraph 13	(AR 18 amended) Channels for raising concerns or needs under paragraph 13 are formal structures with dedicated processes to which affected communities can raise such concerns or needs. They include grievance mechanisms , hotlines, dialogue processes, as well as, under certain circumstances, whistleblowing mechanisms. When whistleblowers mechanisms are reported to be used under paragraph 13, relevant information include whether they are limited to breaches of internal rules, including codes of ethics or conduct or the undertaking's workforce to raise wider concerns or needs.
AR 5 for paragraph 13	(28 amended) With regards to paragraph 10 on assessing the effectiveness of the channels, 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, can be used. When the undertaking has policies for protecting individuals that use these channels against retaliation, and it is disclosed in ESRS G1-1, the undertaking may refer to that disclosure.
AR 6 for paragraph 13	(AR 20 amended) Third party mechanisms can include those operated by a government, NGO, industry association or other collaborative initiative. When such mechanisms are used, disclosure on their effectiveness, as per AR 5, is of particular relevance.
AR 7 for paragraph 14	(AR 19 amended) 'Processes' for providing or contributing to remedy include formalised steps or criteria that are followed in order to ensure that concerns or needs or complaints are adequately addressed, including, where relevant, by providing or contributing remedy for actual impacts . Such processes can also include channels to raise concerns or needs reported at paragraph 13 as such channels can provide for or contribute to remediation.

Disclosure Requirement S3-3 – Actions and resources related to affected communities

15. (31 amended) The undertaking shall describe the key **actions** and resources to manage its **material impacts, risks and opportunities** related to **affected communities** in accordance with ESRS 2 GDR-A.

16. (32 amended) In relation to the material **impacts** related to **affected communities**, the undertaking shall describe:

- (a) key **actions** taken, planned or underway to prevent, mitigate or remediate material negative impacts on affected communities, including the approach in situations where tensions arise between such actions and other business pressures;

- (b) how it tracks and assesses the effectiveness of these **actions** and initiatives in delivering outcomes for affected communities. This disclosure can be omitted if the undertaking discloses how it tracks effectiveness of its actions in accordance with GDR-T or GDR-M. In that case, a reference to that disclosure is sufficient.

17. (36 amended) The undertaking shall also disclose whether human rights **incidents** connected to **affected communities** have been reported and, if applicable, disclose these².

APPLICATION REQUIREMENTS – AR

AR 8 for paragraph 16	(AR 27 amended) The undertaking can be connected to an impact in different ways. The undertaking may cause or contribute to a material impact, or the material impact may be directly linked to its own operations, products or services through a business relationship . The undertaking's key actions may vary depending on such connections, including actions to remedying impacts as well as seeking to use leverage in its business relationships to manage those impacts. Such actions include multistakeholder and/or industry initiatives.
AR 9 for paragraph 16	(9 amended) The undertaking can describe the measures taken to mitigate negative impacts on affected communities that arise from the transition to a greener, climate-neutral economy, and in the case of innovation and restructuring, closure of mines, increased mining of minerals needed for the transition to a sustainable economy and solar panel production.
AR 10 for paragraph 17	(AR 12 amended) When determining the human rights incidents connected to the affected communities , the undertaking shall consider any legal disputes related to land rights and to the free, prior and informed consent (FPIC) of indigenous peoples .

Metrics and Targets

Disclosure Requirement S3-4 – Targets related to affected communities

18. (41 amended) If the undertaking evaluates the effectiveness of its **policies and actions** for managing topics associated with material **impacts, risks and opportunities** related to **affected communities** through qualitative and/or quantitative **targets**, it shall describe them in accordance with ESRs 2 GDR-T.

19. (42 amended) When disclosing in accordance with ESRs 2 GDR-T, the undertaking shall disclose whether and how it engaged directly with **affected communities**, their **legitimate representatives**, or with **credible proxies** that have insight into their situation, during the reporting period for the purpose of:

- (a) setting any such **targets**;
(b) tracking the undertaking's performance against the **targets**.

APPLICATION REQUIREMENTS – AR

AR 11 for paragraph 18	(AR 47 amended) In case of changes to prior-year targets relevant background information includes changes to the business model or legal changes to which the targets in question are connected. In this case, ESRs 2 BP-2 Disclosures in relation to specific circumstances applies.
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² This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #14 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Number of identified cases of severe human rights issues and incidents").

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Draft Amended Non-Mandatory Illustrative Guidance ESRs S3 Affected communities UNAPPROVED Working document (S3 V1.6)

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S3 – NON-MANDATORY ILLUSTRATIVE GUIDANCE (NMIG)

This appendix provides non-binding illustrative guidance to Disclosure Requirements in ESRs S3

NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S3-1 – Policies related to affected communities	(AR 11 amended) Accessibility of information is an important aspect of how the undertaking communicates its policies towards affected communities . This can include translating websites or documents, using pictures or graphics in addition to text. Among the communication channels that the undertaking might talk about in its disclosure in accordance with paragraph 8 are flyers, newsletters, dedicated websites, social media or face-to-face interactions.
NMIG 1 for paragraph 8	
NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S3-2-Engagement with affected communities, existence of channels for value chain workers to raise concerns or needs and approaches to remedy	(AR 15 amended) When disclosing in accordance with paragraph 11 and AR 2 the undertaking might describe:
NMIG 2 for paragraph 11	(a) whether and how the perspectives of the affected communities inform its decisions or activities aimed at managing the actual and potential impacts on them; (b) for the frequency of the engagement, 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; (c) whether and how the perspectives of the affected communities inform its decisions or activities aimed at managing the actual and potential impacts on them; (d) for the frequency of the engagement, 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; (e) whether the undertaking requires relevant staff to have certain skills, or whether it provides training or capacity building to relevant staff to undertake engagement. In the case of material impacts, risks and opportunities related to indigenous peoples, this includes training on indigenous people’s rights, including on free, prior and informed consent (FPIC).
NMIG 3 for paragraph 13, 14	(AR 17 amended) When disclosing in accordance with paragraphs 13 and 14, the undertaking may be guided by the provisions on grievance mechanisms and remediation of the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct.

NMIG 4 for paragraph 13	(AR 24 amended) When describing the effectiveness of channels for affected communities to raise concerns in accordance with paragraph 13 the undertaking address the following questions that are based on the effectiveness criteria for non-judicial grievance mechanisms in the UN Guiding Principles on Business and Human Rights, in particular principle 31. These questions apply to individual channels or systems 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 the concerned stakeholder group? (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 disclosures under paragraph 13 can demonstrate how the undertaking determines whether affected communities are aware of and trust these channels, whether they are fit for purpose, and explain how follow-up is carried out regarding the concerns or needs raised.
NMIG 5 for paragraph 14	(AR 22 amended) When disclosing its processes for providing and enabling remedy for indigenous peoples in accordance with paragraph 14 the undertaking might describe whether and how it considers their customs, traditions, rules and legal systems.

NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S3-3 – Actions and resources related to affected communities

NMIG 6 for paragraph 16 (a)	(AR 27 amended) Material negative impacts on affected communities may be connected to other entities or operations outside its direct control. If the undertaking discloses how it uses its leverage vis-à-vis business partners to manage those impacts when disclosing in accordance with paragraph 16(a) it might explain how it uses: (a) commercial leverage (for example, enforcing contractual requirements with business relationships or implementing incentives), (b) other forms of leverage within the relationship (such as providing training or capacity-building on the rights of indigenous peoples to entities with which the undertaking has a business relationship) or (c) (AR 27 amended) Material negative impacts on affected communities may be connected to other entities or operations outside its direct control. If the undertaking discloses how it uses its leverage vis-à-vis business partners to manage those impacts when disclosing in accordance with paragraph 16(a) it might explain how it uses: (d) collaborative leverage with peers or other actors (such as initiatives aimed at minimising security-related impacts on communities or participating in company-community partnerships).
NMIG 7 for paragraph 16	(AR 29 amended) If the undertaking discloses its participation in an industry or multi-stakeholder initiative as part of its actions to address material negative impacts in accordance with paragraph 16 it might explain how the initiative and its involvement address the material impact concerned.
NMIG 8 for paragraph 16	(AR 32 and AR 33 amended) Reporting on the effectiveness of actions in accordance with paragraph 16 (b) demonstrates the links between the undertaking's actions and effective impact management. Tracking the effectiveness of actions can include internal or external auditing or verification, court proceedings and/or related court decisions, impact assessments, measurement systems, stakeholder feedback, grievance mechanisms, external performance ratings, and benchmarking

NMIG 9 for paragraph 16	(AR 28 amended) Impacts on communities may stem from environmental matters which are disclosed by the undertaking under the ESRs E1 to E5. Examples include: (a) ESRs E1 <i>Climate Change</i>: The implementation of climate change mitigation plans may require the undertaking to invest in renewable energy projects that may affect the lands, territories and natural resources of indigenous peoples. If the undertaking does not consult with the affected indigenous peoples, it could negatively impact the affected communities' right to a free, prior and informed consent; (a) ESRs E2 <i>Pollution</i>: The undertaking may negatively impact affected communities by failing to protect them from pollution from a particular production facility that causes them health-related issues; (b) ESRs E3 <i>Water and marine sources</i>: The undertaking may negatively impact the access to clean drinking water of communities when withdrawing water in water stressed areas; (c) ESRs E4 <i>Biodiversity and ecosystems</i>: The undertaking may negatively affect the livelihood of local farmers through operations that contaminate soil. Additional examples include the sealing of land through building new infrastructure, which can eradicate plant species that are critical for, for example, local biodiversity or to filter water for communities; or the introduction of invasive species (whether plants or animals) that can impact ecosystems and cause subsequent harm; (d) ESRs E5 <i>Resource use and circular economy</i>: The undertaking may negatively impact the lives of communities by affecting their health through the mismanagement of hazardous waste. If the undertaking explains the connection between environmental impacts and affected communities in its disclosures in accordance with Disclosure Requirements ESRs E1-E5 it might refer to those.
NMIG 10 for paragraph 16	(AR 36 amended) When disclosing intended or achieved positive outcomes of its actions for affected communities in accordance with paragraph 16 the undertaking might distinguish between evidence of certain activities having occurred (for example, that x number of women community members have been provided with training on how to become local suppliers to the undertaking) and evidence of actual outcomes for affected communities (for example, that x women community members have set up small businesses and have had their contracts with the undertaking renewed year-on-year).
NMIG 11 for paragraph 16	(32 (c) amended) Actions include initiatives by the undertaking with the primary purpose of delivering positive impacts for affected communities.
NMIG 12 for paragraph 16	(AR 34 amended) When disclosing information about initiatives or processes for delivering positive impacts for affected communities that are based on their needs, and about progress in the implementation of those initiatives or processes, the undertaking might disclose: (a) whether and how affected communities and legitimate representatives or their credible proxies play a role in decisions regarding the design and implementation of these programmes or processes; and (b) the intended or achieved positive outcomes for affected communities of these programmes or processes; (c) an explanation of the approximate scope of affected communities covered by the described social investment or development programmes and, where applicable, the rationale for why selected communities were chosen for a given social initiative or development programme.

NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S3-4 – Targets related to affected communities

NMIG 13 for paragraph 18	(AR 44 amended) When disclosing information about targets in accordance with paragraph 18, the undertaking might also disclose: (a) the intended outcomes to be achieved in the lives of affected communities, being as specific as possible; (b) the stability of the targets over time in terms of definitions and methodologies to enable comparability over time; and/or (c) the standards or commitments which the targets are based on (for instance codes of conduct, sourcing policies, global frameworks, or industry codes).
NMIG 14 for paragraph 18	(AR 45 amended) Targets related to risks and opportunities may be the same as or distinct from targets related to impacts. For example, a target to fully restore livelihoods of affected communities following resettlement could both reduce impacts on those communities and reduce associated risks such as community protests.
NMIG 15 for paragraph 18	(AR 46 amended) When disclosing in accordance with paragraph 18, the undertaking might distinguish between short-, medium- and long-term targets covering the same policy commitment. For example, the undertaking may aim to employ community members at a local mining site, with the long-term goal of staffing 100% locally by 202X, and with the short-term objective of adding x percent of local employees every year up and until 202X.

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Draft Amended ESRs S4 Consumers and end-users Exposure Draft

UNAPPROVED Working document

(ESRS S4 – V1.6)

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- All the “shall disclose/shall include/shall report/shall describe/shall explain” have been considered and simplified. They are presented in the main body of the standard. They have been counted as separate datapoints.
- Below the text of each Disclosure Requirement in topical standards (or section for ESRs 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is still named “Application Requirements” (AR). This includes “shall consider” as element of methodology for preparing the disclosure and “may (present)” for presentation options.

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Objective

1. When reporting in accordance with ESRs, the **sustainability statement** shall cover information in relation to ‘**consumers and end-users**’, when this **topic** is related to **material impacts, risks and opportunities**. The disclosure on the material impacts, risks and opportunities is expected to cover **policies, actions and targets** (if in place), **dependencies** when relevant, **metrics and financial effects**.
2. The objective of this Standard is to specify disclosure Requirements in relation to the items of information that are not covered in ESRs 2.
3. When only one of the **sub-topics** covered by this Standard is material, the undertaking shall report only on that sub-topic.
- 3bis. This Standard also requires an explanation of the undertaking’s general approach to identifying and managing any **material actual and potential impacts, risks and opportunities** on its **consumers and/or end-users** in relation to the following sub-topics:
- (a) Information-related impacts for consumers and/or end-users (privacy, access to information, freedom of expression)
 - (b) Personal safety of consumers and/or end-users (health and safety, protection of children, security of a person)
 - (c) Social inclusion of consumers and/or end-users (access to products and services, responsible marketing practices, non-discrimination)

4. The undertaking shall apply the provisions of ESRs 2 paragraphs from 30 to 33 and GDR-P, GDR-A and GDR-T. In particular:

- (a) if the undertaking has not adopted **policies, actions and targets** with reference to a **topic** related to **material impacts, risks and opportunities**, it shall disclose this fact; the undertaking may present the description of its material impacts, risks and opportunities, in accordance with ESRs 2 IRO 2, alongside
 - (b) information about its **policies, actions, targets and metrics** through which it addresses them, to avoid duplication and support a coherent narrative.
5. In this standard, each Disclosure Requirement is introduced by a disclosure objective, with the exception of **policies, actions and targets**, for which the provisions in GDR- P, GDR-A and GDR-T provides the necessary framing for the relevant disclosures.
6. The unlawful use or misuse of the undertaking’s products and services **by consumers and/or end-users** fall outside the scope of this standard.

Interaction with other ESRs

7. The reporting under this Standard shall be consistent, coherent and, where relevant, clearly linked with reporting on the undertaking’s **own workforce** under ESRs S1 **Own Workforce**.

Disclosure requirements

Impact, risk and opportunity management

Disclosure Requirement S4-1 – Policies related to consumers and end-users

8. (15 amended) The undertaking shall describe its **policies** for managing the **material impacts, risks and opportunities** related to **consumers and/or end-users** in accordance with ESRs 2 GDR-P. It shall state whether these **policies** cover specific groups (for example, particular age groups) or all **consumers and/or end-users**.

APPLICATION REQUIREMENTS – AR

AR 1 for paragraph 8

(AR 13 amended) The channels the undertaking uses to communicate its **policies** to the individuals, groups of individuals or entities for whom they are relevant, either because they are expected to implement them (for example, the undertaking’s **employees, contractors and suppliers**), or because they have a direct interest in their implementation can be described as contextual information.

Disclosure Requirement S4-2 –Engagement with consumers and end-users, existence of channels for consumers and end-users to raise concerns or needs and approaches to remedy

9. (19 amended) The objective of this Disclosure Requirement is to enable an understanding of the undertaking’s general approach to engagement with **consumers and/or end-users**, the availability of channels, including **grievance mechanisms**, and **remedy**.

10. (20 amended) The undertaking shall disclose how it engages directly with **consumers and/or end-users**, their **legitimate representatives**, or with **credible proxies**, and how the perspectives of consumers and/or end-users inform its decisions or activities aimed at managing the **actual and potential impacts** on consumers and/or end-users during the reporting year. This shall include, where relevant:

- (a) (21 amended) how it gains insight into the perspectives of consumers and/or end-users who may be particularly vulnerable to impacts and/or marginalised (for example, people with disabilities; children).
- 11. (25 amended) The undertaking shall describe the channels it has for **consumers and/or end-users** to bring their concerns or needs directly to the attention of the undertaking and have them addressed. In particular, it shall state whether it has a **grievance mechanism**¹. It shall also explain how it assesses the effectiveness of these channels.
- 12. (25 amended) The undertaking shall describe its general approach to and processes for providing or contributing to **remedy** where it has caused or contributed to a material negative impact on **consumers and/or end-users**.

APPLICATION REQUIREMENTS – AR

AR 2 for paragraph 10

(AR 16 amended) The engagement with **consumers and/or end-users** can take different forms such as information, consultation or participation and frequency.

AR 3 for paragraph 11

(AR 19 amended) Channels for raising concerns or needs under paragraph 11 are formal structures with dedicated processes to which the undertaking’s **consumers and/or end-users** can raise such concerns or needs. They include

¹ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #5 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments (“Lack of grievance/complaints handling mechanisms related to employee matters”).

	grievance mechanisms , hotlines, dialogue processes, as well as, under certain circumstances, whistleblowing mechanisms. When whistleblowers mechanisms are reported to be used under paragraph 11, relevant information include whether they are limited to breaches of internal rules, including codes of ethics or conduct or whether they allow consumers and/or end-users to raise wider concerns or needs.
AR 4 for paragraph 11	(26 amended) With regards to paragraph 11 on assessing the effectiveness of the channels, 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, can be used. When the undertaking has policies for protecting individuals that use these channels against retaliation, and it is disclosed in ESRs G1-1, the undertaking may refer to that disclosure.
AR 5 for paragraph 11	(AR 21 amended) Third party mechanisms can include those operated by a government, NGO, industry association or other collaborative initiative. When such mechanisms are used, disclosure on their effectiveness, as per AR 4, is of particular relevance.
AR 6 for paragraph 12	(AR 19 amended) ‘Processes’ for providing or contributing to remedy include formalised steps or criteria that are followed in order to ensure that concerns or needs or complaints are adequately addressed, including, where relevant, by providing or contributing remedy for actual impacts . Such processes can also include channels to raise concerns or needs as reported at paragraph 10 as such channels can provide for or contribute to remediation.

Disclosure Requirement S4-3 – Actions and resources related to consumers and end-users

13. (30 amended) The undertaking shall describe the key **actions** and **resources** to manage its **material impacts, risks and opportunities** related to **consumers** and/or **end-users** in accordance with ESRs 2 GDR-A.

14. (31 amended) In relation to the material **impacts** related to **consumers** and/or **end-users**, the undertaking shall describe:

- (a) key **actions** taken, planned or underway to prevent, mitigate or remediate material negative **impacts** on **consumers** and/or **end-users**, including the approach in situations where tensions arise between such **actions** and other business pressures;
- (b) how it tracks and assesses the effectiveness of these **actions** and initiatives in delivering outcomes for **consumers** and/or **end-users**. This disclosure can be omitted if the undertaking discloses how it tracks effectiveness of its actions in accordance with GDR-T or GDR-M. In that case, a reference to that disclosure is sufficient.

15. (35 amended) The undertaking shall also disclose whether human rights **incidents** connected to its **consumers** and/or **end-users** have been reported and, if applicable, disclose these².

² This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #14 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments (“Number of identified cases of severe human rights issues and incidents”).

APPLICATION REQUIREMENTS – AR

AR 7 for paragraph 14	(AR 27 amended) The undertaking can be connected to an impact in different ways. The undertaking may cause or contribute to a material impact, or the material impact may be directly linked to its own operations, products or services through a business relationship . The undertaking’s key actions may vary depending on such connections, including actions to remedying impacts as well as seeking to use leverage in its business relationships to manage those impacts. Such actions include multistakeholder and/or industry initiatives.
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Metrics and Targets

Disclosure Requirement S4-4 – Targets related to consumers and end-users

16. (40 amended) If the undertaking evaluates the effectiveness of its **policies** and **actions** for managing **topics** associated with **material impacts, risks and opportunities** related to **consumers** and/or **end-users** through qualitative and/or quantitative **targets**, it shall describe them in accordance with ESRs 2 GDR-T.

17. (41 amended) When disclosing in accordance with ESRs 2 GDR-T, the undertaking shall disclose whether and how it engaged directly with **consumers** and/or **end-users**, their **legitimate representatives**, or with **credible proxies** that have insight into their situation, during the reporting period for the purpose of:

- (a) setting any such **targets**;
- (b) tracking the undertaking’s performance against the **targets**.

APPLICATION REQUIREMENTS – AR

AR 8 for paragraph 16	(AR 45 amended) In case of changes to prior-year targets relevant background information includes changes to the business model or legal changes to which the targets in question are connected. In this case, ESRs 2 BP-2 Disclosures in relation to specific circumstances applies.
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Draft Amended Non-Mandatory Illustrative Guidance ESRS S4 Consumers and end-users UNAPPROVED Working document

(S4 V1.6)

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NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S4-1 Policies related to consumers and end-users

NMIG 1 for para. 8	Accessibility of information is an important aspect of how the undertaking communicates its policies towards consumers and/or end-users. This can include translating websites or documents, using pictures or graphics in addition to text. Among the communication channels that the undertaking might talk about in its disclosure in accordance with paragraph 8 are flyers, newsletters, dedicated websites, social media, face-to-face interactions or workers' representatives. (Part of old AR 13, amended)
NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S4-2 Engagement with consumers and/or end-users, existence of channels for consumers and/or end-users to raise concerns or need and approaches to remedy.	(AR 16 amended) When disclosing in accordance with paragraph 10 and AG 1 the undertaking might describe: (a) (From old para 22) Whether and how the perspectives of consumers and/or end-users inform its decisions or activities aimed at managing the actual and potential impacts on them; (b) 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; (c) Whether the undertaking requires relevant staff to have certain skills, or whether it provides training or capacity building to relevant staff to undertake engagement.
NMIG 3 for para. 10	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. (Old AR 14)
NMIG 4 for para. 11, 12	When disclosing in accordance with paragraph 11 and 12, the undertaking may be guided by the provisions on grievance mechanisms and remediation of the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct. (Old AR 18, amended)
NMIG 5 for para. 11	When describing the effectiveness of channels for the undertaking's consumers and/or end-users, their legitimate representatives, or credible proxies, to raise concerns in accordance with paragraph 11 the undertaking might address the following questions that are based on the effectiveness criteria for non-judicial grievance mechanisms in the UN Guiding Principles on Business and Human Rights, in particular principle 31. These questions apply to individual channels or systems 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 the concerned stakeholder group? (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? (Old AR 24, amended)
NMIG 6 for para. 11	The disclosures under paragraph 11 can demonstrate how the undertaking determines whether consumers and/or end-users are aware of and trust these channels, whether they are fit for purpose, and explain how follow-up is carried out regarding the concerns or needs raised. (AR 23 amended) When the undertaking describes the channels to raise concerns and/or grievance mechanisms in accordance with paragraph 11 it might disclose the number of complaints received from consumers and/or end-users during the reporting period and how it addressed them.
NMIG 7 for para. 11	(AR 22 amended) 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 they allow for consumer and/or end-users to use them anonymously (for example, through representation by a third party).

NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S4-3 Actions and resources related to consumers and end-users

NMIG 8 for para. 14	(AR 27 amended) Material negative impacts on the undertaking's consumers and/or end-users may be connected to other entities or operations outside its financial control. If the undertaking discloses how it uses its leverage vis-à-vis business partners to manage those impacts when disclosing in accordance with paragraph 14 it might explain how it uses: a) commercial leverage (for example, enforcing contractual requirements with business relationships or implementing incentives), b) other forms of leverage within the relationship (such as providing training or capacity-building on proper product use or sale practices to business relationships) or c) collaborative leverage with peers or other actors (such as initiatives aimed at responsible marketing or product safety).
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NMIG 9 for para. 14	(AR 28 amended) If the undertaking discloses its participation in an industry or multi- stakeholder initiative as part of its actions to address material negative Impacts in accordance with paragraph 14 it might explain how the initiative, and its involvement in it, address the material impact concerned.
NMIG 10 for para. 14b	(AR 31 and AR 32 amended) Reporting on the effectiveness of actions in accordance with paragraph 14(b) demonstrates the links between the undertaking's actions and effective impact management. Tracking the effectiveness of actions can include internal or external auditing or verification, court proceedings and/or related court decisions, impact assessments, measurement systems, stakeholder feedback, grievance mechanisms , external performance ratings, and benchmarking.
NMIG 11 for para. 14(b)	(AR 35 amended) When disclosing intended or achieved positive outcomes of its actions for the undertaking's consumers and/or end-users in accordance with paragraph 14(b) the undertaking might distinguish between evidence of certain activities having occurred (for example, that x number of people have received financial literacy training) from evidence of actual outcomes for the people concerned (for example, that x people report that they are able to better manage their pay and their household budgets).
NMIG 12 for para. 14	(AR 33 amended) When disclosing information about initiatives or processes for delivering positive impacts for consumers and/or end-users that are based on their needs and about progress in the implementation of those initiatives or processes, the undertaking might disclose: (a) whether and how consumers and/or end-users, their legitimate representatives , or credible proxies , play a role in decisions regarding the design and implementation of these programmes or processes; and (b) the intended or achieved positive outcomes for the undertaking's consumers and/or end-users of these programmes or processes.
NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S4-4 Targets related to consumers and end-users	
NMIG 13 for para. 16	(AR 42 amended) disclosing information about targets in accordance with paragraph 16, the undertaking might also disclose: (a) the intended outcomes to be achieved in the lives of a certain number of consumers and/or end-users ; (b) the stability of the targets over time in terms of definitions and methodologies to enable comparability over time; and/or (c) the standards or commitments which the targets are based on (for instance codes of conduct, sourcing policies , global frameworks, or industry codes).
NMIG 14 for para. 16	(AR 44 amended) When disclosing in accordance with paragraph 16 the undertaking might distinguish between short-, medium- and long-term targets covering the same policy commitment. For example, the undertaking may have as a main objective to make its online services accessible to people with disabilities, with the long-term goal of having adapted 100% of its online services by 2025, and with the short-term objective of adding x number of accessible features every year up and until 2025.

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NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S4-1 Policies related to consumers and end-users

NMIG 1 for para. 8	Accessibility of information is an important aspect of how the undertaking communicates its policies towards consumers and/or end-users. This can include translating websites or documents, using pictures or graphics in addition to text. Among the communication channels that the undertaking might talk about in its disclosure in accordance with paragraph 8 are flyers, newsletters, dedicated websites, social media, face-to-face interactions or workers’ representatives. (Part of old AR 13, amended)
NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S4-2 Engagement with consumers and/or end-users, existence of channels for consumers and/or end-users to raise concerns or need and approaches to remedy.	(AR 16 amended) When disclosing in accordance with paragraph 10 and AG 1 the undertaking might describe: (a) (From old para 22) Whether and how the perspectives of consumers and/or end-users inform its decisions or activities aimed at managing the actual and potential impacts on them; (b) 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; (c) Whether the undertaking requires relevant staff to have certain skills, or whether it provides training or capacity building to relevant staff to undertake engagement.
NMIG 3 for para. 10	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. (Old AR 14)
NMIG 4 for para. 11, 12	When disclosing in accordance with paragraph 11 and 12, the undertaking may be guided by the provisions on grievance mechanisms and remediation of the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct. (Old AR 18, amended)
NMIG 5 for para. 11	When describing the effectiveness of channels for the undertaking’s consumers and/or end-users, their legitimate representatives, or credible proxies, to raise concerns in accordance with paragraph 11 the undertaking might address the following questions that are based on the effectiveness criteria for non-judicial grievance mechanisms in the UN Guiding Principles on Business and Human Rights, in particular principle 31. These questions apply to individual channels or systems 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 the concerned stakeholder group? (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? (Old AR 24, amended)
NMIG 6 for para. 11	The disclosures under paragraph 11 can demonstrate how the undertaking determines whether consumers and/or end-users are aware of and trust these channels, whether they are fit for purpose, and explain how follow-up is carried out regarding the concerns or needs raised. (AR 23 amended) When the undertaking describes the channels to raise concerns and/or grievance mechanisms in accordance with paragraph 11 it might disclose the number of complaints received from consumers and/or end-users during the reporting period and how it addressed them.
NMIG 7 for para. 11	(AR 22 amended) 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 they allow for consumer and/or end-users to use them anonymously (for example, through representation by a third party).

NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S4-3 Actions and resources related to consumers and end-users

NMIG 8 for para. 14	(AR 27 amended) Material negative impacts on the undertaking's consumers and/or end-users may be connected to other entities or operations outside its financial control. If the undertaking discloses how it uses its leverage vis-à-vis business partners to manage those impacts when disclosing in accordance with paragraph 14 it might explain how it uses: a) commercial leverage (for example, enforcing contractual requirements with business relationships or implementing incentives), b) other forms of leverage within the relationship (such as providing training or capacity-building on proper product use or sale practices to business relationships) or c) collaborative leverage with peers or other actors (such as initiatives aimed at responsible marketing or product safety).
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NMIG 9 for para. 14	(AR 28 amended) If the undertaking discloses its participation in an industry or multi-stakeholder initiative as part of its actions to address material negative impacts in accordance with paragraph 14 it might explain how the initiative, and its involvement in it, address the material impact concerned.
NMIG 10 for para. 14b	(AR 31 and AR 32 amended) Reporting on the effectiveness of actions in accordance with paragraph 14(b) demonstrates the links between the undertaking's actions and effective impact management. Tracking the effectiveness of actions can include internal or external auditing or verification, court proceedings and/or related court decisions, impact assessments, measurement systems, stakeholder feedback, grievance mechanisms, external performance ratings, and benchmarking.
NMIG 11 for para. 14(b)	(AR 35 amended) When disclosing intended or achieved positive outcomes of its actions for the undertaking's consumers and/or end-users in accordance with paragraph 14(b) the undertaking might distinguish between evidence of certain activities having occurred (for example, that x number of people have received financial literacy training) from evidence of actual outcomes for the people concerned (for example, that x people report that they are able to better manage their pay and their household budgets).
NMIG 12 for para. 14	(AR 33 amended) When disclosing information about initiatives or processes for delivering positive impacts for consumers and/or end-users that are based on their needs and about progress in the implementation of those initiatives or processes, the undertaking might disclose: (a) whether and how consumers and/or end-users, their legitimate representatives, or credible proxies, play a role in decisions regarding the design and implementation of these programmes or processes; and (b) the intended or achieved positive outcomes for the undertaking's consumers and/or end-users of these programmes or processes.

NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S4-4 Targets related to consumers and end-users

NMIG 13 for para. 16	(AR 42 amended) disclosing information about targets in accordance with paragraph 16, the undertaking might also disclose: (a) the intended outcomes to be achieved in the lives of a certain number of consumers and/or end-users; (b) the stability of the targets over time in terms of definitions and methodologies to enable comparability over time; and/or (c) the standards or commitments which the targets are based on (for instance codes of conduct, sourcing policies, global frameworks, or industry codes).
NMIG 14 for para. 16	(AR 44 amended) When disclosing in accordance with paragraph 16 the undertaking might distinguish between short-, medium- and long-term targets covering the same policy commitment. For example, the undertaking may have as a main objective to make its online services accessible to people with disabilities, with the long-term goal of having adapted 100% of its online services by 2025, and with the short-term objective of adding x number of accessible features every year up and until 2025.

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of the EFRAG SRB/SR TEG. 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.

Draft Amended ESRs G1 Business Conduct Exposure Draft UNAPPROVED

Working documents

(ESRS G1 – V1.6)

DRAFTING PROCESS FOR THE WORKING DOCUMENTS SO FAR

The EFRAG SRB and SR TEG provided written comments on the “V1.1” versions of the Secretariat working drafts prepared between the end of May and the first week of June. Based on those comments, the EFRAG Secretariat prepared the “V1.5” versions which were discussed in meetings mid-June by both EFRAG SR TEG and SRB.

Subsequently these versions were amended and critically reviewed by dedicated review panels. The review panels submitted the outcome of their work and the remaining points for discussion to the EFRAG SRB and SR TEG.

All agenda papers for the 9/10 July EFRAG SR TEG meeting and 14/16 July SRB meeting (“V1.6”) have been prepared by the Secretariat on the basis of (i) the “V1.5” working documents discussed by the EFRAG SRB and SR TEG, (ii) the review by the respective review panels within the SRB (with SR TEG experts when appropriate) and (iii) the subsequent discussions and decisions in the SRB. Step (i) and (ii) took place in the first week of July.

All comments shared by members in written on the “V1.5” working documents have been considered and incorporated when consistent with the SRB decisions.

DISCLAIMER ON THE STATUS OF THIS UNAPPROVED DOCUMENT

This working document does not represent an EFRAG view at this stage. This “V1.6” draft is now made public as Working Document for the SR TEG discussions on 9/10 July and the SRB discussions on 14/16 July 2025. They are not to be considered as Exposure Drafts yet. They are unapproved and still subject to change reflecting the discussions in those meetings and for editorial and quality review that has not yet taken place. In addition, they are not accompanied by the necessary explanatory documents that are still being prepared and will accompany the Exposure Draft.

EFRAG recommends stakeholders that intend to contribute to the consultation to plan their review on the Exposure Drafts once they are issued, as they will benefit from the final content and from explanatory content.

REVISED STRUCTURE AND DRAFTING CONVENTIONS

As compared to the ESRs Set 1 (adopted in July 2023), the structure of the standards has been revised and streamlined. In particular:

- All the “shall disclose/shall include/shall report/shall describe/shall explain” have been considered as and simplified. They are presented in the main body of the standard. They have been counted as separate datapoints.
- Below the text of each Disclosure Requirement in topical standards (or section for ESRs 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is still named “Application Requirements” (AR). This includes “shall consider” as element of methodology for preparing the disclosure and “may (present)” for presentation options.
- Non mandatory appendices have been maintained in ESRs 1 on an exceptional basis, given their importance (former AR 16).

- All the “may” disclosures have been either eliminated or moved to another category (either deleted or moved to guidance), except for a few of them which are exceptionally still being considered.

- All the non-mandatory content has been moved to separate documents named “Non-Mandatory Illustrative Guidance (NMIG)”. While the four points above are drafted to become part of the delegated act, the legal status of the NMIG remains open from an EFRAG’s standpoint (either as appendices in the delegated act or as documents issued independently of the delegated act) and will be considered by the EC in due course.

HOW TO READ THIS DOCUMENT

The paragraph numbering has been revised to reflect the draft amendments. Where applicable, the previous Set 1 paragraph numbers are indicated in brackets – for example, ‘4. (24)’ or ‘4. (24, amended)’.

ESRS G1 Business Conduct V1.6

Objective

- When reporting in accordance with ESRS, the **sustainability statement** shall cover information in relation to G1 “**Business Conduct**”, when this **topic** is related to material **impacts, risks and opportunities**. The disclosure on the material impacts, risks and opportunities is expected to cover **policies, actions and targets** (if in place), **dependencies** when relevant, **metrics and financial effects**.
- The objective of this Standard is to specify disclosure Requirements in relation to these items of information, that are not covered in ESRS 2.
- When only one of the sub-topics covered by this Standard is material, the undertaking shall report only on that sub-topic.
- This Standard sets out DRs related to business conduct and in particular, with respect to the following sub-topics:
 - corporate culture**, including anti-**corruption** and anti-**bribery**, the **protection of whistleblowers** and **animal welfare**;
 - the **management of relationships with suppliers**, including (unfair) **payment practices**; and
 - political influence and lobbying activities**.
- The undertaking shall apply the provisions of ESRS 2 paragraphs from 30 to 33 and GDR- P, GDR-A and GDR-T. In particular:
 - if the undertaking has not adopted **policies, actions and targets** with reference to a **topic** related to material impacts, risks and opportunities, it shall disclose this fact;
 - the undertaking may present the description of its material **impacts, risks and opportunities**, in accordance with ESRS 2 IRO 2, alongside information about its policies, actions, targets and metrics through which it addresses them, to avoid duplication and support a coherent narrative.
- In this standard, each Disclosure Requirement is introduced by a disclosure objective, with the exception of policies, actions and targets, for which the provisions in GDR- P, GDR-A and GDR-T provides the necessary framing for the relevant disclosures

Disclosure Requirements

Disclosure Requirement G1-1– Policies related to business conduct

- (former 7 amended) The undertaking shall disclose its business conduct policies in accordance with the provisions of ESRS 2 GDR-P.
- In addition to the information required by ESRS 2 GDR-P, the undertaking shall disclose:
 - (former 10(b)) the circumstance when the undertaking has no policies on anti-**corruption** and anti-**bribery** policies consistent with the United Nations Convention against Corruption¹;

¹ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #15 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments (‘Lack of anti-corruption and anti-bribery policies’).

- (former 10(c)) the circumstance when the undertaking has no policies on the **protection of whistle-blowers**²;
- (former 10(h)) the functions and/or roles at risk in respect of **corruption and bribery**.

APPLICATION REQUIREMENT – AR

AR 1 for para 8 (c) (corruption and bribery)	(former AR4) When disclosing paragraph 8 (c), functions and/or roles at risk means those functions and/or roles deemed to be at risk of corruption and bribery as a result of its tasks and responsibilities. Examples include those operating in high-risk countries, or interacting with public authorities and governments.
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Disclosure Requirement G1-2– Actions related to business conduct

- (new) The undertaking shall disclose its business conduct actions in accordance with the provisions of ESRS 2 GDR-A.
- In addition to the information required by ESRS 2 GDR-A, the undertaking shall disclose:
 - (former 12 and 15(b)) information about the management of relationships with suppliers. If the undertaking takes into account social and environmental criteria for the selection of its suppliers, it shall describe how this is taken into account.;
 - (former 18(a) and 24(b)) information about the undertaking’s approach to prevent, detect, investigate and respond to allegations or incidents related to corruption and bribery which includes any actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery³;
 - (21 (a) amended) **training** activities within the undertaking on business conduct, including the target audience, frequency and depth of coverage. This shall include the (former 21(b) and (c)) percentage of functions and/or specific roles at risk in respect of corruption and bribery, as well as members of the administrative, management and supervisory board. The undertaking shall also disclose (former AR2 (b)) whether the procurement team is involved in training related to its engagement with suppliers for the improvement of their sustainability performance.

Metrics and Targets

Disclosure Requirement G1-3– Targets related to business conduct

- (new) The undertaking shall disclose its business conduct targets in accordance with the provisions of ESRS 2 GDR-T.

² This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #6 in Table II of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments (‘Insufficient whistleblower protection’).

³ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out in indicator #16 of Table II of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments (‘Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery’).

Disclosure Requirement G1-4—Metrics related to Incidents of corruption or bribery

12. (former 23) The objective of this DR is to provide transparency on the incidents relating to **corruption or bribery** during the reporting period and the related outcomes.
13. (former 24(a)) The undertaking shall disclose the number of convictions and the amount of fines for violation of anti-corruption and anti- bribery laws⁴.
14. (former 25 amended/new) When **confirmed incidents of corruption or bribery** occur during the reporting year, the undertaking shall disclose information about them.

APPLICATION REQUIREMENT – AR

AR 3 for paras. 13 and 14 (corruption or bribery- incidents)	(former 26) When disclosing paragraph 13 and/or paragraph 14, the undertaking shall consider the incidents involving actors in its value chain only where the undertaking or its employees are directly involved.
AR 3 for para. 13 (corruption and bribery- convictions)	(NEW) Convictions for the violation of anti-corruption and anti-bribery laws refer to final judgements issued by a criminal court against an individual or undertaking in respect of a criminal offence related to corruption and bribery, for example, where these court decisions are entered in the criminal record of the convicting European Union Member State.
AR 4 for para. 13 (corruption or bribery - fines)	(NEW) Fines issued for the violation of anti-corruption and anti-bribery laws refer to mandatory monetary penalties resulting from violations of anti-corruption and anti-bribery laws imposed by a court, commission, or other government authority, which are paid to a public treasury. Fines shall be reported when the decision imposing them becomes legally final, meaning all standard appeals have been exhausted or the appeal deadline has passed.
AR 5 for para. 13 (corruption and bribery definition)	(NEW) For purposes of this standard, the undertaking shall apply the ESRs definition of corruption and bribery (ESRS Glossary), which is generic, specifically to overcome the differing definitions found in local laws or in laws applicable in the jurisdiction of the parent company and to ensure comparability across reporting undertakings.

Disclosure Requirement G1-5—Metrics related to political influence and lobbying activities

15. (former 28) The objective of this DR is to provide an understanding of the undertaking's activities and commitments related to exerting its political influence with political contributions, including the types and purpose of **lobbying activities**.
16. (former 29(b)) The undertaking shall disclose for political influence the total monetary value of financial and in-kind political contributions made directly and indirectly by the

⁴ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out in indicator #17 of Table II of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments (Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws⁵); and benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator 'Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws' in section 1 and 2 of Annex II.

undertaking aggregated by country or geographical area where relevant, as well as type of recipient/beneficiary.

17. (former 29(c)) The undertaking shall briefly disclose for **lobbying activities** the main topics covered by these activities and the undertaking's main positions on these, including explanations on how this interacts with its material impacts, risks and opportunities identified in its materiality assessment (See ESRs 2 IRO 2).
18. (former 30) The undertaking shall disclose information about the appointment of any members of the **administrative, management and supervisory bodies** who held a comparable position in public administration (including regulators) in the 2 years preceding such appointment in the current reporting period.

APPLICATION REQUIREMENT – AR

AR 6 for para. 16 (political contributions)	(former AR 9) For purposes of this Standard 'political contribution' means financial or in-kind support provided directly to political parties, their elected representatives or persons seeking political office. Financial contributions can include donations, loans, sponsorships, advance payments for services, or the purchase of tickets for fundraising events and other similar practices. In-kind contributions can include advertising, use of facilities, design and printing, donation of equipment, provision of board membership, employment or consultancy work for elected politicians or candidates for office.
AR 7 for para. 16 (indirect political contribution)	(former AR 10) For purposes of this Standard 'indirect political contribution' refers to those political contributions made through an intermediary organisation such as a lobbyist or charity, or support given to an organisation such as a think tank or trade association linked to or supporting particular political parties or causes.
AR 8 for para. 18 (corruption or bribery - fines)	(former AR 11) When determining 'comparable position' in this standard, the undertaking shall factor in level of responsibility and scope of activities undertaken

Disclosure Requirement G1-6—Metrics in relation to payment practices

19. (former 32) The objective of this DR is to provide an understanding of contractual **payment terms** and on the undertaking's performance with regard to payment, especially with regard to late payments to SMEs.
20. The undertaking shall disclose:
- (former 33(b) and (d)) a description of the undertaking's standard payment terms in number of days by main category of suppliers, including to SME's, and the percentage of its payments aligned with these standard terms, as well as complementary information necessary to provide sufficient context;
 - (former 33(c)) the number of legal proceedings currently outstanding for late payments.

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Draft Amended ESRs G1 Business Conduct – Non-Mandatory Illustrative Guidance UNAPPROVED Working documents

(ESRS G1 – V1.6)

DRAFTING PROCESS FOR THE WORKING DOCUMENTS SO FAR

The EFRAG SRB and SR TEG provided written comments on the “V1.1” versions of the Secretariat working drafts prepared between the end of May and the first week of June. Based on those comments, the EFRAG Secretariat prepared the “V1.5” versions which were discussed in meetings mid-June by both EFRAG SRB and SR TEG.

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REVISED STRUCTURE AND DRAFTING CONVENTIONS

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- All the “shall disclose/shall include/shall report/shall describe/shall explain” have been considered and simplified. They are presented in the main body of the standard. They have been counted as separate datapoints.
- Below the text of each Disclosure Requirement in topical standards (or section for ESRs 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is still named “Application Requirements” (AR). This includes “shall consider” as element of methodology for preparing the disclosure and “may (present)” for presentation options.
- Non mandatory appendices have been maintained in ESRs 1 on an exceptional basis, given their importance (former AR 16).

- All the “may” disclosures have been either eliminated or moved to another category (either deleted or moved to guidance), except for a few of them which are exceptionally still being considered.
- All the non-mandatory content has been moved to separate documents named “Non-Mandatory Illustrative Guidance (NMIG)”. While the four points above are drafted to become part of the delegated act, the legal status of the NMIG remains open from an EFRAG’s standpoint (either as appendices in the delegated act or as documents issued independently of the delegated act) and will be considered by the EC in due course.

HOW TO READ THIS DOCUMENT

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Appendix C – Illustrative Guidance

This document provides non-binding illustrations of the requirements of ESRs G1 (NMIG).

NON-MANDATORY ILLUSTRATIVE GUIDANCE ON G1-1 – Business conduct policies

NMIG 1 for para. 5 (policies anti-corruption and bribery)	When disclosing information on policies regarding anti-corruption and bribery the undertaking might include: a) (former AR 5) details about the risk assessments and/or mapping, as well as monitoring programmes and/or internal control procedures performed by the undertaking to detect corruption and bribery. b) (former AR 6) the communication tools and channels (e.g. flyers, newsletters, dedicated websites, social media, face to face interactions, interactions with unions and/or workers representatives) used to communicate these policies to specific groups of people, either because they are expected to adhere to them (for example, the undertaking's employees, contractors and suppliers), or because they have a direct interest in their implementation (for example, value chain workers, investors).
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NON-MANDATORY ILLUSTRATIVE GUIDANCE ON G1-2 – Business conduct actions

NMIG 2 for para. 8 (management of relationship with suppliers)	When disclosing information on the management of relationship with suppliers the undertaking might include: (a) (former AR 2(c) and (g)) its practices related to the screening and evaluation of social and environmental performance of suppliers, such as supplier visits, audits or surveys and how the outcomes of these practices are evaluated. (b) (former AR 2(d)) the inclusion of locally based suppliers in its supply chain and/or suppliers with certifications; (c) (former AR 2(e) and AR 3) how its practices deal with vulnerable suppliers, such as suppliers that are exposed to key economic, environmental and/or social risks.
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NMIG 3 for para. 8(c) (training activities)	(former AR 7) When disclosing information on training activities the undertaking might include: (a) an analysis of its training activities on business conduct, for example by region of training or by category of own workforce, where there are key differences in the programmes based on these factors and the information would be useful to users. (b) a presentation of the training provided for 'Anti-corruption and bribery training' using the following table as illustrative example.
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Training coverage	Company employees	Function/roles at-risk	Executives	AMSB*
Number of in-scope (unique) people	110,000	5,000	800	16
Number of in-scope (unique) people trained during reporting period	80,000	4,500	600	8
% covered	73%	90%	75%	50%

Type of training required and duration					
Classroom training (virtual or physical)		4 hours	2 hours		
E-learning	4 modules of 1 hour	1 hour (update from previous year's training)	1 hour	1 hour	
Frequency					
How often training is required	Annual / new entrance	Biannual	Every 3 year	Onboarding or renewal of mandate	
Topics covered					
Definition of corruption and bribery	x	x	x	x	x
Policy – code of conduct	x	x	x	x	x
Procedures on suspicion/detection		x	x	x	x
Conflicts of interest		x	x	x	x
Liabilities					x
Etc.					

* administrative, management and supervisory bodies

NON-MANDATORY ILLUSTRATIVE GUIDANCE ON G1-4 – Metrics: Incidents of corruption or bribery

NMIG 4 for para. 10	When disclosing information on confirmed incidents of corruption or bribery the undertaking might include: a) (former 25(a) and (b)) the total number and nature of confirmed incidents of corruption or bribery, including those in which own workers were dismissed or disciplined for corruption or bribery-related incidents; b) (former 25(c)) the number of confirmed incidents relating to contracts with business partners that were terminated or not renewed due to violations related to corruption or bribery; and c) (former 25(d)) details of public legal cases regarding corruption or bribery brought against the undertaking and its own workers during the reporting period and the outcomes of such cases. This includes cases that were initiated in previous years where the outcome was only established in the current reporting period.
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(confirmed incidents of corruption and bribery)

NON-MANDATORY ILLUSTRATIVE GUIDANCE ON G1-5 – Metrics: Political influence and lobbying activities

NMIG 5 for para. 15 (lobbying activities)	When disclosing information on lobbying activities the undertaking might include:
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- (a) (former AR 13) when it is legally obliged to be a member of a chamber of commerce or another organisation that represents its interests;
- (b) (former AR 14) the extent of alignment between its public statements on its material impacts, risks and opportunities and its lobbying activities.

ILLUSTRATIVE GUIDANCE ON G1-6 – Metrics: *Payment practices*

(former AR 17) The following table is an illustration for disclosing information on the standard payment terms.

Supplier type	Region	Standard payment terms (days)	% met the standard payment terms
Non-SMEs	EU	Number of days in accordance with current EU regulation	95%
	Other / America / Asia / Africa / Middle East	Number of days depending on legal requirements or specific contractual agreements	90%
SMEs	EU	Number of days in accordance with current EU regulation	86%
	Other / America / Asia / Africa / Middle East	Number of days depending on legal requirements or specific contractual agreements	80%

(former AR 16) In providing contextual information on the standard payment terms and/or payment practices the undertaking might include specification for differences/particularities and/or specific exceptions depending on country, region or type of supplier.