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Draft Amended Non-Mandatory Illustrative Guidance ESRS S4 Consumers and end-users UNAPPROVED Working document

(S4 V1.6)

DRAFTING PROCESS FOR THE WORKING DOCUMENTS SO FAR

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

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

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

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

DISCLAIMER ON THE STATUS OF THIS UNAPPROVED DOCUMENT

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

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

REVISED STRUCTURE AND DRAFTING CONVENTIONS

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

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

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

HOW TO READ THIS DOCUMENT

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

NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S4-1 Policies related to consumers and end-users

NMIG 1 for para. 8	Accessibility of information is an important aspect of how the undertaking communicates its policies towards consumers and/or end-users . This can include translating websites or documents, using pictures or graphics in addition to text. Among the communication channels that the undertaking might talk about in its disclosure in accordance with paragraph 8 are flyers, newsletters, dedicated websites, social media, face-to-face interactions or workers' representatives . (Part of old AR 13, amended)
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NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S4-2 Engagement with consumers and/or end-users, existence of channels for consumers and/or end-users to raise concerns or need and approaches to remedy.

NMIG 2 for para. 10	(AR 16 amended) When disclosing in accordance with paragraph 10 and AG 1 the undertaking might describe: (a) (From old para 22) Whether and how the perspectives of consumers and/or end-users inform its decisions or activities aimed at managing the actual and potential impacts on them; (b) For the frequency of the engagement, information may be provided on whether engagement occurs on a regular basis, at certain points in a project or business process, (for example, when a new harvest season begins or a new production line is opened), as well as whether it occurs in response to legal requirements and/or in response to stakeholder requests and whether the result of the engagement is being integrated into the undertaking's decision-making processes; (c) Whether the undertaking requires relevant staff to have certain skills, or whether it provides training or capacity building to relevant staff to undertake engagement.
NMIG 3 for para. 10	Credible proxies who have knowledge of the interests, experiences or perspectives of consumers and end-users could include national consumer protection bodies for some consumers. (Old AR 14)
NMIG 4 for para. 11, 12	When disclosing in accordance with paragraph 11 and 12, the undertaking may be guided by the provisions on grievance mechanisms and remediation of the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct. (Old AR 18, amended)
NMIG 5 for para. 11	When describing the effectiveness of channels for the undertaking's consumers and/or end-users , their legitimate representatives , or credible proxies , to raise concerns in accordance with paragraph 11 the undertaking might address the following questions that are based on the effectiveness criteria for non-judicial grievance mechanisms in the UN Guiding Principles on Business and Human Rights, in particular principle 31. These questions apply to individual channels or systems of channels. (a) Do the channels have legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust?

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	(b) Are the channels known and accessible to the concerned stakeholder group? (c) Do the channels have clear and known procedures, with indicative timeframes? (d) Do the channels ensure reasonable access for stakeholders to sources of information, advice and expertise? (e) Do the channels offer transparency by providing sufficient information both to complainants and, where applicable, to meet any public interest? (f) Do outcomes achieved through the channels accord with internationally recognised human rights? (g) Does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future impacts? (h) Does the undertaking focus on dialogue with complainants as the means to reach agreed solutions, rather than seeking to unilaterally determine the outcome? (Old AR 24, amended) The disclosures under paragraph 11 can demonstrate how the undertaking determines whether consumers and/or end-users are aware of and trust these channels, whether they are fit for purpose, and explain how follow-up is carried out regarding the concerns or needs raised.
NMIG 6 for para. 11	(AR 23 amended) When the undertaking describes the channels to raise concerns and/or grievance mechanisms in accordance with paragraph 11 it might disclose the number of complaints received from consumers and/or end-users during the reporting period and how it addressed them.
NMIG 7 for para. 11	(AR 22 amended) In relation to the protection of individuals that use the mechanisms against retaliation, the undertaking may describe whether it treats grievances confidentially and with respect to the rights of privacy and data protection; and whether they allow for consumer and/or end-users to use them anonymously (for example, through representation by a third party).

NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S4-3 Actions and resources related to consumers and end-users

NMIG 8 for para. 14	(AR 27 amended) Material negative impacts on the undertaking's consumers and/or end-users may be connected to other entities or operations outside its financial control. If the undertaking discloses how it uses its leverage vis-à-vis business partners to manage those impacts when disclosing in accordance with paragraph 14 it might explain how it uses: a) commercial leverage (for example, enforcing contractual requirements with business relationships or implementing incentives), b) other forms of leverage within the relationship (such as providing training or capacity-building on proper product use or sale practices to business relationships) or c) collaborative leverage with peers or other actors (such as initiatives aimed at responsible marketing or product safety).
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NMIG 9 for para. 14	(AR 28 amended) If the undertaking discloses its participation in an industry or multi- stakeholder initiative as part of its actions to address material negative impacts in accordance with paragraph 14 it might explain how the initiative, and its involvement in it, address the material impact concerned.
NMIG 10 for para. 14b	(AR 31 and AR 32 amended) Reporting on the effectiveness of actions in accordance with paragraph 14(b) demonstrates the links between the undertaking's actions and effective impact management. Tracking the effectiveness of actions can include internal or external auditing or verification, court proceedings and/or related court decisions, impact assessments, measurement systems, stakeholder feedback, grievance mechanisms , external performance ratings, and benchmarking.
NMIG 11 for para. 14(b)	(AR 35 amended) When disclosing intended or achieved positive outcomes of its actions for the undertaking's consumers and/or end-users in accordance with paragraph 14(b) the undertaking might distinguish between evidence of certain activities having occurred (for example, that x number of people have received financial literacy training) from evidence of actual outcomes for the people concerned (for example, that x people report that they are able to better manage their pay and their household budgets).
NMIG 12 for para. 14	(AR 33 amended) When disclosing information about initiatives or processes for delivering positive impacts for consumers and/or end-users that are based on their needs and about progress in the implementation of those initiatives or processes, the undertaking might disclose: (a) whether and how consumers and/or end-users, their legitimate representatives , or credible proxies , play a role in decisions regarding the design and implementation of these programmes or processes; and (b) the intended or achieved positive outcomes for the undertaking's consumers and/or end-users of these programmes or processes.

NON-MANDATORY ILLUSTRATIVE GUIDANCE – NMIG on S4-4 Targets related to consumers and end-users

NMIG 13 for para. 16	(AR 42 amended) disclosing information about targets in accordance with paragraph 16, the undertaking might also disclose: (a) the intended outcomes to be achieved in the lives of a certain number of consumers and/or end-users ; (b) the stability of the targets over time in terms of definitions and methodologies to enable comparability over time; and/or (c) the standards or commitments which the targets are based on (for instance codes of conduct, sourcing policies , global frameworks, or industry codes).
NMIG 14 for para. 16	(AR 44 amended) When disclosing in accordance with paragraph 16 the undertaking might distinguish between short-, medium- and long-term targets covering the same policy commitment. For example, the undertaking may have as a main objective to make its online services accessible to people with disabilities, with the long-term goal of having adapted 100% of its online services by 2025, and with the short-term objective of adding x number of accessible features every year up and until 2025.