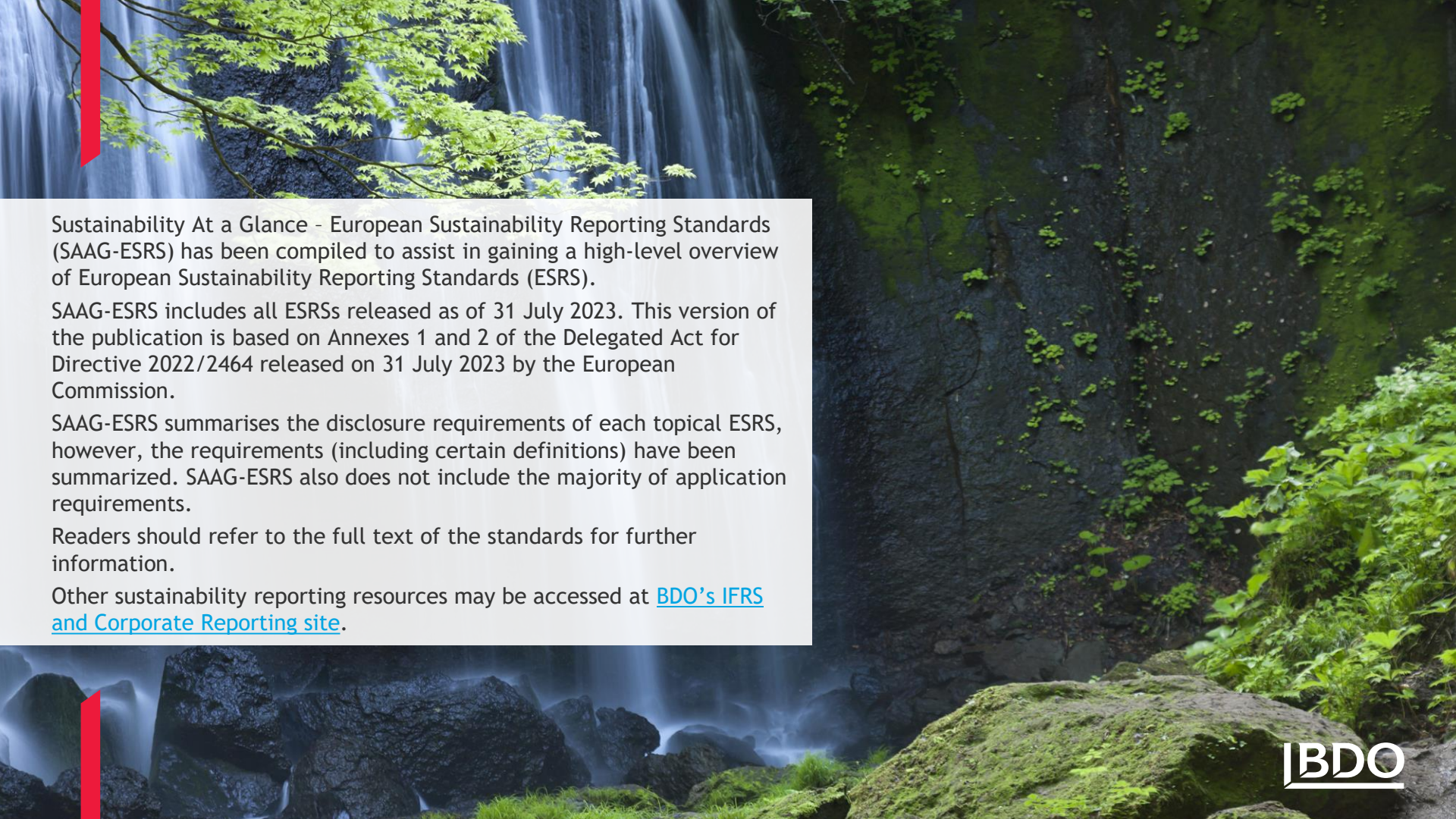




SUSTAINABILITY AT A GLANCE ***EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS)***

BASED ON THE EUROPEAN COMMISSION DELEGATED ACT - 31 JULY 2023



Sustainability At a Glance - European Sustainability Reporting Standards (SAAG-ESRS) has been compiled to assist in gaining a high-level overview of European Sustainability Reporting Standards (ESRS).

SAAG-ESRS includes all ESRSs released as of 31 July 2023. This version of the publication is based on Annexes 1 and 2 of the Delegated Act for Directive 2022/2464 released on 31 July 2023 by the European Commission.

SAAG-ESRS summarises the disclosure requirements of each topical ESRS, however, the requirements (including certain definitions) have been summarized. SAAG-ESRS also does not include the majority of application requirements.

Readers should refer to the full text of the standards for further information.

Other sustainability reporting resources may be accessed at [BDO's IFRS and Corporate Reporting site](#).



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SUSTAINABILITY AT A GLANCE
EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS)
1 - GENERAL REQUIREMENTS

BASED ON THE EUROPEAN COMMISSION DELEGATED ACT - 31 JULY 2023

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS 1 General Requirements

DEFINITIONS AND ACRONYMS

- ▶ **Actions:** actions refer to (i) actions and action plans (including transition plans) that are undertaken to ensure that the undertaking delivers against targets set and through which the undertaking seeks to address material impacts, risks and opportunities; and (ii) decisions to support these with financial, human or technological resources.
- ▶ **Actor in the value chain:** Individuals or entities in the upstream or downstream value chain. The actor 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., suppliers) when it provides products or services that are used in the production of the undertaking's own products or services.
- ▶ **Business model:** the undertaking's system of transforming inputs through its business activities into outputs and outcomes that aims to fulfil the undertaking's strategic purposes and create value over the short-, medium- and long-term. ESRS use the term 'business model' in the singular, although it is recognised that undertakings may have more than one business model.
- ▶ **Classified information:** EU classified information as defined in Council Decision of 23 September 2013 on the security rules for protecting EU classified information (2013/488/EU) or classified by one of the Member States and marked as per Appendix B of that Council decision.
- ▶ **Double materiality:** has two dimensions: impact materiality and financial materiality. A sustainability matter meets the criterion of double materiality if it is material from the impact perspective or the financial perspective or both.
 - ▶ **Impact materiality:** a sustainability matter 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 time horizons. A material sustainability matter from an impact perspective includes impacts connected with the undertaking's own operations and value chain, including through its products and services, as well as through its business relationships.
 - ▶ **Financial materiality:** a sustainability matter is material from a financial perspective if it generates risks or opportunities 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.
- ▶ **DR:** disclosure requirement.
- ▶ **Financial effects:** effects from risks and opportunities that influence the undertaking's cash flow, financial position, and financial performance over the short, medium or long term.
- ▶ **GOV (governance):** the governance processes, controls and procedures used to monitor and manage impacts, risks and opportunities.
- ▶ **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 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, short-term or long-term time horizons, intended or unintended, and reversible or irreversible. Impacts indicate the undertaking's contribution, negative or positive, to sustainable development.
- ▶ **IRO (impact, risk and opportunity management):** the process(es) by which impacts, risks and opportunities are identified, assessed and managed through policies and actions.

DEFINITIONS AND ACRONYMS

- ▶ **Materiality:** a sustainability matter 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.
- ▶ **Opportunities:** sustainability-related financial opportunities from environmental, social or governance matters that may positively affect the undertaking's financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium or long term.
- ▶ **Policy:** a set or framework of general objectives and management principles that the undertaking uses for decision-making. A policy implements the undertaking's strategy or management decisions related to a material sustainability matter. Each policy is under the responsibility of defined person(s), specifies its perimeter of application, and includes one or more objectives (linked when applicable to measurable targets). A policy is validated and reviewed following the undertakings' applicable governance rules. A policy is implemented through actions or action plans.
- ▶ **SBM (strategy and business model):** how the undertaking's strategy and business model interact with its material impacts, risks and opportunities, including how the undertaking addresses those impacts, risks and opportunities.
- ▶ **Sensitive information:** sensitive information as defined in Regulation (EU) 2021/697 of the European Parliament and of the Council of 29 April 2021 establishing the European Defence Fund.
- ▶ **Stakeholders:** those who can affect or be affected by the undertaking, being affected stakeholders and users of sustainability statements.
- ▶ **Sustainability matter:** environmental, social and human rights, and governance factors, including sustainability factors defined in Article 2, point (24), of Regulation (EU) 2019/2088.
- ▶ **Sustainability-related impacts:** the effect the undertaking has or could have on the environment and people, including effects on their human rights, as a result of the undertaking's activities or business relationships. The impacts can be actual or potential, negative or positive, short-term, medium or long-term, intended or unintended, and reversible or irreversible. Impacts indicate the undertaking's contribution, negative or positive, to sustainable development.
- ▶ **Sustainability-related risks (or '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, strategy and sustainability strategy, its capability to achieve its goals and targets and to create value, and therefore may influence its decisions and those of its business relationships with regard to sustainability matters. Like any other risks, sustainability-related risks are the combination of an impact's magnitude and the probability of occurrence.
- ▶ **Sustainability statement:** the dedicated section of the undertaking's management report where the information about sustainability matters prepared in compliance with the CSRD and the ESRS is presented.
- ▶ **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.



Effective Date
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ESRS 1 General Requirements

CATEGORIES OF ESRS STANDARDS, REPORTING AREAS, DRAFTING CONVENTIONS AND QUALITATIVE CHARACTERISTICS OF INFORMATION

OBJECTIVE OF ESRS and ESRS 1
<ul style="list-style-type: none"> ▶ The objective of European Sustainability Reporting Standards (ESRS) is to specify the sustainability information that an undertaking shall disclose in accordance with Directive 2013/34/EU of the European Parliament and of the Council, as amended by the Directive (EU) 2022/2464. ▶ ESRS specify the information that an undertaking shall disclose about its material IROs in relation to environmental, social and governance sustainability matters. Information need not be disclosed if it is not material, with some exceptions (see Materiality section). ▶ The objective of ESRS 1 is to provide an under an understanding of the architecture of ESRS, the drafting conventions and fundamental concepts used, and the general requirements for preparing and presenting sustainability information in accordance with Directive 2013/34, as amended by Directive 2022/2464.

CATEGORIES OF ESRS STANDARDS		
CROSS-CUTTING STANDARDS	TOPICAL STANDARDS	SECTOR-SPECIFIC STANDARDS
<p>ESRS 1 <i>General Requirements</i> and ESRS 2 <i>General Disclosures</i>.</p> <p>Apply to the sustainability matters covered by topical and sector-specific standards.</p>	<p>Cover a sustainability topic and are structured into topics and sub-topics and sub-sub-topics (e.g. ESRS E1 <i>Climate change</i>). Topical standards are sector agnostic.</p> <p>If an impact, risk or opportunity is not covered by an ESRS, but is material, entity-specific disclosures shall be made.</p>	<p>Standards applicable to all undertakings within a sector (e.g. manufacturing). Sector-specific ESRS standards are expected to be published in 2024.</p>

REPORTING AREAS AND MINIMUM CONTENT DISCLOSURE REQUIREMENTS IN POLICIES, ACTIONS, TARGETS AND METRICS
<ul style="list-style-type: none"> ▶ ESRS 2 General Disclosures includes minimum disclosure requirements (MDR) for policies (MDR-P), actions (MDR-A) and metrics (MDR-M). MDR are disclosed regardless of materiality. ▶ DRs in ESRS 2, topical ESRS and sector-specific ESRS are structured into the four following report areas:

GOVERNANCE (GOV)
The governance processes, controls and procedures used to monitor, manage and oversee IROs.
IMPACT, RISK AND OPPORTUNITY MANAGEMENT (IRO)
<p>The process(es) by which the undertaking:</p> <ul style="list-style-type: none"> ▶ Identifies IROs and assesses their materiality, and ▶ Manages material sustainability matters through policies and actions.

STRATEGY (SBM)
How the undertaking's strategy and business model interact with its material IROs, including how the undertaking addresses those IROs.
METRICS AND TARGETS (MT)
The undertaking's performance, including targets it has set and progress towards meeting them.

DRAFTING CONVENTIONS
' <u>Shall disclose</u> ' indicates that the provision is prescribed by a DR or datapoint.
' <u>May disclose</u> ' indicates voluntary disclosure to encourage good practice.
' <u>Shall consider</u> ' indicates issues, resources or methodologies an undertaking is expected to take into account when preparing a given disclosure.

QUALITATIVE CHARACTERISTICS OF INFORMATION
When preparing its sustainability statement, the undertaking shall apply fundamental qualitative characteristics (relevance and faithful representation), and enhancing qualitative characteristics of information (comparability, verifiability and understandability).

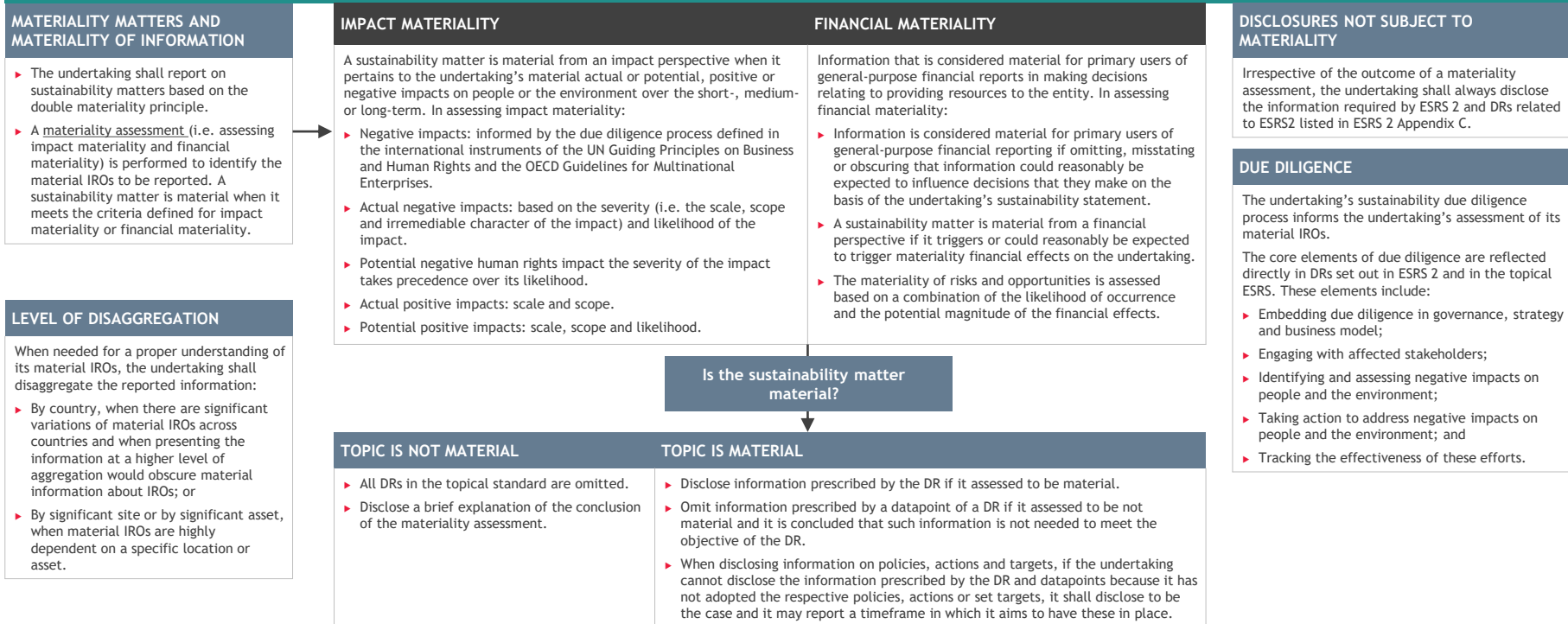




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ESRS 1 General Requirements

DOUBLE MATERIALITY AS THE BASIS FOR SUSTAINABILITY DISCLOSURES





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ESRS 1 General Requirements

VALUE CHAIN		
BASIS OF PREPARATION	UPSTREAM AND DOWNSTREAM TRANSACTIONS	ESTIMATION USING SECTOR AVERAGES AND PROXIES
<ul style="list-style-type: none"> ▶ The sustainability statement shall be for the same reporting undertaking as the financial statements (e.g. if the parent company is required to prepare consolidated financial statements, the sustainability statement should be prepared on the same basis). ▶ For associates and joint ventures that are part of the value chain, the undertaking shall include information on those investees consistent with the approach adopted for the other business relationships in the value chain. When determining impact metrics, data for associates and joint ventures is not limited to equity held. 	<p>Information in the sustainability statement should include information on the material IROs connected with the undertaking through its direct and indirect business relationships in the upstream and/or downstream (i.e. suppliers and customers) value chain.</p> <p>Information need not include every actor in the value chain, but only material upstream and downstream value chain information.</p>	<p>If after making reasonable efforts to obtain upstream and downstream value chain information, the undertaking is unable to do so, reasonable and supportable information such as sector-average data and proxies may be used with regards to the upstream and downstream value chain.</p>

TIME HORIZON			
REPORTING PERIOD	LINKING PAST, PRESENT AND FUTURE	REPORTING PROGRESS AGAINST THE BASE YEAR	DEFINITION OF SHORT-, MEDIUM- AND LONG-TERM FOR REPORTING PURPOSES
<p>The reporting period for the undertaking's sustainability statement shall be consistent with that of its financial statements.</p>	<p>The undertaking shall establish appropriate linkages in its sustainability statement between retrospective and forward-looking information, when relevant, to foster a clear understanding of how historical information relates to future-oriented information.</p>	<p>The undertaking shall present comparative information in respect of the base year (the historical reference date or period) for amounts reported in the current period when reporting the developments and progress towards a target, unless the relevant DR already defines how to report progress.</p>	<p>When preparing the sustainability statement, the following time intervals are applicable:</p> <ul style="list-style-type: none"> ▶ Short-term time horizon: the period adopted by the undertaking as the reporting period in its financial statements; ▶ Medium-term time horizon: from the end of the short-term reporting period to 5 years; and ▶ Long-term time horizon: more than 5 years. <p>The undertaking may adopt a different definition of medium- and/or long-term time horizons in certain circumstances.</p>



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ESRS 1 General Requirements

PREPARATION AND PRESENTATION OF SUSTAINABILITY INFORMATION

PRESENTING COMPARATIVE INFORMATION	SOURCES OF ESTIMATION AND OUTCOME UNCERTAINTY	UPDATING DISCLOSURES ABOUT EVENTS AFTER THE END OF THE REPORTING PERIOD	CHANGES IN PREPARATION OR PRESENTATION OF SUSTAINABILITY INFORMATION
<ul style="list-style-type: none"> ▶ Disclose comparative metrics for the previous period for all quantitative metrics and monetary amounts disclosed in the current period. ▶ When relevant to an understanding of current period, disclose a comparative of narrative disclosures. ▶ When the reported comparative information differs from information reported in previous periods, disclose: <ul style="list-style-type: none"> • The difference between the figure reported in the previous period and the revised comparative figure; and • The reasons for the revision of the figure. 	<ul style="list-style-type: none"> ▶ Measurement uncertainty may arise in estimating quantitative metrics and monetary amounts, including upstream and downstream value chain information. ▶ Data and assumptions related to financial data and assumptions shall be consistent to the extent possible with the corresponding financial data and assumptions used in the undertaking's financial statements. ▶ When judging whether information about a possible future event is material (e.g. disclosure of the financial effect of climate change), the undertaking shall consider: <ul style="list-style-type: none"> • The potential financial effects of the events (the possible outcome); • The severity and likelihood of the impacts on people or the environment resulting from the possible events, taking account of the factors of severity specified in paragraph 45; and • The full range of possible outcomes and the likelihood of the possible outcomes within that range. 	<p>When information is received after the reporting period, but before the management report is approved:</p> <ul style="list-style-type: none"> ▶ If such information provides evidence or insights about conditions existing at period end, the undertaking shall, where appropriate, update estimates and sustainability disclosures, in the light of the new information. ▶ If such information provides evidence or insights about 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. 	<p>The definition and calculation of metrics, including metrics used to set targets and monitor progress towards them, shall be consistent over time. If a metric or target is redefined or replaced, the undertaking shall provide restated comparative figures, unless it is impracticable to do so.</p>
REPORTING ERRORS IN PRIOR PERIODS	CONSOLIDATED REPORTING AND SUBSIDIARY EXEMPTION	CLASSIFIED AND SENSITIVE INFORMATION, AND INFORMATION ON INTELLECTUAL PROPERTY, KNOW-HOW OR RESULTS OF INNOVATION	REPORTING ON OPPORTUNITIES
<p>Material prior period errors (e.g. mathematical mistakes, mistakes in applying definitions, oversights or misinterpretations of facts and fraud) in the comparative period shall be corrected, unless it is impracticable to do so.</p>	<ul style="list-style-type: none"> ▶ When reporting is at a consolidated level, the assessment of material IROs is for the consolidated group. ▶ When significant differences exist between material IROs at group level and the level of subsidiaries, a description of the subsidiaries' IROs shall be disclosed. 	<ul style="list-style-type: none"> ▶ Classified or sensitive information need not be disclosed, even if it is material. ▶ In disclosing information about strategy, plans and actions relating to intellectual property, know-how and the results of innovation, information may be omitted if it: <ul style="list-style-type: none"> • 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; • Has commercial value because it is secret; and • Has been subject to reasonable steps by the undertaking to keep it secret. ▶ If information is omitted as per above, all other DRs must be met. 	<p>When reporting on opportunities, disclosure should consist of descriptive information allowing the reader to understand the opportunity for the undertaking or the entire sector. Undertakings should consider, among other factors:</p> <ul style="list-style-type: none"> ▶ Whether the opportunity is currently being pursued and is incorporated in its general strategy, as opposed to a general opportunity for the undertaking or the sector; and ▶ Whether the inclusion of quantitative measures of anticipated financial effects is appropriate, taking into account the number of assumptions that it could require and consequential uncertainty.

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ESRS 1 General Requirements

STRUCTURE OF THE SUSTAINABILITY STATEMENT

GENERAL PRESENTATION REQUIREMENT

Sustainability information shall be presented:

- ▶ In a way that allows a distinction between information required by disclosures in ESRS and other information included in the management report; and
- ▶ Under a structure that facilitates access to and understanding of the sustainability statement, in a format that is both human-readable and machine-readable.

CONTENT AND STRUCTURE OF THE SUSTAINABILITY STATEMENT

- ▶ All disclosures shall be made in a dedicated section of the management report, with the exception of information incorporated by reference (see Linkages section below).
- ▶ Clearly identify and reference to the related legislation or standard any disclosures that stem from (i) other legislation which requires the undertaking to disclose sustainability information (e.g. the Sustainable Finance Disclosure Regulation - SFDR); or (ii) generally accepted sustainability reporting standards (e.g. IFRS Sustainability Disclosure Standards).

FOUR PARTS OF SUSTAINABILITY STATEMENT

- ▶ General information
- ▶ Environmental information (including disclosures pursuant to the Article 8 of Regulation (EU) 2020/852 - the EU Taxonomy)
- ▶ Social information
- ▶ Governance information

LINKAGES WITH OTHER PARTS OF CORPORATE REPORTING AND CONNECTED INFORMATION

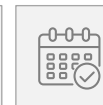
INCORPORATION BY REFERENCE

Disclosures may be met by incorporation of reference to a number of other specified documents if the disclosure:

- ▶ Constitute a separate element of information and are clearly identified in the document concerned as addressing the relevant DR, or the relevant specific datapoint prescribed by a DR;
- ▶ Are published before or at the same time as the management report;
- ▶ Are in the same language as the sustainability statement;
- ▶ Are subject to at least the same level of assurance as the sustainability statement; and
- ▶ Meet the same technical digitalisation requirements as the sustainability statement.

CONNECTED INFORMATION AND CONNECTIVITY WITH FINANCIAL STATEMENTS

- ▶ Describe the relationships between different pieces of information. Doing so could require connecting narrative information on governance, strategy and risk management to related metrics and targets.
- ▶ When the sustainability statement includes material monetary amounts or quantitative data that are present in financial statements, the undertaking shall cross-reference to the financial statements.
 - If these amounts are an aggregation of, or part of, monetary amounts or quantitative data that are present in the financial statements, the undertaking shall explain how these amounts relate to the financial statements.
- ▶ In other cases, the undertaking shall explain the consistency of significant data, assumptions and qualitative information and the connection to these items in financial statements.



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ESRS 1 General Requirements

TRANSITIONAL PROVISIONS				
ESRS AND TOPIC OF TRANSITIONAL PROVISION	TRANSITIONAL PROVISION	RELIEF FOR ALL UNDERTAKINGS AND GROUPS?	LENGTH OF TRANSITIONAL PROVISION FOR ALL UNDERTAKINGS AND GROUPS	TRANSITIONAL PROVISION ONLY FOR UNDERTAKINGS AND GROUPS WITH <750 EMPLOYEES
ESRS 1 <i>General Requirements</i> - entity specific disclosures	When defining entity-specific disclosures, the undertaking may adopt transitional measures for their preparation under which it may as a priority, introduce disclosures reported in prior periods, and complement those disclosures with those using best practice and/or available frameworks (e.g. IFRS Sustainability Disclosure Standard industry-based guidance and GRI sector standards).	Yes	3 years	N/A
ESRS 1 <i>General Requirements</i> - value chain	<ul style="list-style-type: none"> ▶ If not all the necessary information regarding the value chain is available, explain the efforts made to obtain the information, the reasons why not all of the necessary information could be obtained, and the plan to obtain the information. ▶ When disclosing information on policies, actions and targets (ESRS 2 and other ESRS), value chain information may be limited to information available in-house. ▶ When disclosing metrics, value chain information is not required to be included, except for datapoints derived from other EU legislation (see ESRS 2 - Appendix B). 	Yes	3 years	N/A
ESRS 1 <i>General Requirements</i> - comparative information	Comparative information is not required to be disclosed.	Yes	1 year	N/A
ESRS 2 <i>General Disclosures</i> - breakdown of revenue	Breakdown of total revenue, as included in its financial statement, by significant ESRS sectors is not required to be disclosed.	Yes	Transitional provisions lasts until the application date specified in the Commission Delegated Act to be adopted pursuant to article 29b(1) third subparagraph, point (ii), of the Accounting Directive (2013/34/EU).	N/A
ESRS 2 <i>General Disclosures</i> - Material impacts, risks and opportunities and their interaction with strategy and business model	Omit the disclosure of anticipated financial effects. The undertaking may instead comply by reporting only qualitative disclosures for the first 3 years of preparation of its sustainability statement, if it is impracticable to prepare quantitative disclosures.	Yes	1 year for omission of disclosure entirely; 3 years for qualitative only disclosure	N/A

DISCLOSURES REQUIRED WHEN PHASE-IN TRANSITIONAL PROVISIONS USED

When an undertaking elects to not disclose information on account of a transitional provision that is available for groups with <750 employees, ESRS 2 requires certain disclosures to nevertheless be made. See ESRS 2 At a Glance - BP-2, Use of Phase-in Provisions in Accordance with Appendix C of ESRS 1.



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ESRS 1 General Requirements

TRANSITIONAL PROVISIONS (continued)

ESRS AND TOPIC OF TRANSITIONAL PROVISION	TRANSITIONAL PROVISION	RELIEF FOR ALL UNDERTAKINGS AND GROUPS?	LENGTH OF TRANSITIONAL PROVISION FOR ALL UNDERTAKINGS AND GROUPS	TRANSITIONAL PROVISION ONLY FOR UNDERTAKINGS AND GROUPS WITH <750 EMPLOYEES
ESRS E1 <i>Climate Change</i> - scope 3 emissions	Scope 3 emissions are not required to be disclosed.	No	N/A	1 year
ESRS E2 <i>Pollution</i> , E3 <i>Water and Marine Resources</i> , E4 <i>Biodiversity and Ecosystems</i> and E5 <i>Resource Use and Circular Economy</i> - anticipated financial effects	Anticipated financial effects may be omitted.	Yes	1 year	N/A
	Qualitative disclosures alone may be made in place of quantitative information for the anticipated financial effects of these non-climate environmental topics if it is impracticable to prepare quantitative disclosures.	Yes	3 years	N/A
ESRS E4 <i>Biodiversity and Ecosystems</i> - all disclosures	All disclosures may be omitted.	No	N/A	2 years
ESRS S1 <i>Own workforce</i> - all disclosures	All disclosures may be omitted.	No	N/A	1 year
ESRS S1 <i>Own workforce</i> - certain disclosures	Certain own workforce information (e.g. social protection, persons with disabilities, work-related ill-health, and work-life balance) are not required to be disclosed.	Yes	1 year	N/A
ESRS S2 <i>Workers in the Value Chain</i> - all disclosures	All disclosures may be omitted.	No	N/A	2 years
ESRS S3 <i>Affected Communities</i> - all disclosures	All disclosures may be omitted.	No	N/A	2 years
ESRS S4 <i>Consumers and End-Users</i> - all disclosures	All disclosures may be omitted.	No	N/A	2 years

DISCLOSURES REQUIRED WHEN PHASE-IN TRANSITIONAL PROVISIONS USED

When an undertaking elects to not disclose information on account of a transitional provision that is available for groups with <750 employees, ESRS 2 requires certain disclosures to nevertheless be made. See ESRS 2 At a Glance - BP-2, Use of Phase-in Provisions in Accordance with Appendix C of ESRS 1.



SUSTAINABILITY AT A GLANCE
EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS)
2 - GENERAL DISCLOSURES

BASED ON THE EUROPEAN COMMISSION DELEGATED ACT - 31 JULY 2023

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS 2 General Disclosures

DEFINITIONS AND ACRONYMS

- ▶ **Actions:** actions refer to (i) actions and action plans (including transition plans) that are undertaken to ensure that the undertaking delivers against targets set and through which the undertaking seeks to address material impacts, risks and opportunities; and (ii) decisions to support these with financial, human or technological resources.
- ▶ **Administrative, management and supervisory bodies:** the governance bodies with the highest decision-making authority in the undertaking including its committees. If in the governance structure, there are no members of the administrative, management or supervisory bodies of the undertaking, the CEO, and if such function exists, the deputy CEO, should be included. In some jurisdictions, governance systems consist of two tiers, where supervision and management are separated. In such cases, both tiers are included under the definition of administrative, management and supervisory bodies.
- ▶ **Business model:** the undertaking's system of transforming inputs through its business activities into outputs and outcomes that aims to fulfil the undertaking's strategic purposes and create value over the short-, medium- and long-term. ESRS use the term 'business model' in the singular, although it is recognised that undertakings may have more than one business model.
- ▶ **DR:** disclosure requirement.
- ▶ **Employee:** an individual who is in an employment relationship with the undertaking according to national law or practice.
- ▶ **Financial effects:** effects from risks and opportunities that influence the undertaking's cash flow, financial position, and financial performance over the short, medium or long term.
- ▶ **GOV (governance):** the governance processes, controls and procedures used to monitor and manage impacts, risks and opportunities.
- ▶ **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 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, short-term or long-term time horizons, intended or unintended, and reversible or irreversible. Impacts indicate the undertaking's contribution, negative or positive, to sustainable development.
- ▶ **IRO (impact, risk and opportunity management):** the process(es) by which impacts, risks and opportunities are identified, assessed and managed through policies and actions.
- ▶ **Materiality:** a sustainability matter 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.

DEFINITIONS AND ACRONYMS

- ▶ **Minimum Disclosure Requirement (MDR):** a minimum 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 ESRS or on an entity-specific basis.
- ▶ **Opportunities:** sustainability-related financial opportunities from environmental, social or governance matters that may positively affect the undertaking's financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium or long term.
- ▶ **Policy:** a set or framework of general objectives and management principles that the undertaking uses for decision-making. A policy implements the undertaking's strategy or management decisions related to a material sustainability matter. Each policy is under the responsibility of defined person(s), specifies its perimeter of application, and includes one or more objectives (linked when applicable to measurable targets). A policy is validated and reviewed following the undertakings' applicable governance rules. A policy is implemented through actions or action plans.
- ▶ **SBM (strategy and business model):** how the undertaking's strategy and business model interact with its material impacts, risks and opportunities, including how the undertaking addresses those impacts, risks and opportunities.
- ▶ **Stakeholders:** those who can affect or be affected by the undertaking, being affected stakeholders and users of sustainability statements.
- ▶ **Sustainability matter:** environmental, social and human rights, and governance factors, including sustainability factors defined in Article 2, point (24), of Regulation (EU) 2019/2088.
- ▶ **Sustainability-related impacts:** the effect the undertaking has or could have on the environment and people, including effects on their human rights, as a result of the undertaking's activities or business relationships. The impacts can be actual or potential, negative or positive, short-term, medium or long-term, intended or unintended, and reversible or irreversible. Impacts indicate the undertaking's contribution, negative or positive, to sustainable development.
- ▶ **Sustainability-related risks (or '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, strategy and sustainability strategy, its capability to achieve its goals and targets and to create value, and therefore may influence its decisions and those of its business relationships with regard to sustainability matters. Like any other risks, sustainability-related risks are the combination of an impact's magnitude and the probability of occurrence.
- ▶ **Sustainability statement:** the dedicated section of the undertaking's management report where the information about sustainability matters prepared in compliance with the CSRD and the ESRS is presented.
- ▶ **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.
- ▶ **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.

**Effective Date**

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ESRS 2 General Disclosures

MANDATORY DISCLOSURES VS. DISCLOSURES SUBJECT TO MATERIALITY ASSESSMENT

ESRS 1 Section 3.2 requires that materiality assessments be performed to determine whether specific DRs are material and therefore should be disclosed. Despite this requirement, ESRS 2.2(a) requires that all information and DRs in ESRS 2 be made irrespective of the outcome of a materiality assessment. As all DRs of ESRS 2 are mandatory, the heading (MANDATORY) has not been included for each DR, however, undertakings must disclose all DRs specified by ESRS 2 in order to comply with ESRS.

OBJECTIVE OF ESRS 2 AND INTERACTION WITH OTHER ESRSs

ESRS 2 sets out the DRs that apply to all undertakings regardless of their sector of activity (i.e. sector agnostic) and apply across sustainability topics (i.e. cross-cutting).

Certain DRs in ESRS 2 have specific sustainability topic DRs relating to the topic agnostic requirement of ESRS 2. For example:

- ▶ ESRS 2 SBM-2 sets out DRs relating to how the interests and views of an undertaking's stakeholders are taken into account in strategy and business model regardless of the sustainability topic.
- ▶ ESRS S2 *Workers in the value chain* sets out a specific DR related to ESRS 2 SBM-2 requiring disclosure of how interests, views and rights of value chain workers may be materially impacted by the undertaking.

BASIS FOR PREPARATION

BP-1 GENERAL BASIS FOR PREPARATION OF THE SUSTAINABILITY STATEMENT

Disclose the general basis for preparation of its sustainability statement, including:

- ▶ The scope of the consolidation;
- ▶ The upstream and downstream value chain information; and
- ▶ Whether the undertaking has used any of the options for omitting information.

SCOPE OF CONSOLIDATION

Disclosure of:

- ▶ Whether the sustainability statement has been prepared on a consolidated or individual basis;
- ▶ Confirmation that the scope of consolidation is the same as for the financial statements, or, where applicable, a declaration that the reporting undertaking is not required to draw-up financial statements or that the reporting undertaking is preparing consolidated sustainability reporting pursuant to Article 48f of Directive 2013/34/EU; and
- ▶ Where applicable, an indication of which subsidiary undertakings included in the consolidation are exempted from individual or consolidated sustainability reporting pursuant to Articles 19a(9) or 29a(8) of Directive 2013/34/EU.

VALUE CHAIN

Disclosure of:

- ▶ The extent the sustainability statement covers the undertaking's upstream and downstream value chain (see ESRS 1 section 5.1).

OPTIONAL OMISSION OF INFORMATION

Disclosure of:

- ▶ Whether the undertaking has used the option to omit a specific piece of information corresponding to intellectual property, know-how or the results of innovation (see ESRS 1 section 7.7); and
- ▶ For undertakings based in an EU member state that allows for the exemption from disclosure of impending developments or matters in the course of negotiation, as provided for in articles 19a(3) and 29a(3) of Directive 2013/34/EU, whether the undertaking has used that exemption.



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ESRS 2 General Disclosures

BASIS FOR PREPARATION (continued)			
BP-2 DISCLOSURES IN RELATION TO SPECIFIC CIRCUMSTANCES	TIME HORIZONS	VALUE CHAIN ESTIMATION	SOURCES OF ESTIMATION AND OUTCOME UNCERTAINTY
<p>Provide disclosures in relation to specific circumstances to provide an understanding of the effect of these specific circumstances on the preparation of the sustainability statement.</p> <p>The following information may be reported alongside the disclosures to which they refer:</p>	<p>When the undertaking has deviated from the medium- or long-term time horizons defined by ESRS 1 section 6.4, it shall describe:</p> <ul style="list-style-type: none"> ▶ Its definitions of medium- or long-term time horizons; and ▶ The reasons for applying those definitions. 	<p>When metrics include upstream and/or downstream value chain data estimated using indirect sources, such as sector-average data or other proxies, the undertaking shall:</p> <ul style="list-style-type: none"> ▶ Identify the metrics; ▶ Describe the basis for preparation; ▶ Describe the resulting level of accuracy; and ▶ Where applicable, describe the planned actions to improve the accuracy in the future (see ESRS 1 chapter 5 <i>Value chain</i>). 	<ul style="list-style-type: none"> ▶ Identify the quantitative metrics and monetary amounts it has disclosed that are subject to a high level of measurement uncertainty; ▶ In relation to each quantitative metric and monetary amount identified: <ul style="list-style-type: none"> • Disclose information about the sources of measurement uncertainty; and • Disclose the assumptions, approximations and judgements the entity has made in measuring it. ▶ When disclosing forward-looking information, the undertaking may indicate that it considers such information to be uncertain.
USE OF PHASE-IN PROVISIONS IN ACCORDANCE WITH APPENDIX C OF ESRS 1	CHANGES IN PREPARATION OR PRESENTATION OF SUSTAINABILITY INFORMATION	REPORTING ERRORS IN PRIOR PERIODS	DISCLOSURES STEMMING FROM OTHER LEGISLATION OR GENERALLY ACCEPTED SUSTAINABILITY REPORTING PRONOUNCEMENTS
<p>If an undertaking elects to omit the information required by ESRS E4, S1, S2, S3 or S4 in accordance with ESRS 1's phase in provisions (see Appendix C), it shall nevertheless disclose whether that topic has been assessed to be material.</p> <p>If one or more of these topics has been assessed to be material, disclose for each material topic:</p> <ul style="list-style-type: none"> ▶ The list of matters in AR 16 ESRS 1 Appendix A that are assessed to be material and briefly describe how the undertaking's business model and strategy take account of the impacts of the undertaking related to those matters. ▶ Briefly describe any time-bound targets it has set related to the matters 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; ▶ Briefly describe its policies in relation to the matters in question; ▶ Briefly describe actions it has taken to identify, monitor, prevent, mitigate, remediate or bring an end to actual or potential adverse impacts related to the matters in question, and the result of such actions; and ▶ Disclose metrics relevant to the matters in question. 	<p>When there are changes in the preparation and presentation of information from the previous reporting periods:</p> <ul style="list-style-type: none"> ▶ Explain the changes and the reasons for them, including why the replaced metric provides more useful information; ▶ Disclose revised comparative figures, unless it is impracticable to do so (if so, disclose that fact); and ▶ Disclose the difference between the figure disclosed in the preceding period and the revised comparative figure. 	<p>When the undertaking identifies material prior period errors (see ESRS 1 section 7.5 <i>Reporting errors in prior periods</i>), disclose:</p> <ul style="list-style-type: none"> ▶ The nature of the prior period material error; ▶ To the extent practicable, the correction for each prior period included in the sustainability statement; and ▶ If correction of the error is not practicable, the circumstances that led to the existence of that condition. 	<p>When the undertaking includes in its sustainability statement information stemming from other legislation which requires the undertaking to disclose sustainability information or from generally accepted sustainability reporting standards and frameworks (see ESRS 1 section 8.2 <i>Content and structure of the sustainability statement</i>), in addition to the information prescribed by ESRS, it shall disclose this fact.</p> <p>In case of partial application of other reporting standards or frameworks, the undertaking shall provide a precise reference to the paragraphs of the standard or framework applied.</p>
INCORPORATION BY REFERENCE			
<p>When information is incorporated by reference (see ESRS 1 section 9.1), disclose a list of the DRs of ESRS or the datapoints mandated by a DR that have been incorporated by reference.</p>			



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ESRS 2 General Disclosures

GOVERNANCE			
GOV-1 THE ROLE OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES	COMPOSITION AND DIVERSITY OF MEMBERS	ROLES AND RESPONSIBILITIES	APPROPRIATE SKILLS AND EXPERTISE
<p>Disclose the composition of the administrative, management and supervisory bodies, their roles and responsibilities and access to expertise and skills with regard to sustainability matters, including:</p> <ul style="list-style-type: none"> ▶ The composition and diversity of the administrative, management and supervisory bodies; ▶ The roles and responsibilities of the administrative, management and supervisory bodies in exercising oversight of the process to manage material impacts, risks and opportunities, including management's role in these processes; and ▶ The expertise and skills of its administrative, management and supervisory bodies on sustainability matters or access to such expertise and skills. 	<p>Disclose:</p> <ul style="list-style-type: none"> ▶ The number of executive and non-executive members; ▶ Representation of employees and other workers; ▶ Experience relevant to the sectors, products and geographic locations of the undertaking; ▶ Percentage by gender and other aspects of diversity that the undertaking considers; and ▶ The percentage of independent board members. 	<p>Disclose:</p> <ul style="list-style-type: none"> ▶ The identity of the administrative, management and supervisory bodies (such as a board committee or similar) or individual(s) within a body responsible for oversight of impacts, risks and opportunities; ▶ 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; ▶ A description of management's role in the governance processes, controls and procedures used to monitor, manage and oversee impacts, risks and opportunities; and ▶ How the administrative, management and supervisory bodies and senior executive management oversee the setting of targets related to material impacts, risks and opportunities, and how they monitor progress towards them. 	<p>Disclose:</p> <ul style="list-style-type: none"> ▶ The sustainability-related expertise that the bodies, as a whole, either directly possess or can leverage, for example through access to experts or training; and ▶ How those skills and expertise relate to the undertaking's material impacts, risks and opportunities.

GOV-2 INFORMATION PROVIDED TO AND SUSTAINABILITY MATTERS ADDRESSED BY THE UNDERTAKING'S ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

- Disclose how the administrative, management and supervisory bodies are informed about sustainability matters and how these matters were addressed during the reporting period. Disclose:
- ▶ Whether, by whom and how frequently the administrative, management and supervisory bodies, including their relevant committees, are informed about material impacts, risks and opportunities (see DR IRO-1 - *Description of the processes to identify and assess material impacts, risks and opportunities*), the implementation of due diligence, and the results and effectiveness of policies, actions, metrics and targets adopted to address them;
 - ▶ How the administrative, management and supervisory bodies consider impacts, risks and opportunities when overseeing the undertaking's strategy, its decisions on major transactions, and its risk management process, including whether they have considered trade-offs associated with those impacts, risks and opportunities; and
 - ▶ A list of the material impacts, risks and opportunities addressed by the administrative, management and supervisory bodies, or their relevant committees during the reporting period.

GOV-3 INTEGRATION OF SUSTAINABILITY-RELATED PERFORMANCE IN INCENTIVE SCHEMES

- Disclose information about the integration of its sustainability-related performance in incentive schemes. For remuneration schemes related to members of the administrative, management and supervisory bodies, disclose:
- ▶ A description of the key characteristics of the incentive schemes;
 - ▶ Whether performance is being assessed against specific sustainability-related targets and/or impacts, and if so, which ones;
 - ▶ Whether and how sustainability-related performance metrics are considered as performance benchmarks or included in remuneration policies;
 - ▶ The proportion of variable remuneration dependent on sustainability-related targets and/or impacts; and
 - ▶ The level in the undertaking at which the terms of incentive schemes are approved and updated.



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ESRS 2 General Disclosures

GOVERNANCE (continued)
GOV-4 STATEMENT OF DUE DILIGENCE
<p>Disclose a mapping of the information provided in its sustainability statement about the due diligence process (see ESRS 1 Chapter 4 <i>Due diligence</i>).</p> <p>This mapping may be presented 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 the undertaking's sustainability statement.</p>

GOV-5 RISK MANAGEMENT AND INTERNAL CONTROLS OVER SUSTAINABILITY REPORTING
<p>Disclose the main features of its risk management and internal control system in relation to the sustainability reporting process, including:</p> <ul style="list-style-type: none"> ▶ The scope, main features and components of the risk management and internal control processes and systems in relation to sustainability reporting; ▶ The risk assessment approach followed, including the risk prioritisation methodology; ▶ The main risks identified and their mitigation strategies including related controls; ▶ A description of how the undertaking integrates the findings of its risk assessment and internal controls as regards the sustainability reporting process into relevant internal functions and processes; and ▶ A description of the periodic reporting of the findings referred to in the above bullet to the administrative, management and supervisory bodies.

STRATEGY		
SBM-1 STRATEGY, BUSINESS MODEL AND VALUE CHAIN	OTHER DISCLOSURES	BUSINESS MODEL AND VALUE CHAIN
<p>Disclose the elements of strategy that relate to or impact sustainability matters, its business model and its value chain.</p> <p>Disclose the following information:</p>	<p>Disclose:</p> <ul style="list-style-type: none"> ▶ Its sustainability-related goals in terms of significant groups of products and services, customer categories, geographical areas and relationships with stakeholders; ▶ An assessment of its current significant products and/or services, and significant markets and customer groups, in relation to its sustainability-related goals; and ▶ The elements of the undertaking's strategy that relate to or impact sustainability matters, including the main challenges ahead, critical solutions or projects to be put in place, when relevant for sustainability reporting. 	<p>Disclose:</p> <ul style="list-style-type: none"> ▶ Its inputs and its approach to gathering, developing and securing those inputs; ▶ Its outputs and outcomes in terms of current and expected benefits for customers, investors and other stakeholders; and ▶ The main features of its upstream and downstream value chain and the undertaking's position in its value chain, including a description of the main business actors (such as ▶ Key suppliers, customers, distribution channels and end-users) and their relationship to the undertaking. When the undertaking has multiple value chains, the disclosure shall cover the key value chains.
GENERAL INFORMATION	BREAKDOWN OF REVENUE	SECTOR INFORMATION
<p>A description of:</p> <ul style="list-style-type: none"> ▶ Significant groups of products and/or services offered, including changes in the reporting period (new/removed products and/or services); ▶ Significant markets and/or customer groups served, including changes in the reporting period (new/removed markets and/or customer groups); ▶ Headcount of employees by geographical areas; and ▶ Where applicable and material, products and services that are banned in certain markets. 	<p>Disclose:</p> <ul style="list-style-type: none"> ▶ A breakdown of total revenue, as included in its financial statements, by significant ESRS sectors. When the undertaking provides segment reporting as required by IFRS 8 <i>Operating segments</i> in its financial statements, this sector revenue information shall be, as far as possible, reconciled with IFRS 8 information. <p>If the undertaking is based in an EU Member State that allows for an exemption from the disclosure of this information, it may be omitted, however, a list of ESRS sectors that are significant shall still be disclosed.</p>	<p>Disclose:</p> <ul style="list-style-type: none"> ▶ A list of the additional significant ESRS sectors beyond the ones reflected under paragraph <i>Breakdown of revenue</i>, such as activities that give rise to intercompany revenues, in which the undertaking develops significant activities, or in which it is or may be connected to material impacts. ▶ If applicable, a statement indicating, together with the related revenues, that the undertaking is active in: <ul style="list-style-type: none"> • The fossil fuel (coal, oil and gas) sector; • Chemical production; • Controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons); and/or • The cultivation and production of tobacco.

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ESRS 2 General Disclosures

STRATEGY (continued)

SBM-2 INTERESTS AND VIEWS OF STAKEHOLDERS

Disclose how the interests and views of its stakeholders are taken into account by the undertaking's strategy and business model.

Disclose a summarised description of:

- ▶ Stakeholder engagement, including:
 - The undertaking's key stakeholders;
 - Whether engagement with them occurs and for which categories of stakeholders;
 - How it is organised;
 - Its purpose; and
 - How its outcome is taken into account by the undertaking.
- ▶ The undertaking's understanding of the interests and views of its key stakeholders as they relate to the undertaking's strategy and business model, to the extent that these were analysed during the undertaking's due diligence process and/or materiality assessment process (see DR IRO-1);
- ▶ Where applicable, amendments to its strategy and/or business model, including:
 - How the undertaking has amended or expects to amend its strategy and/or business model to address the interests and views of its stakeholders;
 - Any further steps that are being planned and in what timeline; and
 - Whether these steps are likely to modify the relationship with and views of stakeholders; and
- ▶ Whether and how the administrative, management and supervisory bodies are informed about the views and interests of affected stakeholders with regard to the undertaking's sustainability-related impacts.

SBM-3 MATERIAL IMPACTS, RISKS AND OPPORTUNITIES AND THEIR INTERACTION WITH STRATEGY AND BUSINESS MODEL

Disclose material impacts, risks and opportunities and how they interact with its strategy and business model.

Descriptive information may be disclosed alongside the disclosures provided under the topical corresponding ESRS (e.g. climate), in which case it shall still present a statement of its material impacts, risks and opportunities alongside its disclosures prepared under this chapter of ESRS 2.



MATERIAL IROs

Disclose a brief description of its material impacts, risks and opportunities resulting from its materiality assessment (see DR IRO-1) including a description of where in its business model, its own operations and its upstream and downstream value chain these material impacts, risks and opportunities are concentrated.

CURRENT AND ANTICIPATED EFFECTS OF MATERIAL IROs

Disclose the current and anticipated effects of its material impacts, risks and opportunities on its business model, value chain, strategy and decision-making, and how it has responded or plans to respond to these effects.

- ▶ Disclose the current financial effects for the material risks and opportunities on financial position, financial performance and cash flows and the material 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.
- ▶ Disclose the anticipated financial effects for the material risks and opportunities on its financial position, financial performance and cash flows over the short-, medium- and long-term, including the reasonably expected time horizons for those effects. Include how financial position, financial performance and cash flows are expected to change over the short, medium- and long-term, considering:
 - Investment and disposal plans; and
 - Planned sources of funding to implement strategy.

MATERIAL IMPACTS

Disclose:

- ▶ How the undertaking's material negative and positive impacts affect (or, in the case of potential impacts, are likely to affect) people or the environment;
- ▶ Whether and how the impacts originate from or are connected to the undertaking's strategy and business model;
- ▶ The reasonably expected time horizons of the impacts; and
- ▶ Whether the undertaking is involved with the material impacts through its activities or because of its business relationships, describing the nature of the activities or business relationships concerned.

RESILIENCE OF STRATEGY AND BUSINESS MODEL

Disclose information about the resilience of the undertaking's strategy and business model regarding its capacity to address its material impacts and risks and to take advantage of its material opportunities.

This disclosure shall include:

- ▶ Qualitative analysis;
- ▶ Quantitative analysis, where applicable, including how the analysis was conducted and the time horizons that were applied as defined in ESRS 1 (see ESRS 1, *Time horizons*);
- ▶ When disclosing quantitative information, disclosure may be made as a single amount or ranges.

OTHER DISCLOSURES

Disclose:

- ▶ Changes to the material impacts, risks and opportunities compared to the previous reporting period; and
- ▶ A specification of those impacts, risks and opportunities that are covered by ESRS DRs as opposed to those covered by the undertaking using additional entity-specific disclosures.



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ESRS 2 General Disclosures

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

IRO-1 DESCRIPTION OF THE PROCESS TO IDENTIFY AND ASSESS MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

Disclose the process to identify its impacts, risks and opportunities and to assess which ones are material.

OTHER DISCLOSURES

Disclose:

- ▶ A description of the methodologies and assumptions applied in the described process;
- ▶ A description of the decision-making process and the related internal control procedures;
- ▶ The extent to which and how the process to identify, assess and manage impacts and risks is integrated into the undertaking's overall risk management process and used to evaluate the undertaking's overall risk profile and risk management processes;
- ▶ The extent to which and how the process to identify, assess and manage opportunities is integrated into the undertaking's overall management process where applicable;
- ▶ The input parameters it uses (for example, data sources, the scope of operations covered and the detail used in assumptions); and
- ▶ Whether and how the process has changed compared to the prior reporting period, when the process was modified for the last time and future revision dates of the materiality assessment.

PROCESS TO IDENTIFY, ASSESS, PRIORITISE AND MONITOR IMPACTS

Disclose an overview of the process to identify, assess, prioritise and monitor the undertaking's potential and actual impacts on people and the environment, informed by the undertaking's due diligence process, including an explanation of whether and how the process:

- ▶ Focuses on specific activities, business relationships, geographies or other factors that give rise to heightened risk of adverse impacts;
- ▶ Considers the impacts with which the undertaking is involved through its own operations or as a result of its business relationships;
- ▶ Includes consultation with affected stakeholders to understand how they may be impacted and with external experts;
- ▶ Prioritises negative impacts based on their relative severity and likelihood, (see ESRS 1 section 3.4) and, if applicable, positive impacts on their relative scale, scope and likelihood, and determines which sustainability matters are material for reporting purposes, including the qualitative or quantitative thresholds and other criteria used as prescribed by ESRS 1 section 3.4;

PROCESS TO IDENTIFY, ASSESS, PRIORITISE AND MONITOR RISKS AND OPPORTUNITIES

Disclose an overview of the process used to identify, assess, prioritise and monitor risks and opportunities that have or may have financial effects. The disclosure shall include:

- ▶ How the undertaking has considered the connections of its impacts and dependencies with the risks and opportunities that may arise from those impacts and dependencies;
- ▶ How the undertaking assesses the likelihood, magnitude, and nature of effects of the identified risk and opportunities (such as the qualitative or quantitative thresholds and other criteria used as prescribed by ESRS 1 section 3.3);
- ▶ How the undertaking prioritises sustainability-related risks relative to other types of risks, including its use of risk-assessment tools;

IRO-2 DISCLOSURE REQUIREMENTS IN ESRS COVERED BY THE UNDERTAKING'S SUSTAINABILITY STATEMENT

Report on the DRs complied with in its sustainability statements to provide an understanding of the DRs included in the undertaking's sustainability statement and of the topics that have been omitted as not material, as a result of the materiality assessment.

Disclose an explanation of how the undertaking has determined the material information disclosed in relation to IROs (e.g. thresholds, how the criteria in ESRS 1 section 3.2 have been implemented, etc.).

DRs INCLUDED IN THE SUSTAINABILITY STATEMENT

Disclose:

- ▶ A list of the DRs complied with in preparing the sustainability statement, following the outcome of the materiality assessment, including the page numbers and/or paragraphs containing the disclosures. This may be presented as a content index.
- ▶ For all datapoints that derive from other EU legislation (see Appendix B of ESRS 2), provide a table indicating where those disclosures can be found in the sustainability statement.

DRs NOT INCLUDED IN THE SUSTAINABILITY STATEMENT

Disclose:

- ▶ If climate change is assessed to be not material and all DRs in ESRS E1 are therefore omitted, a detailed explanation of the conclusions of the materiality assessment shall be made (see ESRS 2 IRO-2) including a forward-looking analysis of the conditions that could lead the undertaking to conclude that climate change is material in the future.
- ▶ For topics other than climate change, if assessed as not material and all DRs are therefore omitted, a brief explanation of the conclusions of the materiality assessment shall be made.
- ▶ For specific datapoints that derive from EU legislation (see Appendix B of ESRS 2) that have not been disclosed due to materiality, indicate 'not material' in the table.



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ESRS 2 General Disclosures

IMPACT, RISK AND OPPORTUNITY MANAGEMENT (continued)

MINIMUM DISCLOSURE REQUIREMENTS ON POLICIES AND ACTIONS

- ▶ This section does not require any specific disclosures to be included in the sustainability statement.
- ▶ This section sets out minimum disclosure requirements (MDRs) to be included when the undertaking discloses information on its policies and actions to prevent, mitigate and remediate actual and potential material impacts, to address material risks and/or to pursue material opportunities ('manage material sustainability matters').
- ▶ The corresponding disclosures shall be located alongside disclosures prescribed by the relevant ESRS. When a single policy or same actions address several interconnected sustainability matters, the undertaking may disclose the required information in its reporting under one topical ESRS and cross reference to it in its reporting under other topical ESRS.
- ▶ Certain topical ESRSs refer to the MDRs of ESRS 2 relating to IROs (e.g. ESRS E1 *Climate change*, DR E1-2 *Policies related to climate change mitigation and adaptation*) however, the MDRs of ESRS 2 are applied for all policies and actions specified by ESRSs.
- ▶ If policies and actions cannot be disclosed in accordance with another relevant ESRS because the undertaking has not adopted policies and/or actions with reference to the specific sustainability matter concerned, the undertaking shall disclose this to be the case and provide reasons.

MINIMUM DISCLOSURE REQUIREMENT - POLICIES MDR-P - POLICIES ADOPTED TO MANAGE MATERIAL SUSTAINABILITY MATTERS

Apply the minimum DRs defined in this provision when the undertaking discloses the policies it has in place with regard to each sustainability matter identified as material.

Disclose:

- ▶ A description of the key contents of the policy, including its general objectives and which material impacts, risks or opportunities the policy relates to and the process for monitoring;
- ▶ A description of the scope of the policy, or of its exclusions, in terms of activities, upstream and/or downstream value chain, geographies and if relevant, affected stakeholder groups;
- ▶ The most senior level in the undertaking's organisation that is accountable for the implementation of the policy;
- ▶ A reference, if relevant, to the third-party standards or initiatives the undertaking commits to respect through the implementation of the policy;
- ▶ If relevant, a description of the consideration given to the interests of key stakeholders in setting the policy; and
- ▶ If relevant, whether and how the undertaking makes the policy available to potentially affected stakeholders, and stakeholders who need to help implement it.

MINIMUM DISCLOSURE REQUIREMENT - ACTIONS MDR-A - ACTIONS AND RESOURCES IN RELATION TO MATERIAL SUSTAINABILITY MATTERS

Apply the requirements for the content of disclosures in this provision when an undertaking describes the actions through which it manages each material sustainability matter including action plans and resources allocated and/or planned.

IMPLEMENTATION OF A POLICY REQUIRES ACTIONS TO ACHIEVE ITS OBJECTIVES

Disclose:

- ▶ The list of key actions taken in the reporting year and planned for the future, their expected outcomes and, where relevant, how their implementation contributes to the achievement of policy objectives and targets;
- ▶ The scope of the key actions (i.e., coverage in terms of activities, upstream and/or downstream value chain, geographies and, where applicable, affected stakeholder groups);
- ▶ The time horizons under which the undertaking intends to complete each key action;
- ▶ If applicable, key actions taken (along with results) to provide for and cooperate in or support the provision of remedy for those harmed by actual material impacts;
- ▶ If applicable, quantitative and qualitative information regarding the progress of actions or action plans disclosed in prior periods.

IMPLEMENTATION OF AN ACTION PLAN REQUIRES SIGNIFICANT OPEX AND/OR CAPEX

Where the implementation of an action plan requires significant operational expenditures (Opex) and/or capital expenditures (Capex) the undertaking shall:

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

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ESRS 2 General Disclosures

METRICS AND TARGETS

MINIMUM DISCLOSURE REQUIREMENTS FOR METRICS

- ▶ This section does not require any specific disclosures to be included in the sustainability statement.
- ▶ This section sets out minimum disclosure requirements (MDRs) that shall be included when the undertaking discloses information on its metrics and targets related to each material sustainability matter. They shall be applied together with the DRs, including Application Requirements, provided in the relevant topical ESRS.
- ▶ The corresponding disclosures shall be located alongside disclosures prescribed by the topical ESRS.
- ▶ Certain topical ESRSs refer to the MDRs of ESRS 2 (e.g. ESRS E1 *Climate change*, DR E1-4 *Targets related to climate change mitigation and adaptation*), however, the MDRs of ESRS 2 are applied for all metrics specified by ESRSs and for entity-specific metrics.
- ▶ They shall also be applied when the undertaking prepares entity-specific disclosures.
- ▶ If the undertaking cannot disclose the information on targets required under the relevant topical ESRS, because it has not set targets with reference to the specific sustainability matter concerned, it shall disclose this to be the case, and provide reasons for not having adopted targets. The undertaking may disclose a timeframe in which it aims to adopt them.

MINIMUM DISCLOSURE REQUIREMENT - METRICS MDR-M - METRICS IN RELATION TO MATERIAL SUSTAINABILITY MATTERS

Apply the requirements for the content of disclosures in this provision when the undertaking discloses on the metrics it has in place with regard to each material sustainability matter.

Disclosure of metrics include:

- ▶ Any metrics that it uses to evaluate performance and effectiveness, in relation to a material impact, risk or opportunity (i.e. entity-specific metrics); and
- ▶ Metrics defined in ESRS.

For each metric:

- ▶ Disclose the methodologies and significant assumptions behind the metric, including the limitations of the methodologies used;
- ▶ Disclose whether the measurement of the metric is validated by an external body other than the assurance provider and, if so, which body;
- ▶ Label and define the metric using meaningful, clear and precise names and descriptions; and
- ▶ When currency is specified as the unit of measure, use the presentation currency of its financial statements.



Effective Date
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ESRS 2 General Disclosures

METRICS AND TARGETS (continued)

MINIMUM DISCLOSURE REQUIREMENT - TARGETS MDR-T - TRACKING EFFECTIVENESS OF POLICIES AND ACTIONS THROUGH TARGETS

Apply the requirements for the content of disclosures in this provision when the undertaking discloses information about the targets it has set with regard to each material sustainability matter.

DISCLOSURES WHEN NO TARGETS SET

If the undertaking has not set any measurable outcome-oriented targets:

- ▶ It may disclose whether such targets will be set and the timeframe for setting them, or the reasons why the undertaking does not plan to set such targets;
- ▶ It shall disclose whether it nevertheless tracks the effectiveness of its policies and actions in relation to the material sustainability-related impact, risk and opportunity, and if so:
 - Any processes through which it does so;
 - The defined level of ambition to be achieved and any qualitative or quantitative indicators it uses to evaluate progress, including the base period from which progress is measured.

OBJECTIVE OF THE MDR

The objective of this MDR is to provide for each material sustainability matter an understanding of:

- ▶ Whether and how the undertaking tracks the effectiveness of its actions to address material impacts, risks and opportunities, including the metrics it uses to do so;
- ▶ Measurable time-bound outcome-oriented targets set by the undertaking to meet the policy's objectives, defined in terms of expected results for people, the environment or the undertaking regarding material impacts, risks and opportunities;
- ▶ The overall progress towards the adopted targets over time;
- ▶ In the case that the undertaking has not set measurable time-bound outcome-oriented targets, whether and how it nevertheless tracks the effectiveness of its actions to address material impacts, risks and opportunities and measures the progress in achieving its policy objectives; and
- ▶ Whether and how stakeholders have been involved in target setting for each material sustainability matter.

DISCLOSURES FOR TARGETS SET RELATED TO METRICS

The undertaking shall disclose the measurable, outcome-oriented and time-bound targets on material sustainability matters it has set to assess progress. For each target, the disclosure shall include the following information:

- ▶ A description of the relationship of the target to the policy objectives;
- ▶ The defined target level to be achieved, including, where applicable, whether the target is absolute or relative and in which unit it is measured;
- ▶ The scope of the target, including the undertaking's activities and/or its upstream and/or downstream value chain where applicable and geographical boundaries;
- ▶ The baseline value and base year from which progress is measured;
- ▶ The period to which the target applies and if applicable, any milestones or interim targets;
- ▶ The methodologies and significant assumptions used to define targets, including where applicable, the selected scenario, data sources, alignment with national, EU or international policy goals and how the targets consider the wider context of sustainable development and/or local situation in which impacts take place;
- ▶ Whether the undertaking's targets related to environmental matters are based on conclusive scientific evidence;
- ▶ Whether and how stakeholders have been involved in target setting for each material sustainability matter;
- ▶ Any changes in targets and corresponding metrics or underlying measurement methodologies, significant assumptions, limitations, sources and processes to collect data adopted within the defined time horizon; and
- ▶ The performance against its disclosed targets, including information on how the target is monitored and reviewed and the metrics used, whether the progress is in line with what had been initially planned, and an analysis of trends or significant changes in the performance of the undertaking towards achieving the target.



SUSTAINABILITY AT A GLANCE
EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS)
E1 - CLIMATE CHANGE

BASED ON THE EUROPEAN COMMISSION DELEGATED ACT - 31 JULY 2023



Effective Date
Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS E1 Climate Change

DEFINITIONS AND ACRONYMS

- ▶ Carbon dioxide (CO₂) equivalent (eq): the amount of carbon dioxide (CO₂) emission that would cause the same integrated radiative forcing or temperature change, over a given time horizon, as an emitted amount of a greenhouse gas (GHG) or a mixture of GHGs.
- ▶ Climate change mitigation: the process of reducing GHG emissions and holding the increase in the global average temperature to 1.5° C above pre-industrial levels, in line with the Paris Agreement.
- ▶ 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.
- ▶ DR: disclosure requirement.
- ▶ GOV (governance): the governance processes, controls and procedures used to monitor and manage impacts, risks and opportunities.
- ▶ Greenhouse Gases (GHG): gases listed in Part 2 of Annex V of Regulation 2018/1999. This includes Carbon dioxide (CO₂); Methane (CH₄); Nitrous Oxide (N₂O); Sulphur hexafluoride (SF₆); Nitrogen trifluoride (NF₃); Hydrofluorocarbons (HFCs); Perfluorocarbons (PFCs).
- ▶ IRO (impact, risk and opportunity management): the process(es) by which impacts, risks and opportunities are identified, assessed and managed through policies and actions.
- ▶ Physical risks: risks arising from natural systems being compromised, due to the impact of climatic events (e.g. extremes of weather such as drought).
- ▶ SBM (strategy and business model): how the undertaking's strategy and business model interact with its material impacts, risks and opportunities, including how the undertaking addresses those impacts, risks and opportunities.
- ▶ 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 scenarios are neither predictions nor forecasts but are used to provide a view of the implications of developments and actions.
- ▶ Scenario analysis: a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty.
- ▶ Scope 1 emissions: direct GHG emissions from sources owned or controlled by the undertaking.
- ▶ Scope 2 emissions: indirect emissions from the generation of purchased or acquired electricity, steam, heat or cooling consumed by the undertaking.
- ▶ Scope 3 emissions: all indirect GHG emissions (not included in scope 2 GHG emissions) that occur in the value chain of the reporting undertaking, including both upstream and downstream emissions. Scope 3 GHG emissions can be broken down into scope 3 categories.
- ▶ 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.
- ▶ 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.

INTERACTION WITH OTHER ESRS

Certain DRs in ESRS E1 relate to DRs in ESRS 2 *General Disclosures*. For example, ESRS 2 GOV-3 requires disclosure of the integration of sustainability-related performance in incentive schemes, and ESRS E1 requires specific disclosure relating to how performance of members of the administrative, management and supervisory bodies have been assessed against the GHG emission reduction targets.

Where a set of DRs relates to a DR from another ESRS, that DR's heading is in [blue](#). All other DR headings are grey.

MANDATORY DISCLOSURES VS. DISCLOSURES SUBJECT TO MATERIALITY ASSESSMENT

ESRS 1 Section 3.2 requires that materiality assessments be performed to determine whether specific DRs are material and therefore should be disclosed. Despite this requirement, ESRS 2.2(a) requires that disclosures be made in all instances for the requirements in topical standards related to DR IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities in ESRS 2. DRs that must be disclosed in all instances have a blue heading and are noted as (MANDATORY).

CONSISTENCY WITH EU REGULATIONS AND LAW

Several of the disclosure requirements in ESRS E1 take into account the requirements of related European Union legislation and regulation. For example, disclosure of Scope 1, 2 and 3 emissions is required by E1-6, and also by Regulation (EU) 2019/2088 and the associated delegated regulation, which is applicable to the financial services sector.

OBJECTIVE OF ESRS E1

To specify DRs which will enable users of sustainability statements to understand:

- ▶ How the undertaking affects climate change, in terms of material positive and negative actual and potential impacts;
- ▶ The undertaking's past, current, and future mitigation efforts in line with the Paris Agreement (or an updated international agreement on climate change) and compatible with limiting global warming to 1.5° C;
- ▶ The plans and capacity of the undertaking to adapt its strategy business model and in line with the transition to a sustainable economy and to contribute to limiting global warming to 1.5° C;
- ▶ Any other actions taken by the undertaking, and the result of such actions to prevent, mitigate or remediate actual or potential negative impacts, and to address risks and opportunities;
- ▶ The nature, type and extent of the undertaking's material risks and opportunities arising from the undertaking's impacts and dependencies on climate change, and how the undertaking manages them; and
- ▶ The financial effects on the undertaking over the short-, medium- and long-term time horizons of risks and opportunities arising from the undertaking's impacts and dependencies on climate change.

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS E1 Climate Change

GOVERNANCE

DR RELATED TO ESRS 2 GOV-3

- Disclose whether and how climate-related considerations are factored into the remuneration of members of the administrative, management and supervisory bodies, including if their performance has been assessed against the GHG emission reduction targets reported under Disclosure Requirement E1-4 and the percentage of the remuneration recognised in the current period that is linked to climate related considerations, with an explanation of what the climate considerations are.

STRATEGY

E1-1 TRANSITION PLAN FOR CLIMATE CHANGE MITIGATION

Disclose the transition plan for climate change mitigation.

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 the limiting of global warming to 1.5°C in line with the Paris Agreement and with the objective of achieving climate neutrality by 2050 and, when relevant, the undertaking's exposure to coal, oil and gas-related activities.

This disclosure shall include:

- By reference to GHG emission reduction targets (as required by DR E1-4), an explanation of how the undertaking's targets are compatible with the limiting of global warming to 1.5°C in line with the Paris Agreement;
- By reference to GHG emission reduction targets (as required by DR E1-4), and the climate change mitigation actions (as required by DR E1-3) an explanation of decarbonisation levers identified and key actions planned, 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;
- By reference to the climate change mitigation actions (as required by DR E1-3), an explanation and quantification of the undertaking's investments and funding supporting the implementation of the transition plan with a reference to the key performance indicators of taxonomy-aligned CapEx, and where relevant the CapEx plans, that the undertaking discloses in accordance with Commission Delegated Regulation (EU) 2021/2178;
- A qualitative assessment of the potential locked-in GHG emissions from the undertaking's key assets and products;
- For undertakings with economic activities that are covered by delegated regulations on climate adaptation or mitigation under the Taxonomy Regulation, an explanation of any objective or plans (CapEx, CapEx plans) that the undertaking has for aligning its economic activities (revenue, CapEx) with the criteria established in Commission delegated Regulation 2021/2139;
- If applicable, significant Capex amounts invested in the reporting period related to coal, oil and has-related economic activities;
- A disclosure on whether or not the undertaking is excluded from the EU Paris-aligned Benchmarks;
- An explanation of how the transition plan is embedded in and aligned with the undertaking's overall business strategy and financial planning;
- Whether the transition plan is approved by the administrative, management and supervisory bodies; and
- An explanation of the undertaking's progress in implementing the transition plan.

If the undertaking does not have a transition plan in place, it shall indicate whether and, if so, when it will adopt a transition plan.

DR RELATED TO ESRS 2 SBM-3

Explain for each material climate-related risk identified, whether the entity considers the risk to be a climate-related physical risk or climate-related transition risk.

Describe the resilience of the strategy and business model in relation to climate change, including:

- The scope of the resilience analysis;
- How and when the resilience analysis has been conducted, including the use of climate scenario analysis as referenced in the Disclosure Requirement related to ESRS 2 IRO-1 and the related application requirement paragraphs; and
- The results of the resilience analysis including the results from the use of scenario analysis.

**Effective Date**

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ESRS E1 Climate Change

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

DR RELATED TO ESRS 2 IRO-1 (MANDATORY)

Describe the process to identify and assess climate-related IRO. This description shall include its process in relation to:

- ▶ Impacts on climate change, in particular, the undertaking's GHG emissions (as required by DR ESRS E1-6);
- ▶ Climate-related physical risks in own operations and along the upstream and downstream value chain, in particular:
 - The identification of climate-related hazards, considering at least high emission climate scenarios; and
 - The assessment of how its assets and business may be exposed and are sensitive to these climate-related hazards creating gross physical risks for the undertaking.
- ▶ Climate-related transition risks and opportunities in own operations and along the upstream and downstream value chain, in particular:
 - The identification of climate-related transition events, considering at least a climate scenario in line with limiting global warming to 1.5°C with no or limited overshoot; and
 - The assessment of how its assets and business activities may be exposed to these climate-related transition events, creating gross transition risks or opportunities for the undertaking.

Disclosure is required of how climate-related scenario analysis, including a range of climate scenarios, was used to inform the identification and assessment of physical risks and transition risks.

E1-2 POLICIES RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION

Disclose policies adopted to manage material IROs related to climate change mitigation and adaptation.

The objective of the DR is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of its material climate change mitigation and adaptation IRO.

This disclosure shall contain the information on the policies the undertaking has in place to manage its material IRO related to climate change mitigation and adaptation in accordance with ESRS 2 MDR-P *Policies adopted to manage material sustainability matters*.

Indicate whether and how policies address the following areas:

- ▶ Climate change mitigation;
- ▶ Climate change adaptation;
- ▶ Energy efficiency;
- ▶ Renewable energy deployment; and
- ▶ Other.

E1-3 ACTIONS AND RESOURCES IN RELATION TO CLIMATE CHANGE POLICIES

Disclose climate change mitigation and adaptation actions and the resources allocated for their implementation in order to provide an understanding of the key actions taken and planned to achieve climate-related policy objectives and targets.

Disclosure shall:

- ▶ Follow the principles in ESRS 2 MDR-A *Actions and Resources in relation to material sustainability matters*;
- ▶ When listing key actions taken in the reporting year and planned for the future, present the climate change mitigation actions by decarbonisation lever including the nature-based solutions;
- ▶ When describing the outcome of the actions for climate change mitigation, include the achieved and expected GHG emission reductions; and
- ▶ Relate significant monetary amounts of CapEx and OpEx required to implement the actions taken or planned to:
 - The relevant line items or notes in the financial statements;
 - The key performance indicators required under article 8 of Taxonomy Regulation (EU) 2020/852; and
 - If applicable, the CapEx plan required by Commission delegated regulation (EU) 2021/2178.

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ESRS E1 Climate Change

METRICS AND TARGETS

E1-4 TARGETS RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION

Disclose the climate-related targets set to support climate change mitigation and adaptation policies and address the undertaking's material climate-related IRO. Disclosure must contain the information required by ESRS 2 MDR-T *Tracking effectiveness of policies and actions through targets*.

An undertaking shall disclose:

- ▶ Whether and how it has set GHG emissions reduction targets and/or any other targets to manage material climate-related IRO;
- ▶ If an undertaking has set GHG emission reduction targets, ESRS 2 MDR-T and the following DRs apply:
 - GHG emission reduction targets in absolute value (either in tonnes of CO₂e or as a % of the emissions of a base year) and, where relevant, in intensity value;
 - GHG emission reduction targets for Scope 1, 2, and 3 GHG emissions, either separately or combined;
 - If combined GHG emission reduction targets are used, which GHG Scopes are covered, the share related to each respective GHG emission Scope and which GHGs are covered.
 - Targets are gross targets, therefore, GHG removals, carbon credits and avoided emissions are excluded.
 - Current base year and baseline value, and from 2030 onwards, update the base year for its GHG emission reduction targets after every five-year period thereafter;
 - GHG emission reduction targets shall at least include target values for the year 2030 and, if available, for the year 2050. From 2030, target values shall be set after every five-year period thereafter;
 - Whether the GHG emission reduction targets are science-based and compatible with limiting global warming to 1.5 °C, and which framework and methodology has been used to determine these targets;
 - The expected decarbonisation levers and their overall quantitative contributions to achieve the GHG emission reduction targets.

E1-5 ENERGY CONSUMPTION AND MIX

Disclose information on energy consumption and mix to provide an understanding of the undertaking's total energy consumption in absolute value, improvement in energy efficiency, exposure to coal, oil and gas-related activities, and the share of renewable energy in its overall energy mix.

Disclosure shall include total energy consumption in megawatt hours (MWh) related to own operations disaggregated by:

- ▶ Total energy consumption from fossil sources;
- ▶ Total energy consumption from nuclear sources;
- ▶ Total energy consumption from renewable sources disaggregated by: (1) fuel consumption for renewable sources including biomass, biofuels, biogas, hydrogen from renewable sources, etc.; (2) consumption of purchases or acquired electricity, heat, steam and cooling from renewable sources; and (3) consumption of self-generated non-fuel renewable energy.
- ▶ Undertakings with operations in high climate impact sectors (see explanation to the right) shall further disaggregate their total energy consumption from fossil sources by:
 - Fuel consumption from coal and coal products;
 - Fuel consumption from crude oil and petroleum products;
 - Fuel consumption from natural gas;
 - Fuel consumption from other fossil sources;
 - Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources.

Where applicable, disaggregate and disclose separately non-renewable energy production and renewable energy production in MWh.

E1-5 ENERGY CONSUMPTION AND MIX (ENERGY INTENSITY BASED ON NET REVENUE)

For undertakings with activities in high climate impact sectors (see explanation to the right), information on the energy intensity associated with those activities (total energy consumption per net revenue) shall be calculated and disclosed:

Energy intensity = $\frac{\text{total energy consumption from activities in high climate impact sectors (MWh)}}{\text{Net revenue from activities in high climate impact sectors (monetary unit)}}$

HIGH CLIMATE IMPACT SECTORS

High climate impact sectors are defined in Regulation 2022/1288 as NACE Sections A to H and L. They are summarised as:

- ▶ Agriculture, forestry and fishing;
- ▶ Mining and quarrying;
- ▶ Manufacturing;
- ▶ Electricity, gas, steam and air conditioning supply;
- ▶ Water supply, sewerage, waste management and remediation activities;
- ▶ Construction;
- ▶ Wholesale and retail trade, repair of motor vehicles and motorcycles;
- ▶ Transportation and storage; and
- ▶ Real estate activities.



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ESRS E1 Climate Change

METRICS AND TARGETS (continued)

E1-6 GROSS SCOPES 1, 2 AND 3 AND TOTAL GHG EMISSIONS

DISCLOSURE OBJECTIVE

Disclose in metric tonnes of CO₂eq Scope 1, 2 and 3 emissions and total GHG emissions to understand direct and indirect impacts on climate change and GHG emissions in the value chain.

When making these disclosures, refer to ESRS 1.62-67 *Reporting undertaking and value chain* (see ESRS 1 At a Glance).

DEFINING THE VALUE CHAIN

For associates, joint ventures, unconsolidated subsidiaries (investment entities) and contractual arrangements that are joint arrangements not structured through an entity (i.e., jointly controlled operations and assets), the undertaking shall include the GHG emissions in accordance with the extent of the undertaking's operational control over them.

In case of significant changes in the definition of what constitutes the reporting undertaking and its value chain, disclose these changes and explain their effect on the year-to-year comparability of its reported GHG emissions (i.e., the effect on the comparability of current versus previous reporting period GHG emissions).

TOTAL GHG EMISSIONS

Disclose the sum of Scope 1, 2 and 3 GHG emissions. Total GHG emissions shall be disclosed with a disaggregation that makes a distinction of:

- ▶ The total GHG emissions derived from the underlying Scope 2 GHG emissions being measured using the location-based method; and
- ▶ The total GHG emissions derived from the underlying Scope 2 GHG emissions being measured using the market-based method.

SCOPE 1

Disclosure shall include:

- ▶ The gross Scope 1 GHG emissions in metric tonnes of CO₂eq; and
- ▶ The percentage of Scope 1 GHG emissions from regulated emission trading schemes.

SCOPE 2

Disclosure shall include:

- ▶ The gross location-based Scope 2 GHG emissions in metric tonnes of CO₂eq; and
- ▶ The gross market-based Scope 2 GHG emissions in metric tonnes of CO₂eq.

SCOPE 3

Disclosure shall include GHG emissions in metric tonnes of CO₂eq from each significant Scope 3 category (15 categories in total - see BDO's Sustainability At a Glance - GHG Protocol publication).

DISAGGREGATION OF SCOPE 1 AND 2 EMISSIONS

Separate disclosure of emissions from:

- ▶ The consolidated accounting group entities (i.e., the parent and subsidiaries for which it has financial control) that are subject to full consolidation in the group financial statements; and
- ▶ Associates, joint ventures, unconsolidated subsidiaries, and jointly controlled operations and assets that are not subject to full consolidation in the group financial statements but for which the undertaking has operational control (i.e., the ability to control the operational activities and relationships).

CALCULATION GUIDANCE - SCOPES 1, 2 AND 3

- ▶ Consider the principles, requirements and guidance provided by the GHG Protocol Corporate Standard (see BDO's Sustainability At a Glance - GHG Protocols). The undertaking may consider the requirements stipulated by ISO 14064-1:2018 if it already uses that methodology;
- ▶ Disclose the methodologies and emissions factors used to calculate or measure GHG emissions, give reasons why they were chosen and provide a reference or link to any calculation tools used;
- ▶ Include emissions of CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, and NF₃. Additional GHG may be considered when significant; and
- ▶ Use the most recent Global Warming Potential values published by the IPCC based on a 100-year time horizon to calculate CO₂eq emissions of non-CO₂ gases.

GHG INTENSITY BASED ON NET REVENUE

Disclose GHG emissions intensity:GHG

Total GHG emissions (CO₂eq)

Net revenue (monetary unit)

Disclose the reconciliation to the relevant line item or notes in the financial statements of the net revenue amounts (the denominator in the calculation above).



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ESRS E1 Climate Change

METRICS AND TARGETS (continued)

E1-7 GHG REMOVALS AND GHG MITIGATION PROJECTS FINANCED THROUGH CARBON CREDITS

Disclosure of:

- ▶ GHG removals and storage in metric tonnes of CO₂eq resulting from projects developed in own operations, or contributed to in the upstream and downstream value chain; and
- ▶ The amount of GHG emission reductions or removals from climate change mitigation projects outside the value chain it has financed or intends to finance through any purchase of carbon credits.

GHG REMOVALS AND STORAGE

Disclosure of:

- ▶ The total amount of GHG removals and storage in metric tonnes of CO₂eq disaggregated and separately disclosed for the amount related to the undertaking's own operations and its upstream and downstream value chain, and broken down by removal activity; and
- ▶ The calculation assumptions, methodologies and frameworks applied by the undertaking.

GHG EMISSIONS REDUCTIONS - CARBON CREDITS

Disclosure of:

- ▶ The total amount of carbon credits outside the undertaking's value chain in metric tonnes of CO₂eq that are verified against recognised quality standards and cancelled in the reporting period; and
- ▶ The total amount of carbon credits outside the undertaking's value chain in metric tonnes of CO₂eq planned to be cancelled in the future whether based on existing contractual agreements or not.

NET-ZERO TARGETS

If a net-zero target is disclosed in addition to the gross GHG emission reduction targets (see E1-4), explain the scope, methodologies and frameworks applied and how the residual GHG emissions (after approximately 90-95% of GHG emission reduction with the possibility for justified sectoral variations in line with a recognised sectoral decarbonisation pathway) are intended to be neutralised by, for example, GHG removals in its own operations and upstream and downstream value chain.

GHG NEUTRALITY

If the undertaking has made public claims of GHG neutrality that involve the use of carbon credits, explain:

- ▶ Whether and how these claims are accompanied by GHG emission reduction targets (see E1-4);
- ▶ Whether and how these claims and the reliance on carbon credits neither impede nor reduce the achievement of its GHG emission reduction targets, or, if applicable, its net zero target; and
- ▶ The credibility and integrity of the carbon credits used, including by reference to recognised quality standards.

E1-8 INTERNAL CARBON PRICING

Disclose whether internal carbon pricing schemes are applied and, if so, how these support decision making and incentivise the implementation of climate-related policies and targets, including:

- ▶ The type of internal carbon pricing scheme, for example, the shadow prices applied for CapEX or research and development (R&D) investment decision making, internal carbon fees or internal carbon funds;
- ▶ The specific scope of application of the carbon pricing schemes (activities, geographies, entities, etc.);
- ▶ The carbon prices applied according to the type of scheme and critical assumptions made to determine the prices, including the source of the applied carbon prices and why they are deemed relevant for their chosen application; and
- ▶ The current year approximate gross GHG emission volumes by Scopes 1, 2 and, where applicable, Scope 3 in metric tonnes of CO₂eq covered by these schemes, as well as their share of the undertaking's overall GHG emissions for each respective Scope.



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ESRS E1 Climate Change

METRICS AND TARGETS (continued)

E1-9 ANTICIPATED FINANCIAL EFFECTS FROM MATERIAL PHYSICAL AND TRANSITION RISKS AND POTENTIAL CLIMATE-RELATED OPPORTUNITIES

Disclose the following to provide an understanding of how these risks and opportunities have (or could reasonably be expected to have) a material influence on financial position, financial performance and cash flows over the short-, medium- and long-term:

- ▶ Anticipated financial effects from material physical risks;
- ▶ Anticipated financial effects from material transition risks; and
- ▶ Potential to benefit from material climate-related opportunities.

ANTICIPATED FINANCIAL EFFECTS FROM MATERIAL PHYSICAL RISKS	ANTICIPATED FINANCIAL EFFECTS FROM MATERIAL TRANSITION RISKS	POTENTIAL TO PURSUE MATERIAL CLIMATE-RELATED OPPORTUNITIES
<p>Disclosure of:</p> <ul style="list-style-type: none"> ▶ The monetary amount and proportion (percentage) of assets at material physical risk over the short-, medium- and long-term before considering climate change adaptation actions; with the monetary amounts of these assets disaggregated by acute and chronic physical risk; ▶ The proportion of assets at material physical risk addressed by the climate change adaptation actions; ▶ The location of significant assets at material physical risk; and ▶ The monetary amount and proportion (percentage) of net revenue from its business activities at material physical risk over the short-, medium- and long-term. 	<p>Disclosure of:</p> <ul style="list-style-type: none"> ▶ The monetary amount and proportion (percentage) of assets at material transition risk over the short-, medium- and long-term before considering climate mitigation actions; ▶ The proportion of assets at material transition risk addressed by the climate change mitigation actions; ▶ A breakdown of the carrying value of the undertaking's real estate assets by energy-efficiency classes; ▶ Liabilities that may have to be recognised in financial statements over the short-, medium- and long-term time horizons; and ▶ The monetary amount and proportion (percentage) of net revenue from its business activities at material transition risk over the short-, medium- and long-term time horizons including, where relevant, the net revenue from the undertaking's customers operating in coal, oil and gas-related activities. 	<p>Disclosure to consider:</p> <ul style="list-style-type: none"> ▶ Expected cost savings from climate change mitigation and adaptation actions; and ▶ The potential market size or expected changes to net revenue from low-carbon products and services or adaptation solutions to which the undertaking has or may have access. <p>Quantification of the financial effects is not required if such a disclosure does not meet the qualitative characteristics of useful information in ESRS 1 Appendix B <i>Qualitative characteristics of information</i>.</p>
RECONCILIATION TO LINE ITEMS OR NOTES IN FINANCIAL STATEMENTS		
<p>Reconcile to the relevant line items or notes the significant amounts of the assets and net revenue at material physical risk (see Anticipated financial effects from material physical risks above).</p>	<p>Reconcile to the relevant line items or notes the significant amounts of the assets, liabilities, and net revenue at material transition risk (see Anticipated financial effects from material transition risks above).</p>	



SUSTAINABILITY AT A GLANCE
EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS)
E2 - POLLUTION

BASED ON THE EUROPEAN COMMISSION DELEGATED ACT - 31 JULY 2023

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS E2 Pollution

DEFINITIONS AND ACRONYMS

- ▶ DR: disclosure requirements.
- ▶ BAT (Best available techniques): the most effective and advanced stage in the development of activities and their methods of operation which indicates the practical suitability of particular techniques for providing the basis for emission limit values and other permit conditions designed to prevent and, where that is not practicable, to reduce emissions and the impact on the environment as a whole. (Article 3 point 10 of Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions)
- ▶ Inorganic pollutants: emissions within or lower than the emission levels associated with the best available techniques (BAT-AEL) as defined in Article 3, point (13) of Directive 2010/75/EU of the European Parliament and of the Council, for the Large Volume Inorganic Chemicals-Solids and Others industry.
- ▶ IRO: impacts, risks and opportunities.
- ▶ Microplastics: small pieces of plastics, usually smaller than 5mm. A growing volume of microplastics is found in the environment, including the sea, and in food and drinking water.
- ▶ Ozone-depleting substances: substances listed in the [Montreal Protocol on Substances that Deplete the Ozone Layer](#) (this list contains more than 100 substances - see Annexes A, B and C to the Protocol).
- ▶ Pollution: the direct or indirect introduction, as a result of human activity, of pollutants into air, water or soil which may be harmful to human health and/or the environment, which may result in damage to material property, or which may impair or interfere with amenities and other legitimate uses of the environment.
- ▶ SBM (strategy and business model): how the undertaking's strategy and business model(s) interact with its material impacts, risks and opportunities, including how the undertaking addresses those impacts, risks and opportunities.
- ▶ Substances of concern: a substance that meets one of the following criteria:
 - Meets the criteria laid down in Article 57 and is identified in accordance with Article 59(1) of Regulation (EC) No 1907/2006;
 - Is classified in Part 3 of Annex VI to Regulation (EC) in one of a number of hazard classes or hazard categories (see full text of Annex II of the Delegated Act for further detail); or
 - Any other substance that are set out in applicable EU legislation.
- ▶ Substances of Very High Concern (SVHCs): substances that meet the criteria laid down in Article 57 of Regulation (EC) 1907/2006 (REACH) and were identified in accordance with Article 59(1) of that Regulation. The European Chemicals Agency maintains a [list of SVHCs](#).
- ▶ 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.

MANDATORY DISCLOSURES VS. DISCLOSURES SUBJECT TO MATERIALITY ASSESSMENT

ESRS 1 Section 3.2 requires that materiality assessments be performed to determine whether specific DRs are material and therefore should be disclosed. Despite this requirement, ESRS 2.2(a) requires that disclosures be made in all instances for the requirements in topical standards related to DR IRO-1 *Description of the processes to identify and assess material impacts, risks and opportunities* in ESRS 2. DRs that must be disclosed in all instances have a blue heading and are noted as (MANDATORY).

OBJECTIVE OF ESRS E2

To specify DRs which will enable users of sustainability statements to understand:

- ▶ How the undertaking affects pollution of air, water and soil, in terms of material positive and negative actual or potential impacts;
- ▶ Any actions taken, and the result of such actions, to prevent or mitigate actual or potential material negative impacts and to address risks and opportunities;
- ▶ The plans and capacity of the undertaking to adapt its strategy and business model(s) in line with the transition to a sustainable economy concurring with the needs for prevention, control and elimination of pollution. This is to create a toxic-free environment with zero pollution also in support of the EU Action Plan 'Towards a Zero Pollution for Air, Water and Soil';
- ▶ The nature, type and extent of the undertaking's material risks and opportunities related to the undertaking's pollution-related impacts and dependencies, as well as the prevention, control, elimination or reduction of pollution (including from regulations) and how the undertaking manages this; and
- ▶ The financial effects on the undertaking over the short-, medium- and long-term time horizons of material risks and opportunities arising from the undertaking's pollution-related impacts and dependencies.

INTERACTION WITH OTHER ESRS

Certain DRs in ESRS E2 relate to DRs in ESRS 2 *General Disclosures*. For example, ESRS 2 IRO-1 requires disclosure of the processes to identify and assess material impacts, risks and opportunities, and ESRS E2 requires specific disclosure relating to how pollution-related impacts, risk and opportunities are identified.

Where a set of DRs relates to a DR from another ESRS, that DR's heading is in **blue**. All other DR headings are grey.

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS E2 Pollution

GOVERNANCE - no specific DRs

STRATEGY - no specific DRs

ENTITY-SPECIFIC DISCLOSURES

While ESRS E2 does not have specific DRs relating to governance and strategy, as required by ESRS 1 Section 1.4, undertakings may be required to make entity-specific disclosures if it is considered that an IRO is material even if a ESRS does not contain specific DRs.

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

DR RELATED TO ESRS 2 IRO-1 (MANDATORY)

Describe the undertaking's process to identify material impacts, risks and opportunities and provide information on:

- ▶ Whether the undertaking has screened its site locations and business activities in order to identify its actual and potential pollution-related physical and transition risks in its own operations and upstream and downstream value chain, and if so, the methodologies, assumptions and tools used in the screening;
- ▶ Whether and how the undertaking has conducted consultations, in particular with affected communities.

E2-1 POLICIES RELATING TO POLLUTION

Disclose policies adopted to manage material impacts, risks and opportunities related to pollution prevention and control to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of material pollution-related impacts, risks and opportunities.

This disclosure shall contain the information required by ESRS 2 MDR-P *Policies adopted to manage material sustainability matters*.

Disclosures shall indicate with regard to its own operations and its upstream and downstream value chain, whether and how its policies address the following areas where material:

- ▶ Mitigating negative impacts related to pollution of air, water and soil including prevention and control;
- ▶ Substituting and minimising the use of substances of concern and phasing out substances of very high concern, in particular for non-essential societal use and in consumer products; and
- ▶ Avoiding incidents and emergency situations, and if and when they occur, controlling and limiting their impact on the environment and the environment.

E2-2 ACTIONS AND RESOURCES RELATED TO POLLUTION

Disclose pollution-related actions and the resources allocated to their implementation to enable an understanding of key actions taken and planned to achieve the pollution-related policy objectives and targets.

The description of the pollution-related action plans and resources shall contain the information prescribed in ESRS 2 MDR-A *Actions and Resources in Relation to Material Sustainability Matters*.

In addition, the undertaking may specify to which layer in the following mitigation hierarchy an action and resource can be allocated:

- ▶ Avoid pollution including any phase out of materials or compounds that have a material negative impact (prevention of pollution at source);
- ▶ Reduce pollution, including any phase-out of materials or compounds and by meeting enforcement requirements such as Best Available Techniques (BAT) requirements or in addressing Do No Significant Harm criteria for pollution prevention and control according to the EU Taxonomy Regulation and its Delegated Acts (minimisation of pollution); and
- ▶ Restore, regenerate and transform ecosystems where pollution has occurred (control of the impacts both from regular activities and incidents).

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS E2 Pollution

METRICS AND TARGETS

E2-3 TARGETS RELATED TO POLLUTION

Disclose the pollution-related targets set to enable an understanding of the targets the undertaking has set to support its pollution-related policies and to address its material pollution-related IROs.

The description of targets shall contain the information requirements defined in ESRS 2 MDR-T *Tracking effectiveness of policies and actions through targets*.

Disclose whether and how targets relate to the prevention and control of:

- ▶ Air pollutants and respective specific loads;
- ▶ Emissions to water and respective specific loads;
- ▶ Pollution to soil and respective specific loads; and
- ▶ Substances of concern and substances of very high concern.

ECOLOGICAL THRESHOLDS

The undertaking may specify whether ecological thresholds and entity-specific allocations were taken into consideration when setting targets. If so, the undertaking may specify:

- ▶ The ecological thresholds identified, and the methodology used to identify such thresholds;
- ▶ Whether or not the thresholds are entity-specific and if so, how they were determined; and
- ▶ How responsibility for respecting identified ecological thresholds is allocated in the undertaking.

Disclose whether the targets that have been set and presented are mandatory (required by legislation) or voluntary.

E2-4 POLLUTION OF AIR, WATER AND SOIL

Disclose the pollutants emitted through the undertaking's own operations, as well as the microplastics it generates or uses.

Disclose the consolidated amount of the following (only when the threshold for release as indicated in Annex II of the E-PRTR is met at facilities):

- ▶ Each pollutant listed in [Annex II of Regulation \(EC\) No 166/2006 of the European Parliament and of the Council](#) (European Pollutant Release and Transfer Register E-PRTR Regulation) emitted to air, water and soil with the exception of greenhouse gases (see ESRS E1);
- ▶ Microplastics generated or used by the undertaking.

Describe:

- ▶ The changes over time,
- ▶ The measurement methodologies; and
- ▶ The process(es) to collect data for pollution-related accounting and reporting, including the type of data needed and the information sources.

METHODOLOGY USED

When an inferior methodology compared to direct measurement of emissions is chosen to quantify emissions, the reasons for choosing this inferior methodology shall be outlined by the undertaking.

ESTIMATES

If the undertaking uses estimates, it shall disclose the standard, sectoral study or sources which form the basis of its estimates, as well as the possible degree of uncertainty and the range of estimates reflecting the measurement uncertainty.

E2-5 SUBSTANCES OF CONCERN AND SUBSTANCES OF VERY HIGH CONCERN

Disclose information on the production, use, distribution, commercialisation and import/export of substances of concern and substances of very high concern on their own, in mixtures or in articles, to enable an understanding of related impacts on health, the environment, and the undertakings material risks and uncertainties.

Disclosure shall:

- ▶ Include the total amounts of substances of concern that are generated or used during the production or that are procured and that leave its facilities as emissions, as products, or as part of products or services split into main hazard classes of substances of concern; and
- ▶ Present separately information related to substances of very high concern.

E2-6 ANTICIPATED FINANCIAL EFFECTS FROM POLLUTION-RELATED RISKS AND OPPORTUNITIES

Disclose anticipated financial effects of material pollution-related risks and opportunities. Disclosure shall include:

- ▶ A quantification of the anticipated financial effects in monetary terms before considering pollution-related actions, or where not possible without undue cost or effort, qualitative information. For financial effects arising from opportunities, a quantification is not required if it would result in disclosure that does not meet the qualitative characteristics of information (see ESRS 1 Appendix B *Qualitative characteristics of information*);
- ▶ A description of the effects considered, the related impacts and the time horizons in which they are likely to materialise; and
- ▶ The critical assumptions used to quantify the anticipated financial effects, as well as the source and level of uncertainty of those assumptions.

FINANCIAL EFFECTS

Disclosure of financial effects shall include:

- ▶ Separately, the share of net revenue made with products and services that are or that contain: (1) substances of concern; and (2) substances of very high concern;
- ▶ The operating and capital expenditures incurred in the reporting period in conjunction with major incidents and deposits;
- ▶ The provisions for environmental protection and remediation costs, e.g., for rehabilitating contaminated sites, reactivating landfills, etc.

CRITICAL ASSUMPTIONS

Disclose relevant contextual information including a description of material incidents and deposits whereby pollution had negative impacts on the environment and/or is expected to have negative effects on the undertaking's financial cash flows, financial position and financial performance with short-, medium- and long-term time horizons.



SUSTAINABILITY AT A GLANCE
EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS)
E3 - WATER AND MARINE RESOURCES

BASED ON THE EUROPEAN COMMISSION DELEGATED ACT - 31 JULY 2023

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS E3 Water and Marine Resources

DEFINITIONS AND ACRONYMS

- ▶ Area of high-water stress: regions where the percentage of total water withdrawn is high (40-80%) or extremely high (greater than 80%) as per the World Resource Institute's (WRI) Water Risk Atlas tool Aqueduct.
- ▶ Area at water risk: A water catchment, where several physical aspects related to water lead to
 - (i) one or more water bodies being in less than good or deteriorated status, pointing to significant issues like water availability, quality or quantity (including high water-stress);
 - (ii) issues as regard accessibility of water, regulatory or reputational issues (including the shared use of water with communities and affordability of water) for its facilities and facilities of key suppliers
- ▶ Blue economy: it includes all economic activities related to oceans, seas and coasts. It is the source of all financial and non-financial value that humanity derives from the marine environment.
- ▶ Discharge: Wastewater discharge is the amount of water or substance added/leached to a water body from any source. Sewage effluent/discharge means treated sewage discharged from sewage treatment plant
- ▶ DR: disclosure requirement.
- ▶ GOV (governance): the governance processes, controls and procedures used to monitor and manage impacts, risks and opportunities.
- ▶ IRO: impacts, risks and opportunities.
- ▶ Marine resources: Ocean-based resources, discharges and emissions to the environment which end up in the oceans, or activities located in maritime (naval matters) areas.
- ▶ River Basin district: The area of land and sea, made up of one or more neighbouring river basins together with their associated groundwaters and coastal waters, which is identified as the main unit for management of river basins.
- ▶ SBM (strategy and business model): how the undertaking's strategy and business model(s) interact with its material impacts, risks and opportunities, including the strategy for addressing them.
- ▶ Water intensity: A metric providing the relationship between a volumetric aspect of water and a unit of activity (products, sales, etc.) created.
- ▶ Water withdrawal: 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.

INTERACTION WITH OTHER ESRSs

Certain DRs in ESRS E3 relate to DRs in ESRS E2 *General Disclosures*. For example, ESRS 2 IRO-1 requires disclosure of the processes to identify and assess material impacts, risks and opportunities, and ESRS E3 requires specific disclosure relating to how water and marine resources-related impacts, risks and opportunities are identified.

Where a set of DRs relates to a DR from another ESRS, that DR's heading is in blue. All other DR headings are grey.

MANDATORY DISCLOSURES VS. DISCLOSURES SUBJECT TO MATERIALITY ASSESSMENT

ESRS 1 Section 3.2 requires that materiality assessments be performed to determine whether specific DRs are material and therefore should be disclosed. Despite this requirement, ESRS 2.2(a) requires that disclosures be made in all instances for the requirements in topical standards related to DR IRO-1 *Description of the processes to identify and assess material impacts, risks and opportunities* in ESRS 2. DRs that must be disclosed in all instances have a blue heading and are noted as (MANDATORY).

OBJECTIVE OF ESRS E3

To specify DRs which will enable users of sustainability statements to understand:

- ▶ How the undertaking affects water and marine resources, in terms of material positive and negative actual and potential impacts;
- ▶ Any actions are taken, and the result of such actions, to prevent, mitigate or remediate material actual or potential negative impacts and to protect water and marine resources;
- ▶ Whether, how and to what extent the undertaking contributes to the European Green Deal's ambitions for fresh air, clean water, healthy soil and biodiversity, as well as to the sustainability of the blue economy and fisheries sectors;
- ▶ The plans and capacity of the undertaking to adapt its strategy and business model in line with the preservation and restoration of fresh water and protection of aquatic ecosystems and marine resources;
- ▶ The nature, type and extent of the undertaking's material risks and opportunities related to the undertaking's impacts and dependencies on water and marine resources, and how the undertaking manages them; and
- ▶ The financial effects on the undertaking over the short-, medium- and long-term time horizons of material risks and opportunities arising from the undertaking's impacts and dependencies on water and marine resources.

In ESRS E3, water includes surface water, groundwater and produced water.

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS E3 Water and Marine Resources

GOVERNANCE - no specific DRs

STRATEGY - no specific DRs

ENTITY-SPECIFIC DISCLOSURES

While ESRS E3 does not have specific DRs relating to governance and strategy, as required by ESRS 1 Section 1.4, undertakings may be required to make entity-specific disclosures if it is considered that an IRO is material even if a ESRS does not contain specific DRs.

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

DR RELATED TO ESRS 2 IRO-1 (MANDATORY)

Describe the undertaking's process to identify material impacts, risks and opportunities and provide information on:

- ▶ Whether and how the undertaking has screened its assets and activities in order to identify its actual and potential water and marine resources-related impacts, risks and opportunities in its own operations and upstream and downstream value chain and if so the methodologies, assumptions and tools used to screen;
- ▶ Whether and how it has conducted consultations; in particular, with affected communities.

E3-1 POLICIES RELATING TO WATER AND MARINE RESOURCES

Disclose policies adopted to manage material impacts, risks and opportunities related to water and marine resources which will enable an understanding of the policies that address the identification, assessment, management and/or remediation of material water and marine resources-related impacts, risks and opportunities.

This disclosure shall contain the information required by ESRS 2 MDR-P *Policies adopted to manage material sustainability matters*.

Disclosures shall indicate whether and how policies address the following, where material, for the undertaking's own operations and throughout the upstream and downstream value chain:

- ▶ Water management including use and sourcing of water and marine resources, water treatment as a step towards more sustainable sourcing of water as well as the prevention and abatement of water pollution resulting from its activities;
- ▶ Product and service design in relation to addressing water-related issues and preservation of marine resources; and
- ▶ Commitment to reduce material water consumption in areas at water risk in its own operations and along the upstream and downstream value chain.

If the undertaking has at least one site located in an area of high-water stress and it is not covered by a policy, disclose this to be the case and provide reasons for not having adopted such a policy.

Specify whether the undertaking has adopted policies related to sustainable oceans and seas.

E3-2 ACTIONS AND RESOURCES RELATED TO WATER AND MARINE RESOURCES

Disclose water and marine resources-related actions and the resources allocated to their implementation to enable an understanding of key actions taken and planned to achieve water and marine resources-related policy objectives and targets.

The description of the water and marine resources-related action plans and resources shall follow the principles defined in ESRS 2 MDR-A *Actions and resources in relation to material Sustainability Matters*, and, in addition, specify to which layer in the mitigation hierarchy below, resources can be allocated to:

- ▶ Avoid the use of water and marine resources;
- ▶ Reduce the use of water and marine resources such as through efficiency measures;
- ▶ Reclaiming and reuse of water; and
- ▶ Restoration and regeneration of aquatic ecosystem and water bodies.

Specify actions and resources in relation to areas at water risk, including areas of high-water stress.

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS E3 Water and Marine Resources

METRICS AND TARGETS

E3-3 TARGETS RELATED TO WATER AND MARINE RESOURCES

Disclose the water and marine resources-related targets set to enable an understanding of how these support water and marine resources-related policies and to address material water and marine resources-related IRO.

The description of targets shall contain the information requirements defined in ESRS 2 MDR-T *Tracking effectiveness of policies and actions through targets*.

Disclose whether and how targets manage material IRO relate to:

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

ECOLOGICAL THRESHOLDS

Specify whether ecological thresholds and entity-specific allocations were taken into consideration when setting targets. If so, the undertaking shall specify:

- ▶ The ecological thresholds identified, and the methodology used to identify such thresholds;
- ▶ Whether or not the thresholds are entity-specific and if so, how they were determined; and
- ▶ How responsibility for respecting identified ecological thresholds is allocated in the undertaking.

Disclose whether the targets that have been adopted and presented are mandatory (required by legislation) or voluntary.

E3-4 WATER CONSUMPTION

Disclose information on the water consumption generated from operations, including:

- ▶ Total water consumption in m³;
- ▶ Total water consumption in m³ in areas of water risk, including areas of high-water stress;
- ▶ Total water recycled and reused in m³;
- ▶ Total water stored and changes in storage in m³; and
- ▶ Contextual information related to bullets 1-4, including water basins' water quality and quantity, the measurement methodologies of data compiled, the assumptions used, and the approach taken to collect this information;

Disclose information on water intensity and total water consumption in its own operations in m³ per million EUR net revenue.

E3-5 POTENTIAL FINANCIAL EFFECTS FROM MATERIAL WATER AND MARINE RESOURCES-RELATED RISKS AND OPPORTUNITIES

Disclose potential financial effects of material risks and opportunities arising from water and marine resources-related impacts. The disclosure shall include:

- ▶ A quantification of the *anticipated financial effects* in monetary terms, or where impracticable, qualitative information. For financial effects arising from opportunities, quantification is not required if it would result in disclosure that does not meet the qualitative characteristics of information (see ESRS 1 Appendix B *Qualitative characteristics of information*);
- ▶ A description of the effects considered, the related impacts and the time horizons in which they are likely to materialise; and
- ▶ The critical assumptions used in the estimate, as well as the sources and level of uncertainty attached to those assumptions.



SUSTAINABILITY AT A GLANCE
EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS)
E4 - BIODIVERSITY AND ECOSYSTEMS

BASED ON THE EUROPEAN COMMISSION DELEGATED ACT - 31 JULY 2023

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS E4 Biodiversity and Ecosystems

DEFINITIONS AND ACRONYMS

- ▶ 'Biodiversity' or 'biological diversity': the variability among living organisms from all sources including terrestrial, marine and other aquatic ecosystems 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 ecosystems.
- ▶ Biodiversity sensitive areas: Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas ('KBAs'), as well as other protected areas, as referred to in [Appendix D of Annex II to 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.
- ▶ Biosphere integrity or ecological integrity: the ability of an ecosystem to support and maintain ecological processes and a diverse community of organisms.
- ▶ 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.
- ▶ DR: disclosure requirement.
- ▶ 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 ecosystems is provided by the [IUCN Global Ecosystem Typology 2.0](#).
- ▶ Freshwater: groundwater and surface water, with a mean annual salinity of < 0,5 (the limit mentioned in [Annex II of the Water Framework Directive](#)).
- ▶ GOV (governance): the governance processes, controls and procedures used to monitor and manage impacts, risks and opportunities.
- ▶ 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, it may increase and become invasive, without actually being an alien species.
- ▶ IRO (impact, risk and opportunity management): the process(es) by which impacts, risks and opportunities are identified, assessed and managed through policies and actions.
- ▶ SBM (strategy and business model): how the undertaking's strategy and business model interact with its material impacts, risks and opportunities, including how the undertaking addresses those impacts, risks and opportunities.
- ▶ 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 scenarios are neither predictions nor forecasts but are used to provide a view of the implications of developments and actions.
- ▶ Soil degradation: 'soil degradation' means the diminishing capacity of the soil to provide ecosystem goods and services as desired by its stakeholders, according to IPBES as referred to in paragraph 100 of [Decision No 1386/2013/EU](#).
- ▶ Soil sealing: a 'sealed area' means any area where the original soil has been covered (such as roads) making it impermeable. This non-permeability can create environmental impacts as described in [Annex IV of Regulation \(EU\) 2018/2026](#).
- ▶ 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.
- ▶ Threatened species: 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 Delegated Regulation \(EU\) 2021/2139](#).
- ▶ 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 measures, technological breakthroughs, market changes, litigation and changing consumer preferences can all create or change transition risks.
- ▶ 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.

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS E4 Biodiversity and Ecosystems

OBJECTIVE OF ESRS E4

To specify DRs which will enable users of sustainability statement to understand:

- ▶ How the undertaking affects biodiversity and ecosystems, in terms of material positive and negative, actual and potential impacts, including the extent to which it contributes to the drivers of biodiversity and ecosystem loss and degradation;
- ▶ Any actions taken, and the result of such actions, to prevent or mitigate material negative actual or potential impacts and to protect and restore biodiversity and ecosystems, and to address risks and opportunities; and
- ▶ The plans and capacity of the undertaking to adapt its strategy and business model in line with (i) respecting planetary boundaries related to biosphere integrity and land-system change, (ii) the vision of the [Kunming-Montreal Global Biodiversity Framework](#) and its relevant goals and targets, (iii) relevant aspects of the EU Biodiversity Strategy for 2030, iv) the EU Birds and Habitats Directives, and v) the Marine Strategy Framework Directive;
- ▶ The nature, type and extent of the undertaking's material risks, dependencies and opportunities related to biodiversity and ecosystems, and how the undertaking manages them; and
- ▶ The financial effects on the undertaking over the short-, medium- and long-term of material risks and opportunities arising from the undertaking's impacts and dependencies on biodiversity and ecosystems.

MANDATORY DISCLOSURES VS. DISCLOSURES SUBJECT TO MATERIALITY ASSESSMENT

ESRS 1 Section 3.2 requires that materiality assessments be performed to determine whether specific DRs are material and therefore should be disclosed. Despite this requirement, ESRS 2.2(a) requires that disclosures be made in all instances for the requirements in topical standards related to DR IRO-1 *Description of the processes to identify and assess material impacts, risks and opportunities* in ESRS 2. DRs that must be disclosed in all instances have a blue heading and are noted as (MANDATORY).

INTERACTION WITH OTHER ESRSs

The main 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 ESRS E4, except for climate change (covered by ESRS E1) and pollution (covered by ESRS E2). The DRs of other environmental ESRS should be read and interpreted in conjunction with the DRs of ESRS E4. The relevant DRs covered in other environmental ESRS are:

- ▶ ESRS E1 Climate change, which addresses in particular GHG emissions and energy resources (energy consumption);
- ▶ ESRS E2 Pollution, which addresses pollution to air, water and soil;
- ▶ ESRS E3 Water and marine resources which addresses in particular water resources (water consumption) and marine resources;
- ▶ ESRS E5 Resource use and circular economy addresses in particular the transition away from extraction of non-renewable resources and the implementation of practices that prevent waste generation, including pollution generated by waste.

When reporting on material negative impacts on affected communities from biodiversity and ecosystem change under ESRS E4, the undertaking shall consider the requirements of ESRS S3 *Affected communities*.

Certain DRs in ESRS E4 relate to DRs in ESRS 2 *General Disclosures*.

Where a set of DRs relates to a DR from another ESRS, that DR's heading is in blue. All other DR headings are grey.

CONSISTENCY WITH EU REGULATIONS AND LAW

Several of the disclosure requirements in ESRS E4 take into account the requirements of related European Union legislation and regulation. For example, disclosure of whether or not an undertaking has sites located in or near biodiversity-sensitive areas and whether activities related to these sites negatively affect these areas is required by ESRS 2 IRO-1 *Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks, dependencies and opportunities*, and also by the Commission Delegated Regulation (EU) 2021/2039.



Effective Date
Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS E4 Biodiversity and Ecosystems

GOVERNANCE - No specific DRs

ENTITY-SPECIFIC DISCLOSURES

While ESRS G1 does not have specific DRs relating to governance and strategy, as required by ESRS 1 Section 1.4, undertakings may be required to make entity-specific disclosures if it is considered that an IRO is material even if a ESRS does not contain specific DRs.

STRATEGY

E4-1 TRANSITION PLAN AND CONSIDERATION OF BIODIVERSITY AND ECOSYSTEMS IN STRATEGY AND BUSINESS MODEL

Disclose how biodiversity and ecosystem impacts, dependencies, risks and opportunities originate from and trigger adaptation of strategy and business model.

The objective of this DR is to enable an understanding of the resilience of the undertaking's strategy and business model in relation to biodiversity and ecosystems, and of the compatibility of the undertaking's strategy and business model with regard to relevant local, national and global public policy targets related to biodiversity and ecosystems.

This disclosure shall include:

- ▶ A description of the resilience of its strategy and business model in relation to biodiversity and ecosystems. The description shall include:
 - An assessment of the resilience of the current business model and strategy to Biodiversity and ecosystems-related physical, transition and systemic risks;
 - The scope of the resilience analysis in relation to the undertaking's own operations and its upstream and downstream value chain and in relation to the risks considered in that analysis;
 - The key assumptions made;
 - The time horizons used;
 - The results of the resilience analysis; and
 - The involvement of stakeholders, including, where appropriate, holders of indigenous and local knowledge.
- ▶ If information specified in this DR is disclosed by the undertaking as part of the information required under ESRS 2 SBM-3, the undertaking may refer to the information it has disclosed under ESRS 2 SBM-3.
- ▶ The undertaking may disclose its transition plan to improve and, ultimately, achieve alignment of its business model and strategy with the vision of the [Kunming-Montreal Global Biodiversity Framework](#) and its relevant goals and targets, the EU Biodiversity Strategy for 2030, and with respecting planetary boundaries related to biosphere integrity and land system change.

DR SBM-3 MATERIAL IMPACTS, RISKS AND OPPORTUNITIES AND THEIR INTERACTION WITH STRATEGY AND BUSINESS MODEL

This disclosure shall include:

- ▶ A list of material sites in its own operations, including sites under its operational control. The undertaking shall disclose these locations by:
 - Specifying the activities negatively affecting biodiversity sensitive areas;
 - Providing a breakdown of sites according to the impacts and dependencies identified, and to the ecological status of the areas (with reference to the specific ecosystem baseline level) where they are located; and
 - Specifying the biodiversity-sensitive areas impacted, for users to be able to determine the location and the responsible competent authority.
- ▶ Whether it has identified material negative impacts with regards to land degradation, desertification or soil sealing⁸¹; and
- ▶ Whether it has operations that affect threatened species.



Effective Date
Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS E4 Biodiversity and Ecosystems

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

DR RELATED TO ESRS 2 IRO-1 (MANDATORY)

Describe the process to identify material IRO, and dependencies.

DESCRIPTION SHALL INCLUDE WHETHER AND HOW THE UNDERTAKING IDENTIFIED AND ASSESSED:

- ▶ Actual and potential impacts on biodiversity and ecosystems at own site locations and in the upstream and downstream value chain, including assessment criteria applied;
- ▶ Dependencies on biodiversity and ecosystems and their services at own site locations and in the upstream and downstream value chain, including assessment criteria applied, and, if this assessment includes ecosystem services that are disrupted or likely to be;
- ▶ Transition and physical risks and opportunities related to biodiversity and ecosystems, including assessment criteria applied based on its impacts and dependencies.

UNDERTAKING MAY DISCLOSE WHETHER AND HOW:

- ▶ Used biodiversity and ecosystems scenario analysis to inform the identification and assessment of material risks and opportunities over short-, medium- and long-term time horizons. If the undertaking has used such scenario analysis, it may disclose the following information:
 - Why the considered scenarios were selected;
 - How the considered scenarios are updated according to evolving conditions and emerging trends; and
 - 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).

DESCRIPTION SHALL INCLUDE WHETHER AND HOW:

- ▶ Considered systemic risks;
- ▶ Conducted consultations with affected communities on sustainability assessments of shared biological resources and ecosystems and, in particular:
 - When a site, a raw material production or sourcing is likely to negatively impact biodiversity and ecosystems, the identification of the specific sites, raw materials production or sourcing with negative or potentially negative impacts on affected communities;
 - When affected communities are likely to be impacted, the undertaking, shall disclose how these communities were involved in the materiality assessment; and
 - With respect to impacts on ecosystem services of relevance to affected communities in its own operations, the undertaking shall indicate how negative impacts may be avoided. If these impacts are unavoidable, the undertaking may indicate its plans to minimise them and implement mitigation measures that aim to maintain the value and functionality of priority services.

UNDERTAKING SHALL SPECIFICALLY DISCLOSE:

- ▶ Whether or not it has sites located in or near biodiversity-sensitive areas and whether activities related to these sites negatively affect these areas:
 - By leading to the deterioration of natural habitats and the habitats of species and to the disturbance of the species for which a protected area has been designated; and
 - Whether it has concluded that it is necessary to implement biodiversity mitigation measures, such as those identified.

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS E4 Biodiversity and Ecosystems

IMPACT, RISK AND OPPORTUNITY MANAGEMENT (continued)

E4-2 POLICIES RELATED TO BIODIVERSITY AND ECOSYSTEMS

Disclose adopted policies to manage its material IRO and dependencies related to biodiversity and ecosystems.

The objective of the DR is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of its material biodiversity and ecosystem-related IRO and dependencies.

This disclosure shall contain the information on the policies the undertaking has in place to manage its material IRO and dependencies related to biodiversity and ecosystems in accordance with ESRS 2 MDR-P *Policies adopted to manage material sustainability matters*.

THE UNDERTAKING SHALL DESCRIBE WHETHER AND HOW ITS BIODIVERSITY AND ECOSYSTEMS-RELATED POLICIES:

- ▶ Relate to ESRS E4 Application Requirement 4 (materiality assessment);
- ▶ Relate to material biodiversity and ecosystems-related impacts;
- ▶ Relate to material dependencies and material physical and transition risks and opportunities;
- ▶ Support traceability of products, components and raw materials with material actual or potential impacts on biodiversity and ecosystems along the value chain;
- ▶ Address 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; and
- ▶ Address social consequences of biodiversity and ecosystems-related impacts.

THE UNDERTAKING SHALL SPECIFICALLY DISCLOSE WHETHER IT HAS ADOPTED:

The undertaking shall specifically disclose whether it has adopted:

- ▶ Biodiversity and ecosystem protection policy covering operational sites owned, leased, or managed in or near a biodiversity sensitive area;
- ▶ Sustainable land / agriculture practices or policies;
- ▶ Sustainable oceans / seas practices or policies; and
- ▶ Policies to address deforestation.

E4-3 ACTIONS AND RESOURCES RELATED TO BIODIVERSITY AND ECOSYSTEMS

Disclose biodiversity and ecosystems-related actions and the resources allocated to their implementation.

The objective of this DR is to enable an understanding of the key actions taken and planned that significantly contribute to the achievement of biodiversity and ecosystems-related policy objectives and targets.

The description of key actions and resources shall follow the mandatory content defined in ESRS 2 MDR-A *Actions and resources in relation to material sustainability matters*.

The undertaking:

- ▶ May disclose how it has applied the mitigation hierarchy with regard to its actions (avoidance, minimisation, restoration/rehabilitation, and compensation or offsets);
- ▶ Shall disclose whether it used biodiversity offsets in its action plans. If the actions contain biodiversity offsets, the undertaking shall include the following information:
 - The aim of the offset and key performance indicators used;
 - The financing effects (direct and indirect costs) of biodiversity offsets in monetary terms; and;
 - A description of offsets including area, type, the quality criteria applied and the standards that the biodiversity offsets comply with;
- ▶ Describe whether and how it has incorporated local and indigenous knowledge and nature-based solutions into biodiversity and ecosystems-related actions.

**Effective Date**

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ESRS E4 Biodiversity and Ecosystems

METRICS AND TARGETS

E4-4 TARGETS RELATED TO BIODIVERSITY AND ECOSYSTEMS

Disclose the biodiversity and ecosystem-related targets set.

The objective of the DR is to allow an understanding of the targets the undertaking has adopted to support its biodiversity and ecosystems policies and address its material related IRO, and dependencies.

The description of the targets shall follow the mandatory content defined in ESRS 2 MDR-T *Tracking effectiveness of policies and actions through targets*.

The undertaking shall disclose:

- ▶ Whether ecological thresholds and allocations of impacts to the undertaking were applied when setting targets. If so, the undertaking shall specify:
 - The ecological thresholds identified and the methodology used to identify such thresholds;
 - Whether or not the thresholds are entity-specific and if so, how they were determined; and
 - How responsibility for respecting identified ecological thresholds is allocated in the undertaking
- ▶ Whether the targets are informed by, and/or aligned with the [Kunming-Montreal Global Biodiversity Framework](#), relevant aspects of the [EU Biodiversity Strategy for 2030](#) and other biodiversity and ecosystem-related national policies and legislation;
- ▶ How the targets relate to the biodiversity and ecosystem IRO and dependencies identified by the undertaking in relation to its own operations and its upstream and downstream value chain;
- ▶ The geographical scope of the targets, if relevant;
- ▶ Whether or not the undertaking used biodiversity offsets in setting its targets; and
- ▶ To which of the layers of the mitigation hierarchy the target can be allocated (i.e., avoidance, minimisation, restoration and rehabilitation, compensation or offsets).

E4-5 IMPACT METRICS RELATED TO BIODIVERSITY AND ECOSYSTEMS CHANGE

Report metrics related to its material impacts on biodiversity and ecosystems.

The objective of this DR is to enable an understanding of the performance of the undertaking against impacts identified as material in the materiality assessment on biodiversity and ecosystems change.

If the undertaking identified sites located in or near biodiversity-sensitive areas that it is negatively affecting, the undertaking shall disclose the number and area (in hectares) of sites owned, leased or managed in or near these protected areas or key biodiversity areas.

If the undertaking has identified material impacts with regards to land-use change, or impacts on the extent and condition of ecosystems, it may also disclose their land-use based on a Life Cycle Assessment.

FOR THE FOLLOWING DATAPOINTS, THE UNDERTAKING SHALL CONSIDER ITS OWN OPERATIONS:

- ▶ If the undertaking has concluded that it directly contributes to the impact drivers of land-use change, freshwater-use change and/or sea-use change, it shall report relevant metrics. The undertaking may disclose metrics that measure:
 - The conversion over time (e.g. one or five years) of land cover (e.g. deforestation or mining);
 - Changes over time (e.g. one or five years) in the management of the ecosystem (e.g., through the intensification of agricultural management, or the application of better management practices or forestry harvesting);
 - Changes in the spatial configuration of the landscape (e.g. fragmentation of habitats, changes in ecosystem connectivity);
 - Changes in ecosystem structural connectivity (e.g. habitat permeability based on physical features and arrangements of habitat patches); and
 - The functional connectivity (e.g. how well genes or individuals move through land, freshwater and seascape).
- ▶ If the undertaking concluded that it directly contributes to the accidental or voluntary introduction of invasive alien species, the undertaking may disclose the metrics it uses to manage pathways of introduction and spread of invasive alien species and the risks posed by invasive alien species.

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS E4 Biodiversity and Ecosystems

METRICS AND TARGETS (continued)

E4-5 IMPACT METRICS RELATED TO BIODIVERSITY AND ECOSYSTEMS CHANGE (continued)

- ▶ If the undertaking identified material impacts related to the state of species, the undertaking may report the following metrics it considers relevant:
 - Refer to relevant disclosure requirements in ESRS E1, ESRS E2, ESRS E3, and ESRS E5;
 - Consider population size, range within specific ecosystems as well as extinction risk. These aspects provide insight on the health of a single species' population and its relative resilience to human induced and naturally occurring change;
 - Disclose metrics that measure changes in the number of individuals of a species within a specific area;
 - Disclose metrics on species at extinction risk that measure
 - The threat status of species and how activities/pressures may affect the threat status; or
 - Changes in the relevant habitat for a threatened species as a proxy for the undertaking's impact on the local population's extinction risk.
- ▶ If the undertaking identified material impacts related to ecosystems, it may disclose:
 - With regard to ecosystems extent, metrics that measure area coverage of a particular ecosystem without necessarily considering the quality of the area being assessed, such as habitat cover.
 - With regard to ecosystems condition:
 - Metrics that measure the quality of ecosystems relative to a pre-determined reference state;
 - Metrics that measure multiple species within an ecosystem rather than the number of individuals within a single species within an ecosystem; or
 - Metrics that reflect structural components of condition such as habitat connectivity.

E4-6 ANTICIPATED FINANCIAL EFFECTS FROM MATERIAL BIODIVERSITY AND ECOSYSTEM-RELATED RISKS AND OPPORTUNITIES

Disclose its anticipated financial effects of material biodiversity- and ecosystem-related risks and opportunities in addition to the information on current financial effects on the entity's financial position, financial performance and cash flows for the reporting period required under ESRS 2 SBM-3 para 48(d).

DR OBJECTIVE TO PROVIDE UNDERSTANDING OF:

- ▶ Anticipated financial effects due to material risks arising from biodiversity- and ecosystem-related impacts and dependencies and how these risks have (or could reasonably be expected to have) a material influence on the undertaking's financial position, financial performance and cash flows over the short-, medium- and long-term; and
- ▶ Anticipated financial effects due to material opportunities related to biodiversity- and ecosystem.

DISCLOSURE SHALL INCLUDE:

- ▶ Quantification of the anticipated financial effects in monetary terms before considering biodiversity and ecosystems-related actions or where not possible without undue cost or effort, qualitative information;
- ▶ Quantification of financial effects arising from material opportunities is not required if it would result in disclosure that does not meet the qualitative characteristics of information (see ESRS 1 Appendix B *Qualitative characteristics of information*). The quantification of the anticipated financial effects in monetary terms may be a single amount or a range;
- ▶ Description of the effects considered, the impacts and dependencies to which they relate and the time horizons in which they are likely to materialise; and
- ▶ Critical assumptions used to quantify the anticipated financial effects as well as the sources and the level of uncertainty of those assumptions.



SUSTAINABILITY AT A GLANCE
EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS)
E5 - RESOURCE USE AND CIRCULAR ECONOMY

BASED ON THE EUROPEAN COMMISSION DELEGATED ACT - 31 JULY 2023

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS E5 Resource Use and Circular Economy

DEFINITIONS AND ACRONYMS

- ▶ Anticipated financial effects: financial effects 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 current financial effects.
- ▶ 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 waste and the release of hazardous substances at all stages of their life cycle, including through the application of the waste hierarchy.
- ▶ Circular material use rate: recirculation of materials, components and products in practice after first use employing the following strategies (in order of preference): 1. maintenance/prolonged use; 2. reuse/redistribution; 3. refurbishment/remanufacturing; 4. recycling, composting, or anaerobic digestion. The use rate is defined as the ratio of circular use of materials to overall use of materials.
- ▶ DR: disclosure requirement.
- ▶ Durability: the ability of a product, component or material to remain functional and relevant when used as intended.
- ▶ Ecological thresholds: the point at which a relatively small change in external conditions causes a rapid change in an ecosystem. When an ecological threshold has been passed, the ecosystem may no longer be able to return to its state by means of its inherent resilience.
- ▶ Hazardous waste: waste which displays one or more of the hazardous properties listed in Annex III of Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives.
- ▶ Incineration: incineration is the controlled burning of waste at high temperature with or without energy recovery.
- ▶ IRO: impact, risk and opportunity management.
- ▶ 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.
- ▶ Recycling: any recovery operation by which waste materials are reprocessed into products, materials or substances 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.
- ▶ Resource use and circular economy: resource use, including resource efficiency, avoiding the depletion of resources and the sustainable sourcing and use of renewable resources.
- ▶ Resource inflows: resource that enters the undertaking's facilities.
- ▶ Resource outflows: resource that leaves the undertaking's facilities.
- ▶ Targets: measurable, outcome-oriented and time-bound goals that the undertaking aims to achieve in relation to material IROs. They may be set voluntarily by the undertaking or derive from legal requirements on the undertaking.
- ▶ Waste: any substance or object which the holder discards or intends or is required to discard.
- ▶ Waste management: the collection, transport, recovery 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.
- ▶ Waste hierarchy: priority order in waste prevention and management: (a) prevention; (b) preparing for re-use; (c) recycling; (d) other recovery, e.g., energy recovery; and (e) disposal.

MANDATORY DISCLOSURES VS. DISCLOSURES SUBJECT TO MATERIALITY ASSESSMENT

ESRS 1 Section 3.2 requires that materiality assessments be performed to determine whether specific DRs are material and therefore should be disclosed. Despite this requirement, ESRS 2.2(a) requires that disclosures be made in all instances for the requirements in typical standards related to DR IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities in ESRS 2. DRs that must be disclosed in all instances have a blue heading and are noted as (MANDATORY).

CONSISTENCY WITH EU REGULATIONS AND LAW

Several of the disclosure requirements in ESRS E5 take into account the requirements of related European Union legislation and regulation. For example, disclosure of total amount and percentage of non-recycled waste is required by E5-5, and also by [Regulation \(EU\) 2019/2088](#) derived from indicator related to principal adverse impacts as set out by indicator #13 in Table II of Annex I of [Commission Delegated Regulation \(EU\) 2022/1288](#) with regard to disclosure rules on sustainable investments ('Non-recycled waste ratio').

In addition, ESRS E5 builds on relevant EU legislative frameworks and policies including the [EU Circular Economy Action Plan](#), [Directive 2008/98/EC of the European Parliament and of the Council](#) (Waste Framework Directive) and the [EU industrial strategy](#).

INTERACTION WITH OTHER ESRSs

Certain DRs in ESRS E5 relate to DRs in ESRS 2 *General Disclosures*. For example, ESRS 2 IRO-1 requires disclosure of description of the processes to identify and assess material resource use and circular economy-related IROs.

Where a set of DRs relates to a DR from another ESRS, that DR's heading is in blue. All other DR headings are grey.

ESRS E5 Resource Use and Circular Economy



Effective Date

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

OBJECTIVE OF ESRS E5

To specify DRs which will enable users of sustainability statements to understand:

- ▶ How the undertaking affects resource use and circular economy in terms of material positive and negative actual or potential impacts;
- ▶ Any actions taken, and the result of such actions, to prevent or mitigate actual or potential negative impacts arising from resource use, including its measures to help decoupling its economic growth from the use of materials, and to address risks and opportunities;
- ▶ The plans and capacity of the undertaking to adapt its strategy and business model in line with circular economy principles including but not limited to minimising waste, maintaining the value of products, materials and other resources at their highest value and enhancing their efficient use in production and consumption;
- ▶ The nature, type and extent of the undertaking's material risks and opportunities related to the undertaking's impacts and dependencies, arising from resource use and circular economy, and how the undertaking manages them; and
- ▶ The financial effects on the undertaking over the short-, medium- and long-term material risks and opportunities arising from the undertaking's impacts and dependencies on resource use and circular economy.

ESRS E5 relies on the identification of the physical flows of resources, materials and products used and generated by the undertaking through DR E5-4 and DR E5-5.

To set out DRs related to 'resource use' and 'circular economy' and in particular on: (a) resource inflows including the circularity of material resource inflows, considering renewable and non-renewable resources; and (b) resource outflows including information on products and materials; and (c) waste.

GOVERNANCE - no specific DRs

STRATEGY - no specific DRs

ENTITY-SPECIFIC DISCLOSURES

While ESRS E5 does not have specific DRs relating to governance and strategy, as required by ESRS 1 Section 1.4, undertakings may be required to make entity-specific disclosures if it is considered that an IRO is material even if a ESRS does not contain specific DRs.

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS E5 Resource Use and Circular Economy

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

DR RELATED TO ESRS 2 IRO-1 (MANDATORY)

Describe the process to identify material IROs related to resource use and circular economy, in particular regarding:

- Resource inflows,
- Resource outflows and
- Waste.

The undertaking shall provide information on:

- ▶ Whether the undertaking has screened its assets and activities to identify its actual and potential IROs in its
 - Own operations and
 - Upstream and downstream value chain.
- ▶ What are the methodologies, assumptions and tools used in the screening;
- ▶ Whether and how the undertaking has conducted consultations, in particular, with affected communities.

E5-1 POLICIES RELATED TO RESOURCE USE AND CIRCULAR ECONOMY

Disclose policies adopted to manage its material IROs related to resource use and circular economy.

This disclosure shall include:

- ▶ Policies the undertaking has in place to manage its material IROs related to resource use and circular economy in accordance with ESRS2 *MDR-P Policies adopted to manage material sustainability matters*;
- ▶ Whether and how its policies address the following matters where material:
 - Transitioning away from use of virgin resources, including relative increases in use of secondary (recycled) resources;
 - Sustainable sourcing and use of renewable resources.

Policies shall address material IROs in its own operations and along the upstream and downstream value chain.

E5-2 ACTIONS AND RESOURCES RELATED TO RESOURCE USE AND CIRCULAR ECONOMY

Disclose resource use and circular economy actions and the resources allocated to their implementation. Disclosure shall:

- ▶ Follow the principles in ESRS 2 *MDR-A Actions and Resources in relation to material sustainability matters* for the description of the resource use and circular economy-related actions and resources allocated; and
- ▶ In addition to ESRS 2 *MDR-A*, specify whether and how an action and resources cover:
 - Higher levels of resource efficiency in use of technical and biological materials and water, particularly in relation to critical raw materials and rare earths as listed in the [Raw Materials Information System](#);
 - Higher rates of use of secondary raw materials (recyclates);
 - Application of circular design, leading to increased product durability and optimisation of use, and higher rates of: Reuse, Repair, Refurbishing, Remanufacture, Repurposing and Recycling.
 - Application of circular business practices such as:
 - Value retention actions (maintenance, repair, refurbishing, remanufacturing, component harvesting, upgrading and reverse logistics, closed loop systems, second-hand retailing);
 - Value maximisation actions (product-service systems, collaborative and sharing economy business models),
 - End-of-life actions (recycling, upcycling, extended producer responsibility); and
 - Systems efficiency actions (industrial symbiosis).
 - Actions taken to prevent waste generation in the undertaking's upstream and downstream value chain; and
 - Optimisation of waste management in line with the waste hierarchy.

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS E5 Resource Use and Circular Economy

METRICS AND TARGETS

E5-3 TARGETS RELATED TO RESOURCE USE AND CIRCULAR ECONOMY

Disclose the resource use and circular economy-related targets it has set.

The description of the targets shall contain the information requirements defined in ESRS2 MDR-T *Tracking effectiveness of policies and actions through targets*.

An undertaking shall disclose:

- ▶ Which layer of the waste hierarchy the target relates
- ▶ Whether the targets it has set and presented are mandatory (required by legislation) or voluntary.

In addition to ESRS 2 MDR-T, the undertaking may specify whether ecological thresholds and entity-specific allocations were taken into consideration when setting targets. If so, the undertaking may specify:

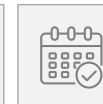
- ▶ Whether or not the thresholds are entity-specific and if so, how they were determined; and
- ▶ How responsibility for respecting identified ecological thresholds is allocated in the undertaking.

RESOURCE INFLOWS AND OUTFLOWS

- ▶ An undertaking shall disclose:
- ▶ Whether and how the targets relate to resource inflows and resource outflows, including waste and products and materials and, more specifically to:
 - The increase of circular product design (including for instance design for durability, dismantling, reparability, recyclability etc);
 - The increase of circular material use rate;
 - The minimisation of primary raw material;
 - Sustainable sourcing and use (in line with the cascading principle) of renewable resources;
 - The waste management, including preparation for proper treatment; and
 - Other matters related to resource use or circular economy.

ECOLOGICAL THRESHOLDS

- ▶ In addition to ESRS 2 MDR-T, an undertaking shall disclose:
 - The ecological thresholds identified, and the methodology used to identify such thresholds.

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS E5 Resource Use and Circular Economy

METRICS AND TARGETS (continued)

E5-4 RESOURCE INFLOWS

DISCLOSURE OBJECTIVE

Disclose information on its resource inflows related to its material IROs.

DESCRIPTION OF RESOURCE INFLOWS

Disclosure shall include a description of its resource inflows where material:

- Products (including packaging) and materials (specifying critical raw materials and rare earths),
- Water and property,
- Plant and equipment

used in the undertaking's own operations and its upstream value chain.

MATERIALS USED TO MANUFACTURE PRODUCTS

When an undertaking assesses that resource inflows is a material sustainability matter, it shall disclose the following information about the materials used to manufacture the undertaking's products and services during the reporting period, in tonnes or kilogrammes:

- ▶ The overall total weight of products and technical and biological materials used during the reporting period;
- ▶ The percentage of biological materials (and biofuels used for non-energy purposes) used to manufacture the undertaking's products and services (including packaging) that is sustainably sourced, with the information on the certification scheme used and on the application of the cascading principle; and
- ▶ The weight in both absolute value and percentage, of secondary reused or recycled components, secondary intermediary products and secondary materials used to manufacture the undertaking's products and services (including packaging).

The undertaking shall provide information on the methodologies used to calculate the data. It shall specify whether the data is sourced from direct measurement or estimations, and disclose the key assumptions used.

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS E5 Resource Use and Circular Economy

METRICS AND TARGETS (continued)

E5-5 RESOURCE OUTFLOWS

DISCLOSURE OBJECTIVE

Disclose information on its resource outflows, including waste, related to its material IROs.

DEFINING PRODUCTS AND MATERIALS

- ▶ The undertaking shall provide a description of the key products and materials that come out of the undertaking's production process and that are designed along circular principles, including durability, reusability, reparability, disassembly, remanufacturing, refurbishment, recycling, recirculation by the biological cycle, or optimisation of the use of the product or material through other circular business models.
- ▶ Undertakings for which outflows are material shall disclose:
 - The expected durability of the products placed on the market by the undertaking, in relation to the industry average for each product group;
 - The reparability products, using an established rating system, where possible;
 - The rates of recyclable content in products and their packaging.

COMPOSITION OF WASTE

When disclosing the composition of the waste, the undertaking shall specify:

- The waste streams relevant to its sector or activities (e.g. tailings for the 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); and
 - The materials that are present in the waste (e.g. biomass, metals, non-metallic minerals, plastics, textiles, critical raw materials and rare earths).
- ▶ The undertaking shall also disclose the total amount of hazardous waste and radioactive waste generated by the undertaking, where radioactive waste is defined in [Article 3\(7\) of Council Directive 2011/70/Euratom](#).
- ▶ The undertaking shall provide contextual information on the methodologies used to calculate the data and in particular the criteria and assumptions used to determine and classify products designed along circular principles. It shall specify whether the data is sourced from direct measurement or estimations; and disclose the key assumptions used.

WASTE FROM OPERATIONS

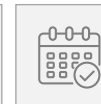
The undertaking shall disclose the following information on its total amount of waste from its own operations, in tonnes or kilogrammes:

- ▶ The total amount of waste generated.
- ▶ The total amount by weight diverted from disposal, with a breakdown between hazardous waste and non-hazardous waste and a breakdown by the following recovery operation types:
 - Preparation for reuse;
 - Recycling; and
 - Other recovery operations.
- ▶ The total amount and percentage of non-recycled waste.

WASTE BY TREATMENT TYPE

The undertaking shall disclose the following information on its total amount of waste from its own operations, in tonnes or kilogrammes:

- ▶ The amount by weight directed to disposal by waste treatment type and the total amount summing all three types, with a breakdown between hazardous waste and non-hazardous waste. The waste treatment types to be disclosed are:
 - Incineration;
 - Landfill; and
 - Other disposal operations.

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS E5 Resource Use and Circular Economy

METRICS AND TARGETS (continued)

E5-6 ANTICIPATED FINANCIAL EFFECTS FROM MATERIAL RESOURCE USE AND CIRCULAR ECONOMY-RELATED IROs

DISCLOSURE OBJECTIVE

Disclose the anticipated financial effects of material risks and opportunities arising from resource use and circular economy-related impacts.

This in addition to the information on current financial effects on the entity's financial position, financial performance and cash flows for the reporting period required under ESRS 2 SBM-3 para 48 (d).

ANTICIPATED FINANCIAL EFFECTS

An undertaking shall disclose:

- ▶ A quantification of the anticipated financial effects in monetary terms before considering resource use and circular economy-related actions, or where not possible with undue cost or effort, qualitative information. For financial effects arising from material opportunities, a quantification is not required if it would result in disclosure that does not meet the qualitative characteristics of information, refer to ESRS 1 *Appendix C Qualitative characteristics of information* (see ESRS 1 At a Glance, page 2);
- ▶ A description of the effects considered, the impacts and dependencies to which they relate and the time horizons in which they are likely to materialise;
- ▶ The critical assumptions used to quantify the anticipated financial effects, as well as the sources and level of uncertainty of those assumptions.



SUSTAINABILITY AT A GLANCE
EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS)
S1 - OWN WORKFORCE

BASED ON THE EUROPEAN COMMISSION DELEGATED ACT - 31 JULY 2023



Effective Date
Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS S1 Own Workforce

DEFINITIONS AND ACRONYMS

- ▶ Adequate wage: a wage that provides for the satisfaction of the needs of the worker and his / her family in the light of national economic and social conditions.
- ▶ Annual total remuneration: annual total remuneration to own workforce 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.
- ▶ Child labour: work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development.
- ▶ 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.
- ▶ DR: disclosure requirement.
- ▶ Employee: an individual who is in an employment relationship with the undertaking according to national law or practice.
- ▶ Equal opportunities: equal and non-discriminatory access to, among individuals, of 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.
- ▶ 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.
- ▶ GOV (governance): the governance processes, controls and procedures used to monitor and manage impacts, risks and opportunities.
- ▶ IRO (impact, risk and opportunity management): the process(es) by which impacts, risks and opportunities are identified, assessed and managed through policies and actions.
- ▶ Non-employees: non-employees in an undertaking's own workforce include both individual contractors supplying labour to the undertaking and people provided by undertakings primarily engaged in 'employment activities'.
- ▶ Own workforce/own workers: employees who are in an employment relationship with the undertaking and non-employees who are either individual contractors supplying labour to the undertaking or people provided by undertakings primarily engaged in 'employment activities'.
- ▶ 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 in respect of his/her employment from his/her employer.
- ▶ 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.
- ▶ Training: initiatives put in place by the undertaking aimed at the maintenance and/or improvement of skills and knowledge of its own workers.
- ▶ Wage: gross wage, excluding variable components such as overtime and incentive pay, and excluding allowances unless they are guaranteed.
- ▶ Work-life balance: satisfactory state of equilibrium between an individual's work and private life.
- ▶ Work-related incident: occurrence arising out of or in the course of work that could or does result in injury or ill health.

MANDATORY DISCLOSURES VS. DISCLOSURES SUBJECT TO MATERIALITY ASSESSMENT

ESRS 1 Section 3.2 requires that materiality assessments be performed to determine whether specific DRs are material and therefore should be disclosed. Despite this requirement, ESRS 2.2(a) requires that disclosures be made in all instances for the requirements in topical standards related to DR IRO-1 *Description of the processes to identify and assess material impacts, risks and opportunities* in ESRS 2. DRs that must be disclosed in all instances have a blue heading and are noted as (MANDATORY).

OBJECTIVE OF ESRS S1

To specify DRs which will enable users of sustainability statements to understand:

- ▶ How the undertaking affects its own workforce, in terms of material positive and negative actual or potential impacts;
- ▶ Any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential negative impacts, and to address risks and opportunities;
- ▶ The nature, type and extent of the undertaking's material risks and opportunities related to its impacts and dependencies on its own workforce, and how the undertaking manages them; and
- ▶ The financial effects on the undertaking over the short-, medium- and long-term of material risks and opportunities arising from the undertaking's impacts and dependencies on its own workforce.

DISCLOSURE REQUIREMENTS

The requirements ESRS S1 should be read in conjunction with the disclosures required by ESRS 2 on Strategy (SBM). The resulting disclosures shall be presented alongside the disclosures required by ESRS 2, except for SBM-3 *Material impacts, risks and opportunities and their interaction with strategy and business model*, for which the undertaking has an option to present the disclosures alongside the topical disclosure.

INTERACTION WITH OTHER ESRS

Certain DRs in ESRS S1 relate to DRs in ESRS 2 *General Disclosures*. For example, ESRS S1 SBM-2 requires disclosure of how an undertaking considers the role that its strategy and business model may play in material impacts on its own workforce, and ESRS S1 requires specific disclosure of views, interest and rights of its own workforce, inform its strategy and business model.

Where a set of DRs relates to a DR from another ESRS, that DR's heading is in blue. All other DR headings are grey.

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS S1 Own Workforce

GOVERNANCE - no specific DRs

ENTITY-SPECIFIC DISCLOSURES

While ESRS S1 does not have specific DRs relating to governance, entities may be required to make entity-specific disclosures if the topic is deemed material through the materiality assessment.

STRATEGY

ESRS 2 SBM-2 INTERESTS & VIEWS OF STAKEHOLDERS

Disclose how the views, interest and rights of people in its own workforce, including respect for their human rights, inform its strategy and business model. An entities own workforce is a key group of affected stakeholders.

ESRS 2 SBM-3 MATERIAL IMPACTS, RISKS AND OPPORTUNITIES AND THEIR INTERACTION WITH STRATEGY AND BUSINESS MODEL

Disclose:

- ▶ Whether and how actual and potential impacts on its own workforce as identified in ESRS2 IRO-1 *Description of the processes to identify and assess material impacts, risks and opportunities*: (i) originate from or are connected to the undertaking's strategy and business models, and (ii) inform and contribute to adapting the undertaking's strategy and business model; and
- ▶ The relationship between its material risks and opportunities arising from impacts and dependencies of its own workforce and its strategy and business model.

Disclose whether all people in its own workforce who are could be materially impacted by the undertaking, are included in the scope of its disclosure under ESRS 2. These material impacts include impacts connected with the undertaking's own operations and its value chain.

Disclose:

- ▶ A brief description of the types of employees and non-employees in its own workforce subject to material impacts by its operations an whether are employees, self-employed people or people provided by third part undertakings engaged in employment activities;
- ▶ Any material risks and opportunities for the undertaking arising from impacts and dependencies on its own workforce;
- ▶ Any material impacts on its own workforce that may arise from transition plans for reducing negative impacts on the environment and achieving greener and climate-neutral operations;
- ▶ Operations at significant risk of incidents of forced labour or compulsory labour;
- ▶ Operations of significant risk of incidents of child labour.

IN THE CASE OF MATERIAL NEGATIVE IMPACTS

Specify whether they are:

- ▶ Widespread or systemic in contexts where the undertaking operates (e.g. child/forced labour) or;
- ▶ Related to individual incidents.

IN THE CASE OF MATERIAL POSITIVE IMPACTS

A brief description of the:

- ▶ Activities that result in the positive impacts and the types of employees and non-employees in its own workforce that are positively affected or could be positively affected; and
- ▶ Whether the positive impacts occur in specific countries or regions.

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ESRS S1 Own Workforce

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

S1-1 POLICIES RELATED TO OWN WORKFORCE

Describe policies adopted to manage its material impacts on its own workforce, as well as associated material risks and opportunities.

The objective of this DR is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of material impacts on its own workforce specifically, as well as policies that cover material risks or opportunities related to its own workforce.

Shall disclose:

- ▶ Its policies to manage its material impacts, risks and opportunities related to its own workforce in accordance with ESRS 2;
- ▶ Describe its human rights policy commitments that are relevant to its own workforce, including those processes and mechanisms to monitor compliance with the [UN Guiding Principles on Business and Human Rights](#), [ILO Declaration on Fundamental Principles and Rights at Work](#) or [OECD Guidelines for Multinational Enterprises](#).

In its disclosure it shall focus on those matters material in relation to:

- ▶ Respect for the human rights, including labour rights of its own workforce;
- ▶ Engagement with people in its own workforce; and
- ▶ Measures to provide and/or enable remedy for human rights impacts.

SPECIFIC POLICY DISCLOSURES

Shall disclose:

- ▶ Whether it has policies aimed at the elimination of discrimination, including harassment, promoting equal opportunities and other ways to advance diversity and inclusion; and
- ▶ Whether the following grounds for discrimination are specifically covered in the policy: racial and ethnic origin, colour, sex, sexual orientation, gender identity, disability, age, religion, political opinion, national extraction or social origin or other forms of discrimination covered by Union regulation and national law;
- ▶ Whether the undertaking has specific policy commitments related to inclusion or positive action for people from groups at particular risk of vulnerability in its own workforce; and
- ▶ Whether and how these policies are implemented through specific procedures to ensure discrimination is prevented, mitigated and acted upon detected, as well as to advance diversity and inclusion in general.

S1-2 PROCESS FOR ENGAGING WITH OWN WORKFORCE AND WORKERS REPRESENTATIVES ABOUT IMPACTS

Disclose general processes for engaging with its own workforce and their representatives about actual and potential impacts on them.

The objective of this DR is to enable an understanding of whether and how the undertaking engages, as part of its ongoing due diligence process, with its own workforce and workers representatives, about material actual and potential positive and/or negative impacts that do or are likely to affect them, and whether and how perspectives of its own workforce are taken into account in the decision-making processes of the undertaking.

Shall include:

- ▶ Whether engagement occurs directly with the undertaking's own workforce or workers' representatives;
- ▶ The stage(s) at which engagement occurs, the type of engagement, and the frequency of the engagement;
- ▶ The function and the most senior role within the undertaking that has operational responsibility for ensuring this engagement happens, and that the results inform the undertaking's approach;
- ▶ Where applicable, a Global Framework Agreement or other agreement that the undertaking has with workers' representatives related to the respect of human rights of its own workforce;
- ▶ Where applicable, how the undertaking assesses the effectiveness of its engagement with its own workforce, including, where relevant, any agreements or outcomes that result.

Disclosure shall:

- ▶ Disclose the steps it takes to gain insight into the perspectives in its own workforce who may be vulnerable to impacts and/or marginalised;
- ▶ If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with its own workforce, it shall disclose this to be the case and it may disclose a timeframe in which it aims to have such a process in place.

**Effective Date**

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ESRS S1 Own Workforce

IMPACT, RISK AND OPPORTUNITY MANAGEMENT (continued)

S1-3 PROCESSES TO REMEDIATE NEGATIVE IMPACTS AND CHANNELS FOR OWN WORKFORCE TO RAISE CONCERNS

Describe the processes it has in place to provide for or cooperate in the remediation of negative impacts on people in its own workforce that the undertaking is connected with, as well as channels available to its own workforce to raise concerns and have them addressed.

The objective of this DR is to enable an understanding of the formal means by which the undertaking's own workforce can make their concerns and needs known directly to the undertaking, and/or through which the undertaking supports the availability of such channels in the workplace, how follow up is carried out with the people concerned regarding the issues raised and the effectiveness of these channels.

Disclosure 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, including whether and how the undertaking assesses that the remedy provided is effective;
- ▶ Any specific channels it has in place for its own workforce to raise their concerns or needs directly with the undertaking and have them addressed, including whether these are established by the undertaking itself and/or through participation in third-party mechanisms;
- ▶ Whether or not the undertaking has a grievance/complaints handling mechanism related to employee matters;
- ▶ The processes through which the undertaking supports the availability of such channels in the workplace of its own workforce; and
- ▶ How it tracks and monitors issues raised and addressed, and how it ensures the effectiveness of the channels, including through involvement of stakeholders who are the intended users.

Shall disclose:

- ▶ Whether and how it assesses that people in its own workforce are aware of and trust these structures or processes as a way to raise their concerns or needs and have them addressed; and
- ▶ Whether it has policies in place regarding the protection of individuals that use them against retaliation.

If the undertaking cannot disclose the above required information because it has not adopted a channel for raising concerns and/or does not support the availability of such a channel in its workplace for its own workforce, it shall disclose this to be the case. It may disclose a timeframe in which it aims to have such a channel in place.

S1-4 TAKING ACTION ON MATERIAL IMPACTS ON OWN WORKFORCE AND APPROACHES TO MANAGING MATERIAL RISKS AND PURSUING MATERIAL OPPORTUNITIES

Shall disclose how it takes action to address material impacts, and to manage material risks and pursue material opportunities related to its own workforce and the effectiveness of those actions.

The objective of this DR is twofold. Firstly, it is to provide an understanding of any actions and initiatives through which the undertaking seeks to:

- ▶ Prevent, mitigate and remediate the negative material impacts on its own workforce; and/or
- ▶ Achieve positive material impacts for its own workforce.

Secondly, it is to enable an understanding of the ways in which the undertaking is addressing the material risks and pursuing the material opportunities related to its own workforce. The undertaking shall provide a summarised description of the action plans and resources to manage its material impacts, risks, and opportunities related to its own workforce as per ESRS 2 MDR-A *Actions and resources in relation to material sustainability matters*.

IN RELATION TO MATERIAL IMPACTS RELATED TO ITS OWN WORKFORCE

Shall describe:

- ▶ Action taken, planned or underway to prevent or mitigate material negative impacts on its own workforce;
- ▶ Whether and how it has taken action to provide or enable remedy in relation to an actual material impact;
- ▶ Any additional actions or initiatives it has in place with the primary purpose of delivering positive impacts for its own workforce; and
- ▶ How it tracks and assesses the effectiveness of these actions and initiatives in delivering intended outcomes for its own workforce.

Material risks and opportunities, disclosure shall describe:

- ▶ What action is planned or underway to mitigate material risks for the undertaking arising from its impacts and dependencies on its own workforce and how it tracks effectiveness in practice; and
- ▶ What action is planned or underway to pursue material opportunities for the undertaking in relation to its own workforce.

**Effective Date**

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ESRS S1 Own Workforce

IMPACT, RISK AND OPPORTUNITY MANAGEMENT (continued)

S1-4 TAKING ACTION ON MATERIAL IMPACTS ON OWN WORKFORCE AND APPROACHES TO MANAGING MATERIAL RISKS AND PURSUING MATERIAL OPPORTUNITIES (continued)

Shall disclose:

- ▶ How it ensures that its own practices do not cause or contribute to material negative impacts on its own workforce, including its practices in relation to procurement, sales and data use.

The undertaking shall consider ESRS 2 MDR-T *Tracking effectiveness of policies and actions through targets* if it evaluates the effectiveness of an action by setting a target.

The undertaking shall disclose what resources are allocated to the management of its material impacts, with information that enables users to gain an understanding of how the material impacts are managed.

METRICS AND TARGETS

S1-5 TARGETS RELATED TO MANAGING MATERIAL NEGATIVE IMPACTS, ADVANCING POSITIVE IMPACTS, AND MANAGING MATERIAL RISKS AND OPPORTUNITIES

Shall disclose the time-bound and outcome-oriented targets it may have set related to:

- ▶ Reducing negative impacts on its own workforce; and/or
- ▶ Advancing positive impacts on its own workforce; and/or
- ▶ Managing material risks and opportunities related to its own workforce.

The objective of this DR is to enable an understanding of the extent to which the undertaking is using outcome-oriented targets to drive and measure its progress in addressing material negative impacts, and/or advancing positive impacts on its own workforce, and/or in managing material risks and opportunities related to its own workforce.

The summarised description of the targets to manage its material impacts, risks and opportunities related to its own workforce shall contain the information requirements defined in ESRS 2 MDR-T.

Shall disclose the process for setting the targets, including whether and how the undertaking engaged directly with its own workforce or workers' representatives in:

- ▶ Setting any such targets;
- ▶ Tracking the undertaking's performance against them; and
- ▶ Identifying, any, lessons or improvements as a result of the undertaking's performance.



Effective Date
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ESRS S1 Own Workforce

METRICS AND TARGETS (continued)

S1-6 CHARACTERISTICS OF THE UNDERTAKING'S EMPLOYEES

Shall describe key characteristics of employees in its own workforce:

The objective of this DR is to provide insight into the undertaking's approach to employment, including the scope and nature of impacts arising from its employment practices, to provide contextual information that aids an understanding of the information reported in other disclosures, and to serve as the basis for calculation for quantitative metrics to be disclosures under other disclosure requirements in this standard.

Shall disclose:

- ▶ The total number of employees by head count, and breakdowns by gender and by country for countries in which the undertaking has 50 or more employees representing at least 10% of its total number of employees;
- ▶ The total number by head count or full time equivalent (FTE) of:
 - Permanent employees, and breakdown by gender;
 - Temporary employees, and breakdown by gender; and
 - Non-guaranteed hours and employees, and breakdown by gender.
- ▶ The total number of employees who have left the undertaking during the reporting period and the rate of employee turnover in the reporting period.
- ▶ A description of the methodologies and assumptions used to compile the data, including whether the numbers are reported:
 - In head count or FTE; and
 - At the end of the reporting period, as an average across the reporting period, or using another methodology.
- ▶ A provision of contextual information necessary to understand the data; and
- ▶ A cross-reference of the information reported under the first bullet above (number of employees by head count, breakdown by gender, etc.) to the most representative number in the financial statements.

MAY DISCLOSE BY HEAD COUNT OR FTE

May disclose by head count or FTE the following information:

- ▶ Full-time employees, and breakdowns by gender and by regions; and
- ▶ Part-time employees, and breakdowns by gender and by region.

S1-7 CHARACTERISTICS OF NON-EMPLOYEES IN THE UNDERTAKING'S OWN WORKFORCE

Shall describe key characteristics of employees in its own workforce:

The objective of this DR is the same as S1-6. This DR also allows an understanding of how much the undertaking relies on non-employees as part of its workforce.

Shall disclose:

- ▶ The total number of non-employees in the undertaking's own workforce;
- ▶ An explanation of the methodologies and assumptions used to compile data, including whether the number of non-employees is reported:
 - In headcount of FTE;
 - At the end of the reporting period, as an average across the reporting period;
 - A provision of contextual information necessary to understand the data.

Where data is not available, the undertaking shall estimate the number and state that it has done so.

**Effective Date**

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ESRS S1 Own Workforce

METRICS AND TARGETS (continued)

S1-8 COLLECTIVE BARGAINING COVERAGE AND SOCIAL DIALOGUE

Shall disclose information on the extent to which the working conditions and terms of employment of its employees are determined or influenced by collective bargaining agreements and on the extent to which its employees are represented in social dialogue in the European Economic Area (EEA) at the establishment and European level.

The objective of this DR is to enable an understanding of the coverage of collective bargaining agreements and social dialogue for the undertaking's own employees.

Shall disclose:

- ▶ The percentage of its total employees covered by collective bargaining agreements;
- ▶ 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 least 50 employees by head count representing at least 10% of its total number of employees; and
- ▶ Outside the EEA, the percentage of its own employees covered by collective bargaining agreements by region.
- ▶ For employees not covered by collective bargaining, the undertaking may disclose whether it determines their working conditions and terms of employment based on collective bargaining agreements that cover its other employees or based on collective bargaining agreements from other undertakings.
- ▶ The undertaking may disclose the extent to which the working conditions and terms of employment of non-employees in its own workforce are determined or influenced by collective bargaining agreements, including an estimate of the coverage rate.

IN RELATION TO SOCIAL DIALOGUE

Shall describe:

- ▶ 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; and
- ▶ 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.

S1-9 DIVERSITY METRICS

Shall disclose the gender distribution at top management and the age distribution amongst its employees.

The objective of this DR is to enable an understanding of gender diversity at top management level and the age distribution of its employees.

Shall disclose:

- ▶ The gender distribution in number and percentage at top management level; and
- ▶ The distribution of employees by age group; under 30 years old; 30-50 years old; over 50 years old.

S1-10 ADEQUATE WAGES

Shall disclose whether or not its employees are paid an adequate wage, and if they are not all paid an adequate wage, the countries and percentage of employees concerned.

The objective of this DR is to enable an understanding of whether or not all undertaking's employees are paid an adequate wage in line with applicable benchmarks.

Shall disclose:

- ▶ Whether all its employees are paid an adequate wage, in line with applicable benchmarks;
- ▶ The countries where employees earn below the applicable adequate wage benchmark and the percentage of employees that earn below the applicable adequate wage benchmark for each of these countries;

The undertaking may also disclose the information specified in this disclosure requirement with regard to non-employees in its workforce.

**Effective Date**

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ESRS S1 Own Workforce

METRICS AND TARGETS (continued)

S1-11 SOCIAL PROTECTION

Shall disclose whether its 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.

The objective of this DR 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.

Shall disclose whether all its employees are covered by social protection through public programs, against loss of income due to any of the following life events:

- ▶ Sickness;
- ▶ Unemployment starting from when the own worker is working for the undertaking;
- ▶ Employment injury and acquired disability;
- ▶ Parental leave; and
- ▶ Retirement.

If not all employees are covered by social protection, the undertaking shall disclose the countries where employees do not have social protection and for each of those countries the types of employees who do not have social protection with regard to each applicable major life event.

The undertaking may also disclose the information specified in this disclosure requirement with regard to non-employees in its workforce.

S1-12 PERSONS WITH DISABILITIES

Shall disclose the percentage of its own employees with disabilities.

The objective of this DR is to enable an understanding of the extent to which persons with disabilities are included among the undertaking's employees.

Shall disclose:

- ▶ The percentage of persons with disabilities amongst its employees subject to legal restrictions on the collection of data; and

The undertaking may disclose the percentage of employees with disabilities with a breakdown by gender.

S1-13 TRAINING AND SKILLS DEVELOPMENT

Shall disclose the extent to which training and skills is provided to its employees.

The objective of this DR 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.

Shall disclose:

- ▶ The percentage of employees that participated in regular performance and career development reviews; such information shall be broken down by gender;
- ▶ The average number of training hours per employee and by gender.

May disclose:

- ▶ The breakdowns by employee category for the percentage of employees that participated in regular performance and career development and for the average number of training hours per employee
- ▶ The information specified in this disclosure requirement with regard to non-employees in its workforce.

**Effective Date**

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ESRS S1 Own Workforce

METRICS AND TARGETS (continued)

S1-14 HEALTH AND SAFETY

Shall disclose information on the extent to which its own workforce is covered by its health and safety management system and the number of incidents associated with work-related injuries, ill health and fatalities of its own workforce.

The objective of this DR is to allow an understanding of the coverage, quality and performance of the health and safety management system established to prevent work-related injuries.

Shall include the following information, broken down between employees and non-employees in the undertaking's own workforce:

- ▶ 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 recognized standards or guidelines;
- ▶ The number of fatalities as a result of work-related injuries and work-related ill health;
- ▶ The number and rate of recordable work-related accidents;
- ▶ With regard to the undertaking's employees, the number of cases recordable work-related ill health, subject to legal restrictions on the collection of data; and
- ▶ With regard to the undertaking's employees, the number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health.

The information for the second bullet (number of fatalities as a result of work-related injuries) shall also be reported for other workers working on the undertaking's sites, such as value chain workers if they are working on the undertaking's sites.

May disclose:

- ▶ The information specified in the fourth and fifth bullets with regard to non-employees.

IN RELATION TO HEALTH AND SAFETY COVERAGE

May disclose:

- ▶ The percentage of its own workers covered by a health and safety management system which is based on legal requirements and/or recognized standards or guidelines and which has been internally audited and/or certified by an external party.

S1-15 WORK-LIFE BALANCE

Shall disclose the extent to which employees are entitled to and make use of family-related leave.

The objective of this DR 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.

Shall include:

- ▶ The percentage of employees entitled to take family-related leave; and
- ▶ The percentage of entitled employees that took family-related leave, and a breakdown by gender.

S1-16 REMUNERATION METRICS

Shall disclose the parentage gap in pay between its female and male employees and the ratio between the remuneration of its highest paid individual and the median remuneration for its employees.

The objective of this DR 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.

Shall disclose:

- ▶ 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;
 - This information may be disclosed by employee category and/or by country/segment. This information may also be disclosed between employees by categories of employees broken down by ordinary basic salary and complementary or variable components.
- ▶ The annual total remuneration ratio of the highest paid individual to the median annual total remuneration for all employees; and
 - This figure may be adjusted for purchasing power differences between countries, in which case it shall report the methodology used for the calculation.
- ▶ Where applicable, any contextual information necessary to understand the data and how the data has been compiled and other changes to the underlying data that are to be considered.

**Effective Date**

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ESRS S1 Own Workforce

METRICS AND TARGETS (continued)

S1-17 INCIDENTS, COMPLAINTS AND SEVERE HUMAN RIGHTS IMPACTS

Shall disclose the number of work-related incidents and/or complaints and severe human rights within its own workforce and any related material fines, sanction or compensation for the reporting period.

The objective of this DR is to allow an understanding of the extent to which work-related incidents and severe cases of human rights impacts are affecting its own workforce.

Shall include work-related incidents of discrimination on the grounds of gender, racial or ethnic origin, nationality, religion or belief, disability, age, sexual orientation, or other relevant forms of discrimination involving internal and/or external stakeholders across operations in the reporting period.

Shall disclose:

- ▶ The total number of incidents of discrimination, including harassment, reported in the reporting period;
- ▶ The number of complaints filed through channels for people in the undertaking's own workforce to raise concerns, where applicable, to the National Contact Points for OECD Multinational Enterprises related to the matters defined in social and human rights factored (see ESRS S1.2), excluding those already reports in the above bullet;
- ▶ The total amount of fines, penalties and compensation for damages as a result of the incidents and complaints disclosed above, and a reconciliation of such monetary amounts disclosed with the most relevant amount presented in the financial statements; and
- ▶ Where applicable, contextual information necessary to understand the data and how such data has been compiled.

INFORMATION REGARDING IDENTIFIED CASES OF SEVERE HUMAN RIGHTS INCIDENTS

Shall disclose:

- ▶ The number of severe human rights incidents connected to the undertaking's workforce in the reporting period, including an indication of how many of these are cases of non-respect of the [UN Guiding Principles on Business and Human Rights](#), [ILO Declaration on Fundamental Principles and Rights at Work](#) or [OECD Guidelines for Multinational Enterprises](#). If no incidents have occurred, the undertaking shall state this; and
- ▶ The total amount of fines, penalties and compensation for damages for the incidents describes in the above bullet, and a reconciliation of the monetary amounts disclosed in the most relevant amount in the financial statements.

A photograph of three people, two men and one woman, standing in a cafe or kitchen. They are all wearing aprons and smiling. The background shows shelves with various items and a warm, indoor lighting. A semi-transparent blue banner is overlaid on the image, containing white text. There are red vertical bars on the left and right sides of the image.

SUSTAINABILITY AT A GLANCE
EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS)
S2 - WORKERS IN THE VALUE CHAIN

BASED ON THE EUROPEAN COMMISSION DELEGATED ACT - 31 JULY 2023

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS S2 Workers in the Value Chain

DEFINITIONS AND ACRONYMS

- ▶ Adequate wage: A wage that provides for the satisfaction of the needs of the worker and his / her family in the light of national economic and social conditions.
- ▶ 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.
- ▶ Credible proxies: Individuals with sufficiently deep experience in engaging with affected stakeholders from a particular region or context (for example, women workers on farms, indigenous peoples or migrant workers) who can help to effectively 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.
- ▶ DR: Disclosure requirement.
- ▶ Grievance mechanisms: Any routinized, state-based or non-state-based, judicial or non-judicial processes through which stakeholders can raise grievances and seek remedy.
- ▶ IRO: Impact, risk and opportunity management.
- ▶ 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.
- ▶ 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](#)).
- ▶ Social dialogue: All types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers, their organisations and workers' representatives, 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 workers' representatives and management (or trade unions and employers' organisations).
- ▶ Sustainability statement: The dedicated section of the undertaking's management report where the information about sustainability matters prepared in compliance with [Directive 2013/34/EU](#) of the European Parliament and of the Council³⁹ and the ESRS is presented.
- ▶ Value chain worker: An individual performing work in the value chain 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 value chain include all workers in the undertaking's upstream and downstream value chain who are or can be materially impacted by the undertaking. This includes impacts that are connected to 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 in the scope of 'Own Workforce' ('Own Workforce' includes people 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).

MANDATORY DISCLOSURES VS. DISCLOSURES SUBJECT TO MATERIALITY ASSESSMENT

ESRS 1 Section 3.2 requires that materiality assessments be performed to determine whether specific DRs are material and therefore should be disclosed. Despite this requirement, ESRS 2.2(a) requires that disclosures be made in all instances for the requirements in topical standards related to DR IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities in ESRS 2. DRs that must be disclosed in all instances have a blue heading and are noted as (MANDATORY).

CONSISTENCY WITH EU REGULATIONS AND LAW

Several of the disclosure requirements in ESRS S2 take into account the requirements of related European Union legislation and regulation. For example, [Regulation \(EU\) 2019/2088](#) and ESG factors subject to [Regulation \(EU\) 2020/1816](#).

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS S2 Workers in the Value Chain

OBJECTIVE OF ESRS S2

To specify DRs which will enable users of sustainability statements to understand:

- ▶ Material impacts on value chain workers connected with the undertaking's own operations and value chain, including through its products or services, as well as through its business relationships, and its related material risks and opportunities, including:
 - How the undertaking affects workers in its value chain, in terms of material positive and negative actual or potential impacts;
 - Any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential negative impacts, and to address risks and opportunities;
 - The nature, type and extent of the undertaking's material risks and opportunities, including those related to its impacts and dependencies on workers in the value chain, and how the undertaking manages them; and
 - The financial effects on the undertaking over the short-, medium- and long-term of material risks and opportunities, including those arising from the undertaking's impacts and dependencies on workers in the value chain.

INTERACTION WITH OTHER ESRSs

Certain DRs in ESRS S2 relate to DRs in ESRS 2 on Strategy (SBM). For example, ESRS 2 SBM-2 requires disclosure of interests and views of stakeholders and ESRS 2 SBM-3 requires disclosure of material IROs and their interaction with strategy and business model. The resulting disclosures shall be presented alongside the disclosures required by ESRS 2, except for SBM-3, for which the undertaking has an option to present the disclosures alongside the topical disclosure.

Where a set of DRs relates to a DR from another ESRS, that DR's heading is in blue. All other DR headings are grey.

GOVERNANCE - no specific DRs

ENTITY-SPECIFIC DISCLOSURES

While ESRS S2 does not have specific DRs relating to governance, as required by ESRS 1 Section 1.4, undertakings may be required to make entity-specific disclosures if it is considered that an IRO is material even if a ESRS does not contain specific DRs.

THE UNDERTAKING SHALL EXPLAIN HOW IT IDENTIFIES AND MANAGES ANY MATERIAL ACTUAL AND POTENTIAL IMPACTS ON VALUE CHAIN WORKERS

This is required in relation to:

- ▶ Working conditions (for example, secure employment, working time, adequate wage, social dialogue, freedom of association, including the existence of work councils, collective bargaining, work-life balance and health and safety);
- ▶ Equal treatment and opportunities for all (for example, gender equality and equal pay for work of equal value, training and skills development, the employment and inclusion of persons with disabilities, measures against violence and harassment in the workplace, and diversity);
- ▶ Other work-related rights (for example, child labour, forced labour, adequate housing, water and sanitation and privacy).

WHO DOES THE STANDARD COVER?

- ▶ 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*.

THE UNDERTAKING SHALL EXPLAIN:

- ▶ How such impacts, as well as the undertaking's dependencies on value chain workers, can create material risks or opportunities for the undertaking.
- ▶ For example, negative impacts on value chain workers may disrupt the undertaking's operations (through customers refusing to buy its products or state agencies impounding its goods) and harm its reputation. Conversely, respect for workers' rights and active support programmes (for example through financial literacy initiatives) can bring business opportunities, such as more reliable supply or widening of the future consumer base.

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS S2 Workers in the Value Chain

STRATEGY

DR RELATED TO ESRS 2 SBM-2 INTERESTS AND VIEWS OF STAKEHOLDERS

When responding to ESRS 2 SBM-2 paragraph 43, this disclosure shall include:

- ▶ How the interests, views, and rights of its value chain workers could be materially impacted by the undertaking, including respect for their human rights, inform its strategy and business model.

Value chain workers are a key group of affected stakeholders.

DR RELATED TO ESRS 2 SBM-3 MATERIAL IROs AND THEIR INTERACTION WITH STRATEGY AND BUSINESS MODEL

When responding to ESRS 2 SBM-3 paragraph 48, this disclosure shall include:

- ▶ Whether and how actual and potential impacts on value chain workers, as identified in ESRS 2 IRO-1 *Description of the processes to identify and assess material IROs*:
 - Originate from or are connected to the undertaking's strategy and business models, and
 - Inform and contribute to adapting the undertaking's strategy and business model; and
- ▶ The relationship between on the one hand its material risks and opportunities arising from
 - Impacts and dependencies on value chain workers, and
 - Its strategy and business model.
- ▶ Whether all value chain workers who are likely to 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, are included in the scope of its disclosure under ESRS 2.
- ▶ Any geographies, at country level or other levels, or commodities for which there is a significant risk of child labour, or of forced labour or compulsory labour, among workers in the undertaking's value chain;
- ▶ Any material risks and opportunities for the undertaking arising from impacts and dependencies on value chain workers.

VALUE CHAIN WORKERS

- ▶ A brief description of the types of value chain workers who could be materially impacted by the undertaking, including impacts that connected with the undertaking's own operations and value chain, including through its products or services, as well as through its business relationships, and specify whether they are:
 - Workers working on the undertaking site but who are not part of own workforce, i.e., who are not self-employed workers or workers provided by third party undertakings primarily engaged in employment activities (covered through ESRS S1);
 - Workers working for entities in the undertaking's upstream value chain (e.g., those involved in the extraction of metals or minerals or harvesting of commodities, in refining, manufacturing or other forms of processing);
 - Workers working for entities in the undertaking's downstream value chain (e.g., those involved in the activities of logistics or distribution providers, franchisees, retailers);
 - Workers working in the operations of a joint venture or special purpose vehicle involving the reporting undertaking;
 - Workers who (within the prior categories or additionally) are particularly vulnerable to negative impacts whether due to their inherent characteristics or to the particular context, such as trade unionists, migrant workers, home workers, women or young workers.
- ▶ In describing the main types of value chain workers who are or could be negatively affected, based on the materiality assessment set out in ESRS 2 IRO-1, the undertaking shall disclose whether and how it has developed an understanding of how workers with particular characteristics,
 - Those working in particular contexts, or
 - Those undertaking particular activities
 may be at greater risk of harm.
- ▶ The undertaking shall disclose which, if any, of its material risks and opportunities arising from impacts and dependencies on its value chain workers relate to specific groups of value chain workers e.g.
 - Particular age groups,
 - Workers in a particular factory or country
 Rather than to all of the value chain workers.



Effective Date
Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS S2 Workers in the Value Chain

STRATEGY (continued)

DR RELATED TO ESRS 2 SBM-3 MATERIAL IROs AND THEIR INTERACTION WITH STRATEGY AND BUSINESS MODEL (continued)

MATERIAL NEGATIVE IMPACTS

- ▶ Whether material negative impacts are either
 - Widespread or systemic in contexts where the undertaking operates or has sourcing or other business relationships (e.g., child labour or forced labour in particular commodity supply chains in specific countries or regions), or
 - Related to individual incidents (e.g., an industrial accident or an oil spill) or to specific business relationships.
- ▶ This includes consideration of impacts on value chain workers that may arise from the transition to greener and climate-neutral operations.
- ▶ Potential impacts include impacts associated with innovation and restructuring, closure of mines, increased mining of minerals needed for the transition to a sustainable economy, and solar panel production.

MATERIAL POSITIVE IMPACTS

- ▶ A brief description of the activities that result in the positive impacts (e.g., updated purchasing practices, capacity-building to supply chain workers), including
 - Providing opportunities for the workforce such as job creation and upskilling in the context of a 'just transition',
 - The types of value chain workers that are positively affected or could be positively affected;
- The undertaking may also disclose whether the positive impacts occur in specific countries or regions.

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

S2-1 - POLICIES RELATED TO VALUE CHAIN WORKERS

Disclose policies adopted to manage its material impacts on value chain workers, as well as associated material risks and opportunities.

This disclosure shall include:

- ▶ The information on the undertaking's policies to manage its material IROs related to value chain workers in accordance with ESRS 2 *MDR-P Policies adopted to manage material sustainability matters*.
- ▶ Whether such policies cover specific groups of value chain workers or all value chain workers.
- ▶ Human rights policy commitments that are relevant to value chain workers, including those processes and mechanisms to monitor compliance with the [UN Guiding Principles on Business and Human Rights](#), [ILO Declaration on Fundamental Principles and Rights at Work](#) or [OECD Guidelines for Multinational Enterprises](#). In its disclosure, it shall focus on those matters that are material in relation to, as well as the general approach to:
 - Respect for the human rights, including labour rights, of workers;
 - Engagement with value chain workers; and
 - Measures to provide and/or enable remedy for human rights impacts.
- ▶ The undertaking shall state whether its policies in relation to value chain workers explicitly address trafficking in human beings, forced labour or compulsory labour and child labour. It shall also state whether the undertaking has a supplier code of conduct.
- ▶ The undertaking shall disclose whether and how its policies with regard to value chain workers are aligned with internationally recognised instruments relevant to value chain workers, including the United Nations (UN) Guiding Principles on Business and Human Rights.
- ▶ The extent to which cases of non-respect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises that involve value chain workers have been reported in its upstream and downstream value chain and, if applicable, an indication of the nature of such cases.



Effective Date
Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS S2 Workers in the Value Chain

IMPACT, RISK AND OPPORTUNITY MANAGEMENT (continued)

S2-2 - PROCESSES FOR ENGAGING WITH VALUE CHAIN WORKERS ABOUT IMPACTS

Disclose general processes for engaging with value chain workers and their representatives about actual and potential impacts on them.

Disclosure shall:

- ▶ Whether and how the perspectives of value chain workers inform its decisions or activities aimed at managing the actual and potential impacts on value chain workers.
 - Whether engagement occurs with value chain workers or their legitimate representatives directly, or with credible proxies that have insight into their situation;
 - The stage(s) at which engagement occurs, the type of engagement, and the frequency of the engagement;
 - The function and the most senior role within the undertaking that has operational responsibility for ensuring that this engagement happens, and that the results inform the undertaking's approach;
 - Where applicable, Global Framework Agreements or for agreements that the undertaking has with global union federations related to respect of human rights of workers in the value chain, including their right to bargain collectively, and including an explanation of how the agreement enables the undertaking to gain insight into those workers' perspectives; and
 - Where applicable, how the undertaking assesses the effectiveness of its engagement with workers in the value chain, including, where relevant, any agreements or outcomes that result.
- ▶ Where applicable, the steps it takes to gain insight into the perspectives of workers that may be particularly vulnerable to impacts and/or marginalised (for example, women workers, migrant workers, workers with disabilities).

IF A GENERAL PROCESS TO ENGAGE WITH WORKERS IN THE VALUE CHAIN NOT ADOPTED

- ▶ If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with workers in the value chain, it shall disclose this to be the case.
- ▶ It may disclose a timeframe in which it aims to have such a process in place.

GLOBAL FRAMEWORK AGREEMENTS

- ▶ 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.

S2-3 - PROCESSES TO REMEDIATE NEGATIVE IMPACTS AND CHANNELS FOR VALUE CHAIN WORKERS TO RAISE CONCERNS

Disclose the processes it has in place to provide for or cooperate in the remediation of negative impacts on value chain workers that the undertaking is connected with, as well as channels available to value chain workers to raise concerns and have them addressed.

This disclosure shall include:

- ▶ Description of 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, including whether and how the undertaking assesses that the remedy provided is effective;
- ▶ Description of any specific channels it has in place for value chain workers to raise their concerns or needs directly with the undertaking and have them addressed, including whether these are established by the undertaking itself and/or whether they are third-party mechanisms;
- ▶ Description of the processes through which it supports or requires the availability of such channels in the workplace of value chain workers; and
- ▶ Description of how it tracks and monitors issues raised and addressed, and how it ensures the effectiveness of the channels, including through involvement of stakeholders who are the intended users.
- ▶ Whether and how it assesses that value chain workers are aware of and trust these structures or processes as a way to raise their concerns or needs and have them addressed.
- ▶ Whether it has policies in place regarding the protection of individuals that use them against retaliation. If such information has been disclosed in accordance with ESRS G1-1, the undertaking may refer to that information.

IF A CHANNEL FOR RAISING CONCERNS NOT ADOPTED OR SUPPORTED

- ▶ If the undertaking cannot disclose the above required information because it has not adopted a channel for raising concerns and/or does not support the availability of such a channel in the workplace of value chain workers, it shall disclose this to be the case. It may disclose a timeframe in which it aims to have such a channel or processes in place.

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS S2 Workers in the Value Chain

IMPACT, RISK AND OPPORTUNITY MANAGEMENT (continued)

S2-4 - TAKING ACTION ON MATERIAL IMPACTS ON VALUE CHAIN WORKERS, AND APPROACHES TO MANAGING MATERIAL RISKS AND PURSUING MATERIAL OPPORTUNITIES RELATED TO VALUE CHAIN WORKERS, AND EFFECTIVENESS OF THOSE ACTIONS

Disclose how it takes action to address material impacts on value chain workers, and to manage material risks and pursue material opportunities related to value chain workers and the effectiveness of those actions.

Disclosure shall include:

- ▶ A summarised description of the action plans and resources to manage its material impacts, risks, and opportunities related to value chain workers as per ESRS 2 MDR-A *Actions and resources in relation to material sustainability matters*.
- ▶ The processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on value chain workers;
- ▶ Its approach to taking action in relation to specific material negative impacts on value chain workers, including any action in relation to its own purchasing or other internal practices, as well as capacity- building or other forms of engagement with entities in the value chain, or forms of collaborative action with industry peers or other relevant parties; and
- ▶ How it ensures that processes to provide or enable remedy in the event of material negative impacts are available and effective in their implementation and outcomes.
- ▶ Whether and how it takes action to avoid causing or contributing to material negative impacts on value chain workers through its own practices, including, where relevant, in relation to procurement, sales and data use. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.
- ▶ Whether severe human rights issues and incidents connected to its upstream and downstream value chain have been reported and, if applicable, disclose these.
- ▶ What resources are allocated to the management of its material impacts, with information that enables users to gain an understanding of how the material impacts are managed.

IN RELATION TO MATERIAL IMPACTS

Disclosure shall describe:

- ▶ Actions taken, planned or underway to prevent or mitigate material negative impacts on value chain workers;
- ▶ Whether and how it has taken action to provide or enable remedy in relation to an actual material impact;
- ▶ Any additional actions or initiatives it has in place with the primary purpose of delivering positive impacts for value chain workers. The undertaking shall consider ESRS 2 (see ESRS 2 MDR-T *Tracking effectiveness of policies and actions through targets*) if it evaluates the effectiveness of an action by setting a target; and
- ▶ How it tracks and assesses the effectiveness of such actions and initiatives in delivering intended outcomes for value chain workers.

IN RELATION TO MATERIAL RISKS AND OPPORTUNITIES

Disclosure shall describe:

- ▶ What action is planned or underway to mitigate material risks for the undertaking arising from its impacts and dependencies on value chain workers and how it tracks effectiveness in practice; and (
- ▶ What action is planned or underway to pursue material opportunities for the undertaking in relation to value chain workers.

**Effective Date**

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ESRS S2 Workers in the Value Chain

METRICS AND TARGETS

S2-5 - TARGETS RELATED TO MANAGING NEGATIVE IMPACTS, ADVANCING POSITIVE IMPACTS, AND MANAGING MATERIAL RISKS AND OPPORTUNITIES

DISCLOSURE OBJECTIVE

Disclose the time-bound and outcome-oriented targets it may have set related to:

- ▶ Reducing negative impacts on value chain workers; and/or
- ▶ Advancing positive impacts on value chain workers; and/or
- ▶ Managing material risks and opportunities related to value chain workers.

TARGETS

- ▶ The summarised description of the targets to manage its material IROs related to value chain workers shall contain the information requirements defined in ESRS 2 MDR-T.
- ▶ The undertaking shall disclose the process for setting the targets, including whether and how the undertaking engaged directly with workers in the value chain, their legitimate representatives, or with credible proxies that have insight into their situation in:
 - Setting any such targets;
 - Tracking the undertaking's performance against them; and
 - Identifying any lessons or improvements as a result of the undertaking's performance.



SUSTAINABILITY AT A GLANCE
EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS)
S3 - AFFECTED COMMUNITIES

BASED ON THE EUROPEAN COMMISSION DELEGATED ACT - 31 JULY 2023



Effective Date
Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS S3 Affected Communities

DEFINITIONS AND ACRONYMS

- ▶ Actions: refer to i.) actions and action plans that are undertaken to ensure that the undertaking delivers against targets set and through which the undertaking seeks to address material impacts, risks and opportunities; and ii.) decisions to support these with financial, human or technological resources.
- ▶ 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 value chain. Affected communities can range from those living adjacent to the undertaking's operations (local communities) to those living at a distance. Affected communities include actually and potentially affected indigenous peoples.
- ▶ Credible proxies: individuals with sufficiently deep experience in engaging with affected stakeholders from a particular region or context (for example, women workers on farms, indigenous peoples or migrant workers) who can help to effectively convey their likely concerns.
- ▶ Dependencies: the situation of an undertaking being dependent on natural, human and/or social resources for its business processes.
- ▶ DR: disclosure requirement.
- ▶ GOV (governance): the governance processes, controls and procedures used to monitor and manage impacts, risks and opportunities.
- ▶ Indigenous Peoples: there is no single definition for indigenous peoples agreed on at the international level. An important criteria for defining indigenous people is related to their connection to a traditional area, as defined in [ILO \(International Labour Organization\) Convention No. 169, Article 1](#).
- ▶ IRO (impact, risk and opportunity management): the process(es) by which impacts, risks and opportunities are identified, assessed and managed through policies and actions.
- ▶ 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.
- ▶ SBM (strategy and business model): how the undertaking's strategy and business model interact with its material impacts, risks and opportunities, including how the undertaking addresses those impacts, risks and opportunities.
- ▶ Stakeholder Engagement: an ongoing process of interaction and dialogue between the undertaking and its stakeholders 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.
- ▶ Targets: measurable, outcome-oriented and time-bound goals that the undertaking aims to achieve in relation to material impacts, risks or opportunities.
- ▶ 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.

MANDATORY DISCLOSURES VS. DISCLOSURES SUBJECT TO MATERIALITY ASSESSMENT

ESRS 1 Section 3.2 requires that materiality assessments be performed to determine whether specific DRs are material and therefore should be disclosed. Despite this requirement, ESRS 2.2(a) requires that disclosures be made in all instances for the requirements in topical standards related to DR IRO-1 *Description of the processes to identify and assess material impacts, risks and opportunities* in ESRS 2. DRs that must be disclosed in all instances have a blue heading and are noted as (MANDATORY).

OBJECTIVE OF ESRS S3

To specify DRs which will enable users of sustainability statements to understand:

- ▶ How the undertaking affects communities, in areas where impacts are most likely to be present and severe, in terms of material positive and negative actual or potential impacts;
- ▶ Any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential negative impacts, and to address risks and opportunities;
- ▶ The nature, type and extent of the undertaking's material risks and opportunities related to its impacts and dependencies on affected communities, and how the undertaking manages them; and
- ▶ The financial effects on the undertaking over the short-, medium- and long-term of material risks and opportunities arising from the undertaking's impacts and dependencies on affected communities.

DISCLOSURE REQUIREMENTS

The requirements of this section should be read in conjunction with the disclosures required by ESRS 2 on Strategy (SBM). The resulting disclosures shall be presented alongside the disclosures required by ESRS 2, except for SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model, for which the undertaking has an option to present the disclosures alongside the topical disclosure.

INTERACTION WITH OTHER ESRSs

Certain DRs in ESRS E1 relate to DRs in ESRS 2 *General Disclosures*. For example, ESRS 2 SBM-2 requires disclosure of how an undertaking considers the role that its strategy and business model may play in material impacts on affected communities, and ESRS S3 requires specific disclosure of views, interest and rights of affected communities, including respect for their human rights (and their right as indigenous peoples, where applicable), inform its strategy and business model.

Where a set of DRs relates to a DR from another ESRS, that DR's heading is in blue. All other DR headings are grey.



Effective Date
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ESRS S3 Affected Communities

GOVERNANCE - no specific DRs

ENTITY-SPECIFIC DISCLOSURES

While ESRS S3 does not have specific DRs relating to governance, entities may be required to make entity-specific disclosures if the topic is deemed material through the materiality assessment.

STRATEGY

ESRS 2 SBM-2 - INTERESTS & VIEWS OF STAKEHOLDERS

Disclose how the views, interest and rights of affected communities, including respect for their human rights (and their right as indigenous peoples, where applicable), inform its strategy and business model.

Affected communities are a key group of affected stakeholders.

ESRS 2 SBM-3 - MATERIAL IMPACTS, RISKS AND OPPORTUNITIES AND THEIR INTERACTION WITH STRATEGY AND BUSINESS MODEL

Disclose whether and how:

- ▶ Actual and potential impacts on affected communities as identified in ESRS2 IRO-1 *Description of the processes to identify and assess material impacts, risks and opportunities*: (i) originate from or are connected to the undertaking's strategy and business models, and (ii) inform and contribute to adapting the undertaking's strategy and business model; and
- ▶ The relationship between its material risks and opportunities arising from impacts and dependencies on affected communities and its strategy and business model.

Disclose whether all affected communities who are likely to 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, are included in the scope of its disclosure under ESRS 2.

IN THE CASE OF MATERIAL NEGATIVE IMPACTS

Specify whether they are:

- ▶ Widespread or systemic in contexts where the undertaking operates or has sourcing or other business relationships;
- ▶ Related to individual incidents in the undertaking's own operations or in a specific business relationship. This includes consideration of impacts on affected communities that may arise from the transition to greener and climate- neutral operations.

IN THE CASE OF MATERIAL POSITIVE IMPACTS

A brief description of the:

- ▶ Activities that result in the positive impacts and the types of communities that are positively affected or could be positively affected; and
- ▶ Any material risks and opportunities for the business arising from impacts and dependencies on affected communities.

COMMUNITIES SUBJECT TO MATERIAL IMPACTS BY ITS OWN OPERATIONS OR THROUGH ITS UPSTREAM AND DOWNSTREAM VALUE CHAIN

Specify whether they are:

- ▶ Communities living or working around the undertaking's operating sites, factories, facilities or other physical operations, or more remote communities affected by activities at those sites;
- ▶ Communities of indigenous peoples, along the undertaking's value chain and/or at one or both endpoints of the value chain.

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS S3 Affected Communities

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

S3-1 POLICIES RELATED TO AFFECTED COMMUNITIES

Describe its policies adopted to manage its material impacts on affected communities, as well as associated material risks and opportunities.

The objective of this DR is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of material impacts on affected communities specifically, as well as policies that cover material risks or opportunities related to affected communities.

Shall disclose:

- ▶ Any particular policy provisions for preventing and addressing impacts on indigenous peoples;
- ▶ Describe its human rights policy commitments that are relevant to affected communities, including those processes and mechanisms to monitor compliance with the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises.

In its disclosure it shall focus on those matters material in relation to:

- ▶ Respect for the human rights of communities, and indigenous peoples specifically;
- ▶ Engagement with affected communities; and
- ▶ Measures to provide and/or enable remedy for human rights impacts.

The undertaking shall disclose:

- ▶ How its policies with regard to affected communities are aligned with internationally recognized standards relevant to communities and indigenous peoples; and
- ▶ The extent to which cases of non-respect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises that involve affected communities have been reported in its own operations or in its value chain.

S3-2 PROCESS FOR ENGAGING WITH AFFECTED COMMUNITIES ABOUT IMPACTS

Disclose its general processes for engaging with affected communities and their representatives about actual and potential impacts on them.

The objective of this DR is to enable an understanding of whether and how the undertaking engages, as part of its ongoing due diligence process, with affected communities, their legitimate representatives, or with credible proxies, about material actual and potential positive and/or negative impacts that do or are likely to affect them, and whether and how perspectives of affected communities are taken into account in the decision-making processes of the undertaking.

This shall include, where relevant, an explanation of:

- ▶ Whether engagement occurs with affected communities or their legitimate representatives directly, or with credible proxies that have insight into their situation;
- ▶ The stage(s) at which engagement occurs, the type of engagement, and the frequency of the engagement;
- ▶ The function and the most senior role within the undertaking that has operational responsibility for ensuring this engagement happens, and that the results inform the undertaking's approach;
- ▶ Where applicable, how the undertaking assesses the effectiveness of its engagement with affected communities, including, where relevant, any agreements or outcomes that result.

Disclosure shall:

- ▶ Disclose the steps it takes to gain insight into the perspectives of affected communities
- ▶ Where affected communities are indigenous peoples, the undertaking shall also disclose how it takes into account and ensures respect of their particular rights in its stakeholder engagement approach, including their right to free, prior and informed consent with regard to: (i) their cultural, intellectual, religious and spiritual property; (ii) activities affecting their lands and territories; and (iii) legislative or administrative measures that affect them.
- ▶ Where engagement occurs with indigenous peoples, the undertaking shall also disclose whether and how indigenous peoples have been consulted.
- ▶ If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with affected communities, it shall disclose this to be the case and it may disclose a timeframe in which it aims to have such a process in place.



Effective Date
Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS S3 Affected Communities

IMPACT, RISK AND OPPORTUNITY MANAGEMENT (continued)

S3-3 PROCESSES TO REMEDIATE NEGATIVE IMPACTS AND CHANNELS FOR AFFECTED COMMUNITIES TO RAISE CONCERNS

Describe the processes it has in place to provide for or cooperate in the remediation of negative impacts on affected communities that the undertaking is connected with, as well as channels available to affected communities to raise concerns and have them addressed.

The objective of this DR is to enable an understanding of the formal means by which affected communities can make their concerns and needs known directly to the undertaking, and/or through which the undertaking supports the availability of such channels by its business relationships, how follow up is performed with these communities regarding the issues raised, and the effectiveness of these channels.

Disclosure shall describe:

- ▶ Its general approach to and processes for providing or contributing to remedy where it has identified that it has caused or contributed to a material negative impact on affected communities, including whether and how the undertaking assesses that the remedy provided is effective;
- ▶ Any specific channels it has in place for affected communities to raise their concerns or needs directly with the undertaking and have them addressed, including whether these are established by the undertaking itself and/or through participation in third-party mechanisms
- ▶ Its processes through which the undertaking supports the availability of such channels by its business relationships; and
- ▶ How it tracks and monitors issues raised and addressed, and how it ensures the effectiveness of the channels, including through involvement of stakeholders who are the intended users of those channels.

Shall Disclose:

- ▶ Whether and how it assesses that affected communities are aware of and trust these structures or processes as a way to raise their concerns or needs and have them addressed; and
- ▶ Whether it has policies in place regarding the protection of individuals that use them against retaliation

If the undertaking cannot disclose the above required information because it has not adopted a channel for raising concerns and/or does not support the availability of such a channel by its business relationships, it shall disclose this to be the case. It may disclose a timeframe in which it aims to have such a channel or processes in place.

S3-4 TAKING ACTION ON MATERIAL IMPACTS ON AFFECTED COMMUNITIES AND APPROACHES TO MANAGING MATERIAL RISKS

Shall disclose how it takes action to address material impacts on affected communities, and to manage material risks and pursue material opportunities related to affected communities and the effectiveness of those actions.

The objective of this DR is twofold. Firstly, it is to provide an understanding of any actions and initiatives through which the undertaking seeks to:

- ▶ Prevent, mitigate and remediate the negative material impacts on affected communities; and/or
- ▶ Achieve positive material impacts for affected communities.

Secondly, it is to enable an understanding of the ways in which the undertaking is addressing the material risks and pursuing the material opportunities related to affected communities. The undertaking shall provide a summarised description of the action plans and resources to manage its material impacts, risks, and opportunities related to affected communities as per ESRS 2 MDR-A Actions and resources in relation to material sustainability matters.

IN RELATION TO MATERIAL IMPACTS & RISKS AND OPPORTUNITIES

Shall describe:

- ▶ Action taken, planned or underway to prevent or mitigate material negative impacts on affected communities;
- ▶ Whether and how it has taken action to provide or enable remedy in relation to an actual material impact;
- ▶ Any additional actions or initiatives it has in place with the primary purpose of delivering positive impacts for affected communities; and
- ▶ How it tracks and assesses the effectiveness of these actions and initiatives in delivering intended outcomes for affected communities.
- ▶ The processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on affected communities;
- ▶ Its approach to taking action in relation to specific material negative impacts on communities, including any action in relation to its own practices regarding land acquisition, planning and construction, operation or closure practices, as well as whether wider industry or collaborative action with other relevant parties will be required; and
- ▶ How it ensures that processes to provide or enable remedy in the event of material negative impacts are available and effective in their implementation and outcomes.

Material risks and opportunities, disclosure shall describe:

- ▶ What action is planned or underway to mitigate material risks for the undertaking arising from its impacts and dependencies on affected communities and how it tracks effectiveness in practice; and
- ▶ What action is planned or underway to pursue material opportunities for the undertaking in relation to affected communities.

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS S3 Affected Communities

IMPACT, RISK AND OPPORTUNITY MANAGEMENT (continued)

S3-4 TAKING ACTION ON MATERIAL IMPACTS ON AFFECTED COMMUNITIES AND APPROACHES TO MANAGING MATERIAL RISKS (continued)

Shall disclose:

- ▶ How it takes action to avoid causing or contributing to material negative impacts on affected communities through its own practices, including, where relevant, in relation to planning, land acquisition and exploitation, finance, extraction or production of raw materials, use of natural resources, and management of environmental impacts;
- ▶ Whether severe human rights issues and incidents connected to affected communities have been reported.

The undertaking shall consider ESRS 2 MDR-T *Tracking effectiveness of policies and actions through targets* if it evaluates the effectiveness of an action by setting a target.

The undertaking shall disclose what resources are allocated to the management of its material impacts, with information that enables users to gain an understanding of how the material impacts are managed.

METRICS AND TARGETS

S3-5 TARGETS RELATED TO MANAGING MATERIAL NEGATIVE IMPACTS, ADVANCING POSITIVE IMPACTS, AND MANAGING MATERIAL RISKS AND OPPORTUNITIES

Shall disclose the time-bound and outcome-oriented targets it may have set related to:

- ▶ Reducing negative impacts on affected communities; and/or
- ▶ Advancing positive impacts on affected communities; and/or
- ▶ Managing material risks and opportunities related to affected communities.

The objective of this DR is to enable an understanding of the extent to which the undertaking is using time-bound and outcome-oriented targets to drive and measure its progress in addressing material negative impacts, and/or advancing positive impacts on affected communities, and/or in managing material risks and opportunities related to affected communities.

The summarized description of the targets to manage its material impacts, risks and opportunities related to affected communities shall contain the information requirements defined in ESRS 2 MDR-T.

Shall disclose the process for setting the targets, including whether and how the undertaking engaged directly with affected communities, their legitimate representatives, or with credible proxies that have insight into their situation in:

- ▶ Setting any such targets;
- ▶ Tracking the undertaking's performance against them; and
- ▶ Identifying, any, lessons or improvements as a result of the undertaking's performance.



SUSTAINABILITY AT A GLANCE
EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS)
S4 - CONSUMERS AND END-USERS

BASED ON THE EUROPEAN COMMISSION DELEGATED ACT - 31 JULY 2023

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS S4 Consumers and End-users

DEFINITIONS AND ACRONYMS

- ▶ 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.
- ▶ Credible proxies: individuals with sufficiently deep experience in engaging with affected stakeholders from a particular region or context (for example, women workers on farms, indigenous peoples or migrant workers) who can help to effectively 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.
- ▶ DR: disclosure requirement.
- ▶ End-users: individuals who ultimately use or are intended to ultimately use a particular product or service.
- ▶ Grievance mechanisms: any routinized, state-based or non-state-based, judicial or non-judicial processes through which stakeholders can raise grievances and seek remedy. IRO: impact, risk and opportunity management.
- ▶ 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.
- ▶ Sustainability statement: the dedicated section of the undertaking's management report where the information about sustainability matters prepared in compliance with [Directive 2013/34/EU](#) of the European Parliament and of the Council³⁹ and the ESRS is presented.

INTERACTION WITH OTHER ESRSs

Certain DRs in ESRS S4 relate to DRs in ESRS 2 on Strategy ('SBM'). For example, ESRS 2 SBM-2 requires disclosure of interests and views of (actual or potential) materially affected consumers and/or end-users and ESRS 2 SBM-3 requires disclosure of material IROs and their interaction with strategy and business model.

Where a set of DRs relates to a DR from another ESRS, that DR's heading is in **blue**. All other DR headings are grey.

MANDATORY DISCLOSURES VS. DISCLOSURES SUBJECT TO MATERIALITY ASSESSMENT

ESRS 1 Section 3.2 requires that materiality assessments be performed to determine whether specific DRs are material and therefore should be disclosed. Despite this requirement, ESRS 2.2(a) requires that disclosures be made in all instances for the requirements in topical standards related to DR IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities in ESRS 2. DRs that must be disclosed in all instances have a blue heading and are noted as (MANDATORY).

OBJECTIVE OF ESRS S4

To specify DRs which will enable users of sustainability statements to understand:

- ▶ How the undertaking affects its consumers and/or end-users, in terms of material positive and negative actual or potential impacts;
- ▶ Any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential negative impacts, and to address risks and opportunities;
- ▶ The nature, type and extent of the undertaking's material risks and opportunities related to its impacts and dependencies on its own workforce, and how the undertaking manages them; and
- ▶ The financial effects on the undertaking over the short-, medium- and long-term of material risks and opportunities arising from the undertaking's impacts and dependencies on consumers and/or end-users.

DISCLOSURE REQUIREMENTS

The requirements of ESRS S4 should be read in conjunction with the disclosures required by ESRS 2 on Strategy (SBM). The resulting disclosures shall be presented alongside the disclosures required by ESRS 2, except for SBM-3 *Material impacts, risks and opportunities and their interaction with strategy and business model*, for which the undertaking has an option to present the disclosures alongside the topical disclosure.



Effective Date
Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS S4 Consumers and End-users

GOVERNANCE - no specific DRs	STRATEGY	
ENTITY-SPECIFIC DISCLOSURES	ESRS 2 SBM-2 - INTERESTS & VIEWS OF STAKEHOLDERS	
While ESRS S4 does not have specific DRs relating to governance, entities may be required to make entity-specific disclosures if the topic is deemed material through the materiality assessment.	<p>Disclose how the interests, views and rights of its consumers and/or end-users, including respect for their human rights, inform its strategy and business model(s).</p> <p>Consumers and/or end-users are a key group of affected stakeholders.</p>	
ENTITY-SPECIFIC DISCLOSURES	ESRS 2 SBM-3 - MATERIAL IMPACTS, RISKS AND OPPORTUNITIES AND THEIR INTERACTION WITH STRATEGY AND BUSINESS MODEL	
While ESRS S4 does not have specific DRs relating to governance, entities may be required to make entity-specific disclosures if the topic is deemed material through the materiality assessment.	<p>Disclose whether and how:</p> <ul style="list-style-type: none"> ▶ Actual and potential impacts on consumers and/or end-users as identified in ESRS 2 IRO-1 <i>Description of the processes to identify and assess material impacts, risks and opportunities</i>: (i) originate from or are connected to the undertaking's strategy and business models, and (ii) inform and contribute to adapting the undertaking's strategy and business model(s); and ▶ The relationship between its material risks and opportunities arising from impacts and dependencies on consumers and/or end-users and its strategy and business model. <p>Disclose whether all consumers and/or end-users who are likely to be materially impacted by the undertaking, including impacts connected with the undertaking's own operations and value chain, including through its products or services, as well as through its business relationships, are included in the scope of its disclosure under ESRS 2.</p> <p>Disclose which, if any, of its material risks and opportunities arising from impacts and dependencies on consumers and/or end-users, relate to specific groups of consumers and/or end-users (for example, particular age groups) rather than to all consumers and/or end-users.</p>	
IN THE CASE OF MATERIAL NEGATIVE IMPACTS	IN THE CASE OF MATERIAL POSITIVE IMPACTS	
<p>Specify whether they are either:</p> <ul style="list-style-type: none"> ▶ Widespread or systemic in contexts where the undertaking sells or provides its products or services; or ▶ Related to individual incidents or to specific business relationships. 	<p>A brief description of the:</p> <ul style="list-style-type: none"> ▶ Activities that result in the positive impacts and the types of consumers and/or end-users that are positively affected or could be positively affected, which may include specific countries or regions; and ▶ Any material risks and opportunities for the business arising from impacts and dependencies on consumers and/or end-users. 	
CONSUMERS AND/OR END-USERS SUBJECT TO MATERIAL IMPACTS BY ITS OWN OPERATIONS OR THROUGH ITS VALUE CHAIN		
<p>Specify whether they are:</p> <ul style="list-style-type: none"> ▶ Consumers and/or end-users of products that are inherently harmful to people and/or increase risks for chronic disease and of services that potentially negatively impact rights to privacy, to have their personal data protected, to freedom of expression and non-discrimination; ▶ Consumers and/or end-users dependent on accurate and accessible product/service-related information and who are particularly vulnerable to health or privacy impacts from marketing and sales strategies, such as children or financially vulnerable individuals. 		

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS S4 Consumers and End-users

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

S4-1 POLICIES RELATED TO CONSUMERS AND END-USERS

Describe its policies adopted to manage its material impacts of its products and/or services on consumers and end-users, as well as associated material risks and opportunities.

The objective of this DR is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of material impacts on consumers and/or end-users specifically, as well as policies that cover material risks or opportunities related to consumers and/or end-users.

Shall disclose:

- ▶ Information on undertaking's policies to manage its material impacts, risks and opportunities related to consumers and/or end-users in accordance with ESRS 2 MDR-P *Policies adopted to manage material sustainability matters*;
- ▶ Describe its human rights policy commitments that are relevant to consumers and/or end-users, including those processes and mechanisms to monitor compliance with the [UN Guiding Principles on Business and Human Rights](#), [ILO Declaration on Fundamental Principles and Rights at Work](#) or [OECD Guidelines for Multinational Enterprises](#).

In its disclosure it shall focus on those matters material in relation to:

- ▶ Respect for the human rights of consumers and/or end-users;
- ▶ Engagement with consumers and/or end-users; and
- ▶ Measures to provide and/or enable remedy for human rights impacts.

The undertaking shall disclose:

- ▶ Whether and how its policies with regard to consumers and/or end-users are aligned with internationally recognized standards relevant to consumers and/or end-users; and
- ▶ The extent to which violations in relation to the [UN Guiding Principles on Business and Human Rights](#), [ILO Declaration on Fundamental Principles and Rights at Work](#) or [OECD Guidelines for Multinational Enterprises](#) that involve consumers and/or end-users have been reported in its downstream value chain.

S4-2 PROCESSES FOR ENGAGING WITH CONSUMERS AND END-USERS ABOUT IMPACTS

Disclose its general processes for engaging with consumers and end-users and their representatives about actual and potential impacts on them.

The objective of this DR is to enable an understanding of whether and how the undertaking engages, as part of its ongoing due diligence process, with consumers and/or end-users, their legitimate representatives, or with credible proxies, about material actual and potential positive and/or negative impacts that do or likely to affect them, and whether and how perspectives of consumers and/or end-users are taken into account in the decision-making processes of the undertaking.

Disclose whether and how whether and how the perspectives of consumers and/or end-users inform its decisions or activities aimed at managing actual and potential impacts on consumers and/or end-users.

This shall include, where relevant, an explanation of:

- ▶ Whether engagement occurs with affected consumers and/or end-users or their legitimate representatives directly, or with credible proxies that have insight into their situation;
- ▶ The stage(s) at which engagement occurs, the type of engagement, and the frequency of the engagement;
- ▶ The function and the most senior role within the undertaking that has operational responsibility for ensuring this engagement happens, and that the results inform the undertaking's approach; and
- ▶ Where applicable, how the undertaking assesses the effectiveness of its engagement with consumers and/or end-users, including, where relevant, any agreements or outcomes that result from such engagement.

Shall disclose:

- ▶ Where applicable, the steps it takes to gain insight into the perspectives of consumers and/or end-users particularly vulnerable to impacts and/or marginalised
- ▶ If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with consumers and/or end-users, it shall disclose this to be the case and it may disclose a timeframe in which it aims to have such a process in place.



Effective Date
Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS S4 Consumers and End-users

IMPACT, RISK AND OPPORTUNITY MANAGEMENT (continued)

S4-3 PROCESSES TO REMEDIATE NEGATIVE IMPACTS AND CHANNELS FOR CONSUMERS AND END-USERS TO RAISE CONCERNS

Describe the processes it has in place to provide for or cooperate in the remediation of negative impacts on consumers and end-users that the undertaking is connected with, as well as channels available to consumers and end-user to raise concerns and have them addressed.

The objective of this DR is to enable an understanding of the formal means by which consumers and/or end-users can make their concerns and needs known directly to the undertaking, and/or through which the undertaking supports the availability of such channels by its business relationships, how follow up is performed with these consumers and/or end-users regarding the issues raised, and the effectiveness of these channels.

Disclosure shall describe:

- ▶ Its general approach to and processes for providing or contributing to remedy where it has identified that it has caused or contributed to a material negative impact on consumers and/or end-users, including whether and how the undertaking assesses that the remedy provided is effective;
- ▶ Any specific channels it has in place for consumers and/or end-users to raise their concerns or needs directly with the undertaking and have them addressed, including whether these are established by the undertaking itself and/or through participation in third-party mechanisms
- ▶ The processes through which the undertaking supports the availability of such channels by its business relationships; and
- ▶ How it tracks and monitors issues raised and addressed, and how it ensures the effectiveness of the channels, including through involvement of stakeholders who are the intended users.

Shall Disclose:

- ▶ Whether and how it assesses that consumers and/or end-users are aware of and trust these structures or processes as a way to raise their concerns or needs and have them addressed; and
- ▶ Whether it has policies in place regarding the protection of individuals that use them against retaliation. The undertaking may refer to such information, if disclosed in accordance with ESRS G1-1.

If the undertaking cannot disclose the above required information because it has not adopted a channel for raising concerns and/or does not support the availability of mechanisms by its business relationships, it shall disclose this to be the case and may disclose a timeframe in which it aims to have such a channel or processes in place.

S4-4 TAKING ACTION ON MATERIAL IMPACTS ON CONSUMERS AND END-USERS AND APPROACHES TO MANAGING MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

The objective of this DR is twofold. Firstly, it is to provide an understanding of any actions and initiatives through which the undertaking seeks to:

- ▶ Prevent, mitigate and remediate the negative material impacts on consumers and/or end-users; and/or
- ▶ Achieve positive material impacts for consumers and/or end-users.

Secondly, to enable an understanding of the ways in which the undertaking is addressing the material risks and pursuing the material opportunities related to consumers and/or end-users.

Shall disclose how its acts on material impacts on consumers and/or end-users, and to manage material risks and pursue material opportunities related to consumers and/or end-users and the effectiveness of those actions. These would entail:

- ▶ The processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on consumers and/or end-users;
- ▶ Its approaches to taking action in relation to specific material negative impacts on consumers and/or end-users, including any action in relation to its own practices regarding product design, marketing or sales, as well as whether wider industry or collaborative action with other relevant parties will be required; and
- ▶ How it ensures that processes to provide or enable remedy in the event of material negative impacts are available and effective in their implementation and outcomes.

Shall provide a summary of the action plans and resources to manage its material impacts, risks, and opportunities related to consumers and end-users as per ESRS 2 MDR-A Actions and resources in relation to material sustainability matters.

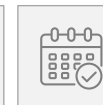
IN RELATION TO MATERIAL IMPACTS & RISKS AND OPPORTUNITIES

Material impacts, disclosure shall describe:

- ▶ Action taken, planned or underway to prevent or mitigate material negative impacts on consumers and/or end-users;
- ▶ Whether and how it has taken action to provide or enable remedy in relation to an actual material impact;
- ▶ Any additional actions or initiatives it has in place with the primary purpose of positively contributing to improved social outcomes for consumers and/or end-users; and
- ▶ How it tracks and assesses the effectiveness of these actions and initiatives in delivering intended outcomes for consumers and/or end-users.

Material risks and opportunities, disclosure shall describe:

- ▶ What action is planned or underway to mitigate material risks for the undertaking arising from its impacts and dependencies on consumers and/or end-users and how it tracks effectiveness in practice; and
- ▶ What action is planned or underway to pursue material opportunities for the undertaking in relation to consumers and/or end-users.

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS S4 Consumers and End-users

IMPACT, RISK AND OPPORTUNITY MANAGEMENT (continued)

S4-4 TAKING ACTION ON MATERIAL IMPACTS ON CONSUMERS AND END-USERS AND APPROACHES TO MANAGING MATERIAL IMPACTS, RISKS AND OPPORTUNITIES (continued)

- ▶ Shall disclose whether and how it takes action to avoid causing or contributing to material negative impacts on consumers and/or end-users, through own practices, including, where relevant, its practices in relation to marketing, sales and data use;
- ▶ May disclose what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.
- ▶ Whether severe human rights issues and incidents connected to its consumers and/or end-users have been reported and, if applicable disclose these.

The undertaking, in evaluating the effectiveness of an action by setting a target, shall consider ESRS 2 MDR-T *Tracking effectiveness of policies and actions through targets* to disclose processes to provide.

The undertaking shall disclose what resources are allocated to the management of its material impacts, with information that enables users to gain an understanding of how the material impacts are managed.

METRICS AND TARGETS

S4-5 TARGETS RELATED TO MANAGING MATERIAL NEGATIVE IMPACTS, ADVANCING POSITIVE IMPACTS, AND MANAGING MATERIAL RISKS AND OPPORTUNITIES

Shall disclose the time-bound and outcome-oriented targets it may have set related to:

- ▶ Reducing negative impacts on consumers and/or end-users; and/or
- ▶ Advancing positive impacts on consumers and/or end-users; and/or
- ▶ Managing material risks and opportunities related to consumers and/or end-users.

The objective of this DR is to enable an understanding of the extent to which the undertaking is using time-bound and outcome-oriented targets to drive and measure its progress in addressing material negative impacts, and/or advancing positive impacts on consumers and/or end-users, and/or in managing material risks and opportunities related to consumers and/or end-users.

The summarised description of the targets to manage its material impacts, risks and opportunities related to consumers and/or end-users shall contain the information requirements defined in ESRS 2 MDR-T.

Shall disclose the process for setting the targets, including whether and how the undertaking engaged directly with consumers and/or end-users, their legitimate representatives, or with credible proxies that have insight into their situation in:

- ▶ Setting any such targets;
- ▶ Tracking the undertaking's performance against them; and
- ▶ Identifying, if any, lessons or improvements as a result of the undertaking's performance.



SUSTAINABILITY AT A GLANCE
EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS)
G1 - BUSINESS CONDUCT

BASED ON THE EUROPEAN COMMISSION DELEGATED ACT - 31 JULY 2023

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS G1 Business Conduct

DEFINITIONS AND ACRONYMS

- ▶ Administrative, management and supervisory bodies: the governance bodies with the highest decision-making authority in the undertaking including its committees.
- ▶ Bribery: dishonestly persuading someone to act in your favour by giving them a gift of money or another inducement.
- ▶ Confirmed incident of corruption or bribery: an incident of corruption or bribery that has been found to be substantiated. Confirmed incidents of corruption or bribery do not include incidents of corruption or bribery 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.
- ▶ Corporate culture: corporate culture 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.
- ▶ DR: disclosure requirements.
- ▶ Employee: an individual who is in an employment relationship with the undertaking according to national law or practice.
- ▶ Incident: 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.
- ▶ IRO: impacts, risks and opportunities.
- ▶ 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.
- ▶ SBM (strategy and business model): how the undertaking's strategy and business model(s) interact with its material impacts, risks and opportunities, including how the undertaking addresses those impacts, risks and opportunities.
- ▶ 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 business relationship with the organisation (often referred to as a first-tier supplier) or an indirect business relationship.
- ▶ Supply chain: 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.
- ▶ 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.
- ▶ 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.

MANDATORY DISCLOSURES VS. DISCLOSURES SUBJECT TO MATERIALITY ASSESSMENT

ESRS 1 Section 3.2 requires that materiality assessments be performed to determine whether specific DRs are material and therefore should be disclosed. Despite this requirement, ESRS 2.2(a) requires that disclosures be made in all instances for the requirements in topical standards related to DR IRO-1 *Description of the processes to identify and assess material impacts, risks and opportunities* in ESRS 2. DRs that must be disclosed in all instances have a blue heading and are noted as (MANDATORY).

OBJECTIVE OF ESRS G1

To specify DRs which will enable users of the undertaking's sustainability statements to understand the undertaking's strategy and approach, processes and procedures as well as its performance in respect of business conduct. ESRS G1 focuses on:

- ▶ Business ethics and corporate culture, including anti-corruption and anti-bribery, the protection of whistleblowers, and animal welfare;
- ▶ The management of relationships with suppliers, including payment practices, especially with regard to late payment to small and medium-sized undertakings; and
- ▶ Activities and commitments of the undertaking related to exerting its political influence, including its lobbying activities;

INTERACTION WITH OTHER ESRS

Certain DRs in ESRS G1 relate to DRs in ESRS 2 *General Disclosures*. For example, ESRS 2 IRO-1 requires disclosure of the processes to identify and assess material impacts, risks and opportunities, and ESRS G1 requires specific disclosure relating to how these matters are identified in relation to business conduct matters.

Where a set of DRs relates to a DR from another ESRS, that DR's heading is in **blue**. All other DR headings are grey.

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS G1 Business Conduct

GOVERNANCE

DR RELATED TO ESRS 2 GOV-1 THE ROLE OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

When disclosing information about the role of the administrative, management and supervisory bodies, the undertaking shall cover the following aspects:

- ▶ The role of the administrative, management and supervisory bodies related to business conduct; and
- ▶ The expertise of the administrative, management and supervisory bodies on business conduct matters.

STRATEGY - no specific DRs

ENTITY-SPECIFIC DISCLOSURES

While ESRS G1 does not have specific DRs relating to strategy, as required by ESRS 1 Section 1.4, undertakings may be required to make entity-specific disclosures if it is considered that an IRO is material even if an ESRS does not contain specific DRs.

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

DR RELATED TO ESRS 2 IRO-1 DESCRIPTION OF THE PROCESSES TO IDENTIFY AND ASSESS MATERIAL IMPACTS, RISKS AND OPPORTUNITIES (MANDATORY)

When describing the process to identify material impacts, risks and opportunities in relation to business conduct matters, the undertaking shall disclose all relevant criteria used in the process, including location, activity, sector and the structure of the transaction.

G1-1 BUSINESS CONDUCT POLICIES AND CORPORATE CULTURE

Disclose policies with respect to business conduct matters and how it fosters its corporate culture, including how the undertaking establishes, develops, promotes and evaluates its corporate culture.

Disclosures shall cover the following aspects:

WHISTLEBLOWERS

- ▶ How the undertaking protects whistleblowers, including:
 - Details on the establishment of internal whistleblower reporting channels, including whether the undertaking provides for information and training to its own workers and information about the designation and training of staff receiving reports; and
 - Measures to protect against retaliation to its own workers who are whistleblowers in accordance with the applicable law transposing [Directive \(EU\) 2019/1937 of the European Parliament and of the Council](#).
- ▶ Where the undertaking has no policies on the protection of whistleblowers, it shall state this and whether it has plans to implement them and the timetable for implementation.
 - Undertakings that are subject to legal requirements under national law transposing [Directive \(EU\) 2019/1937](#), or to equivalent legal requirements with regard to the protection of whistle-blowers, may comply with the above disclosure by stating that they are subject to those legal requirements.

OTHER DISCLOSURES

- ▶ A description of the mechanisms for identifying, reporting and investigating concerns about unlawful behaviour or behaviour in contradiction of its code of conduct or similar internal rules; and whether it accommodates reporting from internal and/or external stakeholders;
- ▶ Where the undertaking has no policies on anti-corruption or anti-bribery consistent with the [United Nations Convention against Corruption](#), it shall state this and whether it has plans to implement them and the timetable for implementation;
- ▶ Beyond the procedures to follow-up on reports by whistleblowers in accordance with the applicable law transposing [Directive \(EU\) 2019/1937](#), whether the undertaking has procedures to investigate business conduct incidents, including incidents of corruption and bribery, promptly, independently and objectively.
- ▶ Where applicable, whether the undertaking has in place policies with respect to animal welfare;
- ▶ The undertaking's policy for training within the organisation on business conduct, including target audience, frequency and depth of coverage; and
- ▶ The functions within the undertaking that are most at risk in respect of corruption and bribery.

ESRS G1 Business Conduct



Effective Date

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

IMPACT, RISK AND OPPORTUNITY MANAGEMENT (continued)

G1-2 MANAGEMENT OF RELATIONSHIPS WITH SUPPLIERS

Provide information about the management of its relationships with its suppliers and its impacts on its supply chain to provide an understanding of the undertaking's management of its procurement process including fair behaviour with suppliers.

Disclose:

- ▶ A description of its policy to prevent late payments, specifically to small and medium enterprises (SMEs);
- ▶ The undertaking's approach to its relationships with its suppliers, taking account of risks to the undertaking related to its supply chain and of impacts on sustainability matters; and
- ▶ Whether and how it takes into account social and environmental criteria for the selection of its suppliers.

G1-3 PREVENTION AND DETECTION OF CORRUPTION AND BRIBERY

Provide information about its system to prevent and detect, investigate, and respond to allegations or incidents relating to corruption and bribery including the related training.

Disclose:

- ▶ A description of the procedures in place to prevent, detect, and address allegations or incidents of corruption and bribery;
- ▶ Whether the investigators or investigating committee are separate from the chain of management involved in the matter;
- ▶ The process, if any, to report outcomes to the administrative, management and supervisory bodies;
- ▶ How the undertaking communicates its policies to those for whom they are relevant to ensure that the policy is accessible and that they understand its implications.

Where the undertaking has no such procedures in place, it shall disclose this fact and, where applicable, its plans to adopt them.

TRAINING PROVIDED

The above disclosures shall include information about the following with respect to training:

- ▶ The nature, scope and depth of anti-corruption and anti-bribery training programmes offered or required by the undertaking;
- ▶ The percentage of functions-at-risk covered by training programmes; and
- ▶ The extent to which training is given to members of the administrative, management and supervisory bodies.

METRICS AND TARGETS

G1-4 INCIDENTS OF CORRUPTION OR BRIBERY

Provide information on incidents of corruption or bribery during the reporting period.

Disclose:

- ▶ The number of convictions and the amount of fines for violation of anti-corruption and anti-bribery laws; and
- ▶ Any actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery.

Disclosures required shall include incidents involving actors in its value chain only where the undertaking or its employees are directly involved.

OPTIONAL DISCLOSURES

The undertaking may disclose:

- ▶ The total number and nature of confirmed incidents of corruption or bribery;
- ▶ The number of confirmed incidents in which own workers were dismissed or disciplined for corruption or bribery-related incidents;
- ▶ 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
- ▶ 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.

**Effective Date**

Mandatory application date is subject to an entity's classification in the Corporate Sustainability Reporting Directive (CSRD).

ESRS G1 Business Conduct

METRICS AND TARGETS (continued)

G1-5 POLITICAL INFLUENCE AND LOBBYING ACTIVITIES

Provide information on the activities and commitments related to exerting its political influence, including its lobbying activities related to its material impacts, risks and opportunities.

Disclose:

- ▶ If applicable, the representative(s) responsible in the administrative, management and supervisory bodies for the oversight of these activities;
- ▶ For financial or in-kind political contributions:
 - The total monetary value of financial and in-kind political contributions made directly and indirectly by the undertaking aggregated by country or geographical area where relevant, as well as type of recipient/beneficiary; and
 - Where appropriate, how the monetary value of in-kind contributions is estimated.
- ▶ The main topics covered by its lobbying activities and the undertaking's main positions on these in brief. This shall include explanations on how this interacts with its material impacts, risks and opportunities identified in its materiality assessment per ESRS 2; and
- ▶ If the undertaking is registered in the EU Transparency Register or in an equivalent transparency register in a Member State, the name of any such register and its identification number in the register.

MANAGEMENT PREVIOUSLY SERVING IN PUBLIC ADMINISTRATION

The disclosure shall also include 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.

G1-6 PAYMENT PRACTICES

Provide information on its payment practices, especially with respect to late payments to SMEs.

Disclose:

- ▶ The average time the undertaking takes to pay an invoice from the date when the contractual or statutory term of payment starts to be calculated, in number of days;
- ▶ A description of the undertaking's standard payment terms in number of days by main category of suppliers and the percentage of its payments aligned with these standard terms;
- ▶ The number of legal proceedings currently outstanding for late payments; and
- ▶ Complementary information necessary to provide sufficient context. If the undertaking has used representative sampling to calculate the information required under the first point, it shall state that fact and briefly describe the methodology used.





CONTACT

For further information about how BDO can assist you and your organisation, please get in touch with us.

For a list of contacts from BDO firms represented on BDO's Global Sustainability Reporting Policy Committee (SRPC), please visit our [SRPC contacts page](#).

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