

## **[Draft] European Sustainability Reporting Standard S7 Consumers & End-users Standard**

### **DISCLAIMER**

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*This working paper should therefore not be interpreted in any way whatsoever as representing the views of the PTF-ESRS as a whole at this stage, nor the position of relevant co-construction partners. Also, the content of this working paper is the sole responsibility of the PTF-ESRS and can under no circumstances be regarded as reflecting the position of the European Union or European Commission DG Financial Stability, Financial Services and Capital Markets Union (DG FISMA).*

### **EXPLANATORY NOTE**

In this first set of standards, the ESS has focused on developing the disclosures that can be expected of all entities under the scope of the CSRD. This standard therefore provides high-level disclosures regarding an undertaking's impacts on consumers and end-users and related risks and opportunities, when viewed in general across an undertaking's operations and upstream and downstream value chain.

Subsequent standards will expand on this standard by providing more detailed disclosures in relation to the sub-topics and specific issues that would be identified as material through the sector-specific or entity-specific materiality determination. More detailed disclosures on these topics and issues will be addressed in those standards, in particular regarding actions to address specific impacts and risks, along with related targets and performance measures.

In developing the [draft] standard, initiatives from the Platform for Sustainable Finance, including the announced guidance on the Minimum Safeguards, were taken into consideration in order to ensure that the structure of the reporting would be compatible with upcoming developments in this area.

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## **[Draft] European Sustainability Reporting Standard S7 Consumers & End-users**

### **Objective**

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1. The objective of this [draft] standard is to set out the disclosure requirements for undertakings to report on both how they affect the consumers and end-users - in both positive and negative ways - of their products and/or services and on business risks and opportunities related to their impacts and dependencies on consumers and end-users.
2. This draft standard derives from the draft CSRD stating that the sustainability reporting standards shall specify the information that undertakings are to disclose regarding social matters, including the principal actual or potential adverse impacts connected with the undertaking's value chain, including its own operations, its products and services, its business relationships and its supply chain, any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts; and the principal risks to the undertaking related to sustainability matters, including the undertaking's principal dependencies on such matters, and how the undertaking manages those risks.
3. Undertakings shall disclose material information on the disclosure requirements of this [draft] standard as this will allow the users to understand developments in relation to the undertaking's material impacts, risk and opportunities.
4. In order to meet the objective, the [draft] standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on the consumers and/or end-users related to their products and/or services in relation to:
  - a. Information-related impacts for consumers/end-users, in particular privacy, freedom of expression and access to information;
  - b. Personal safety of consumers/end-users, in particular health & safety, security of a person and protection of children;
  - c. Social inclusion of consumers/end-users, in particular non-discrimination and access to products and services.
5. The standard also requires an explanation of how such impacts, as well as the undertaking's dependencies on consumers and end-users, can create material risks or opportunities for the business. For example, negative impact on the reputation of the products and/or services can deteriorate business performance, while trust in products and/or services can bring important business benefits.
6. The objective of the [draft] standard is also to ensure that the reporting requirements for undertakings are consistent with the EU-taxonomy regarding sustainable finance, especially regarding the "minimum safeguards".

### **Interaction with other ESRS**

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7. This draft standard shall be reported in conjunction with the crosscutting presentation standard (ESRS 1), the standard on Strategy and Business Model (ESRS 2), and the standard requiring disclosure of the impacts, risks, and opportunities, including materiality assessments, of the undertaking (ESRS 4), as well as the other Social Pillar ESRS standards (ESRS S1-7). The reporting under this standard shall be consistent, coherent and where relevant clearly linked with reporting on the undertaking's own workforce under the ESRS standards S1 Workforce – Overarching Standard, ESRS S2 Workforce - Working Conditions, ESRS S3 Workforce - Equal Opportunities and ESRS S4 on Workforce - Other Work-related Rights, in order to ensure consistency in the reporting.

## **Disclosure requirements**

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### **Strategy and business model, governance and organisation, impacts, risks and opportunities**

8. The disclosure requirements related to consumers and end-users and to (i) Strategy and business model, and (ii) Impacts, risks and opportunities are defined below.
9. The specific Disclosure Requirements related to consumers and end-users hereafter (Disclosure Requirements 1 to 3) shall be complementary to the relevant cross-cutting standards (ESRS 2, and ESRS 4). The information to be covered by Disclosure Requirement 1 is prioritised and monitored directly by the undertaking's highest governing body due to its importance to the undertaking. DR 2 and DR 3 below are to be disclosed alongside ESRS 4.

### **Specific consumers and end-users-related disclosures for the implementation of ESRS 2 Strategy and Business Model**

#### ***[Disclosure requirement 1] Impacts originating from business model and strategy***

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10. **The undertaking shall disclose whether it assesses the extent to which material impacts on consumers and end-users originate from the undertaking's business model and strategy, and how the highest governance bodies are informed about any such impacts.**
11. The principle to be followed under this disclosure requirement is to provide an understanding of if and how the undertaking considers whether its business model and strategy play a role in creating, exacerbating or (conversely) mitigating impacts on consumers and end-users, and how the highest governance bodies are made aware of such connections given their particular role in agreeing and overseeing the business model and strategy.
12. The undertaking shall state whether its assessment of material impacts on consumers and end-users considers if and how such impacts may be tied to features of the undertaking's business model or strategy, and the role of the highest governance bodies in reviewing such assessments as part of their decision-making processes.
13. Where this information is disclosed under ESRS 2, DR 7, the undertaking may provide a cross-reference.

### **Specific consumers and end-users-related disclosures for the implementation of ESRS 4 Impacts, Risks and Opportunities**

#### ***[Disclosure requirement 2] Material impacts on consumers and end-users and types of consumers and end-users affected***

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14. **The undertaking shall state the material impacts – negative and positive - of its products and/or services on consumers and end-users and describe the main types of consumers and end-users that are affected.**
15. The principle to be followed under this Disclosure Requirement is to provide an understanding of the specific material negative and positive impacts on consumers and end-users associated with the undertaking's operations and value chain, and who is affected.

16. The undertaking shall state its material impacts of its products and/or services on consumers and end-users which it may do by cross-referring to its disclosure under DR 2 of ESRS 4 Impacts, Risks, and Opportunities.
17. The undertaking shall disclose a brief description of the types of consumers and end-users that can be materially affected by its products and/or services, and specify whether they are:
  - (a) Consumers and end-users of products that are inherently harmful to people and/or increase risks for chronic disease;
  - (b) Consumers and end-users of services that potentially negatively impact their data privacy, freedom of expression and non-discrimination of any end-users and consumers;
  - (c) Consumers or end-users who are dependent on accurate and accessible product- or service-related information, such as manuals and product labels, to avoid potentially damaging use of a product or service;
  - (d) Consumers or end-users who are particularly vulnerable to health or privacy impacts or impacts from marketing and sales strategies, such as children or financially vulnerable individuals.
18. The undertaking shall in the description highlight and explain material developments or changes in the reporting period regarding the types of impacts affecting consumers and end-users.

**[Disclosure requirement 3] Risks and opportunities related to consumers and end-users**

19. **The undertaking shall state material risks and opportunities for the business arising from impacts and dependencies on, as well as the general situation of, consumers and end-users.**
20. The principle to be followed under this Disclosure Requirement is to provide an understanding of the business risks and opportunities that result either from impacts on consumers and end-users or from the undertaking's dependencies on consumers and end-users, as well as the general situation of consumers and end-users, and which are likely to influence the future cash flows and therefore the enterprise value of the undertakings in the short, medium or long term.
21. The undertaking shall explain any connections between material risks and opportunities and the material positive or negative impacts identified under DR2.
22. The undertaking may state any material risks or opportunities for the business arising from the undertaking's impacts or dependencies on consumers and end-users by cross-referring to its DR 2 under ESRS 4 impacts, risks, and opportunities.
23. The undertaking shall include a brief description of the types of consumers and end-users in relation to which material risks or opportunities for the undertaking arise, for example whether they are:
  - a. Consumers and end-users of products that are inherently harmful to people and/or increase risks for chronic disease;
  - b. Consumers and end-users of services that potentially negatively impact their data privacy, freedom of expression and non-discrimination of any end-users and consumers;
  - c. Consumers or end-users who are dependent on accurate and accessible product- or service-related information, such as manuals and product labels, to avoid potentially damaging use of a product or service;

- d. Consumers or end-users who are particularly vulnerable to health or privacy impacts or impacts from marketing and sales strategies, such as children or financially vulnerable individuals.
24. If relevant, the undertaking shall state and explain how more fundamental changes in the consumer and end-users base due to generational or demographic changes, technology, etc have been considered when identifying its material risks or opportunities.

## **Policies, targets, action plans and resources**

### **[Disclosure requirement 4] Policies related to consumers and end-users**

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25. **The undertaking shall state its policies that address the management of its material impacts or dependencies of its products and/or services on consumers and end-users, and any associated risks and opportunities, and provide a summary of their contents and how they are communicated.**
26. The principle to be followed under this disclosure requirement is to provide an understanding of the extent to which the undertaking has policies that address the identification, management or remedy of impacts on consumers and end-users specifically, and/or which cover material risks or opportunities associated with those impacts, and how both those who are responsible for their implementation, and the consumers and end-users whose interests they address, are made aware of their existence and content.
27. The summary of the description of the policy shall contain the information requirements defined in ESRS 1 related to the Disclosure principle on policies implemented to manage material sustainability matters.
28. Where a policy is publicly available, the undertaking shall provide a link to the policy.
29. The undertaking shall state - and digitally tag - specific policy commitments that are relevant to consumers and end-users, including those that form part of a:
- (a) Human rights policy that addresses respect for the human rights of all stakeholders;
  - (b) Human rights policy specific to respect for the human rights of consumers and end-users;
  - (c) Policy addressing engagement with affected stakeholders;
  - (d) Policy addressing measures to provide and/or enable remedy for human rights impacts.
30. The undertaking shall summarise how the policy (including policy commitments, code of conducts and other relevant policies as outlined above) is communicated in an accessible form to consumers and end-users, business relationships, and other relevant stakeholders in the undertaking's value chain.
31. If the undertaking cannot disclose the above required information, because it has not adopted a policy and/or objectives as outlined in ESRS 1, it may disclose this to be the case and providing reasons for not having adopted a policy or objectives.

### **[Disclosure requirement 5] Processes for engaging with consumers and end-users about impacts**

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32. **The undertaking shall explain its general processes for engaging with consumers and end-users and their representatives about actual and potential impacts on them.**

33. The principle to be followed under this disclosure requirement is to provide an understanding of how the undertaking engages as part of its ongoing due diligence process with consumers and end-users about actual and potential positive and/or negative impacts that do or may affect them, and whether and how perspectives of consumers and end-users are taken into account in the decision-making processes of the undertaking.
34. The undertaking shall explain whether and how the perspectives of consumers and end-users inform its decisions or activities. This shall include an explanation of:
  - (a) Whether engagement occurs with affected consumers or end-users or their legitimate representatives directly, or with credible proxies that have insight into their situation;
  - (b) The stage at which engagement occurs (for example, in the development stage of a product or service or in the related marketing and sales activities), and the type of engagement (e.g. participation, consultation, information, etc.);
  - (c) What role or function within the undertaking has responsibility for ensuring this engagement happens and that the results inform the undertaking's approach.

***[Disclosure requirement 6] Channels for consumers and end-users to raise concerns***

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35. **The undertaking shall describe the channels it has in place for consumers and end-users to raise their concerns/complaints or needs directly with the undertaking, and/or through which the undertaking supports the availability of mechanisms by its business relationships and monitors issues raised and addressed.**
36. The principle to be followed under this disclosure requirement is to provide an understanding of the formal means by which consumers and end-users can make their concerns and needs known directly to the undertaking, how the undertaking follows up with these consumers and end-users regarding the issues raised, and the effectiveness of these channels.
37. The channels for raising concerns or needs include any grievance mechanisms, hotline, dialogue processes or other channels through which consumers and end-users or their legitimate representatives can raise concerns about impacts or explain needs that they would like the undertaking to address. This could include both channels provided by the undertaking directly, and channels provided by the entities who might have an impact on consumers and end-users, together with information on how the undertaking supports or requires the availability of such channels and whether it has insight into the issues raised.
38. The undertaking shall explain whether and how it knows that consumers and end-users are aware of and trust these structures or processes as a way to raise their concerns or needs and have them addressed, and whether the undertaking has policies in place regarding the protection of individuals that use them against retaliation.
39. If the undertaking cannot disclose the above required information, because it has not adopted a channel for raising concerns, it may disclose this to be the case and providing reasons for not having adopted such a channel.

***[Disclosure requirement 7] Targets related to managing material impacts on consumers and end-users***

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40. **The undertaking shall explain any outcome-oriented targets related to reducing negative impacts on consumers and end-users and/or advancing positive impacts, and/or managing material risks and opportunities.**

41. The principle to be followed under this disclosure requirement is to provide an understanding of the extent to which the undertaking is using targets to drive and measure progress in addressing negative impacts, and/or advancing positive impacts, on consumers and end-users.
42. The undertaking shall describe any targets linked to specific material positive or negative impacts on consumers and end-users and/or to risks or opportunities associated with consumers and end-users.
43. The undertaking shall disclose the process for setting the targets, including whether and how the undertaking engaged directly with affected consumers and end-users, or their legitimate representatives directly, or with credible proxies that have insight into their situation, in:
  - (a) Setting any such targets;
  - (b) Tracking the undertaking's performance against them;
  - (c) Identifying any lessons or improvements as a result of the undertaking's performance.

In addition, the description of the targets shall follow the requirements set out in ESRS 1.

44. When describing the targets, it is important to ensure the comparability of the undertaking's performance over the years.

#### ***[Disclosure requirement 8] Taking action on material impacts on consumers and end-users and effectiveness of those actions***

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45. **The undertaking shall explain its approaches to taking action on its material impacts of its products and/or services on consumers and end-users and how it assesses the effectiveness of the actions.**
46. The principle to be followed under this disclosure requirement is to provide an understanding of the types of process, initiative or engagement through which the undertaking works to prevent, mitigate or remedy material impacts on consumers and end-users.
47. The undertaking shall describe the undertaking's approaches to:
  - (a) Identifying what action is needed and appropriate in response to a particular actual or potential impact;
  - (b) Taking action in reaction to specific material impacts on consumers and 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;
  - (c) Ensuring that processes to provide or enable remedy in the event of negative impacts are available and effective in their implementation and outcomes.

#### ***[Disclosure requirement 9] Initiatives aimed at positive outcomes for consumers and end-users***

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48. **The undertaking shall explain whether it has programmes and processes in place whose purpose is to positively contribute to improved social outcomes for consumers and end-users and whether these also play a role in mitigating related material negative impacts.**
49. The principle to be followed under this Disclosure Requirement is to provide an understanding of whether and how the undertaking pursues particular initiatives aimed at delivering positive outcomes



for consumers and end-users, and the extent to which these initiatives are also relevant to its efforts to reduce negative impacts.

50. The undertaking shall describe any programmes or processes it has in place that are based on consumer and end-user needs and their level of implementation. This description is to include:
- (a) Information about whether and how consumers and end-users and legitimate representatives and credible proxies play a role in decisions regarding the design and implementation of these programmes or processes;
  - (b) Information about the intended or achieved positive outcomes for consumers and end-users of these programmes or processes;
  - (c) An explanation of whether these programmes or processes also play a role in mitigating related negative material impacts (as disclosed under DR2).

***[Disclosure requirement 10] Approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users***

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51. **The undertaking shall explain its approaches to mitigating material risks and pursuing material opportunities arising from impacts on consumers and end-users.**
52. The principle to be followed under this Disclosure Requirement is to provide an understanding of the ways in which the undertaking is addressing the material risks and pursuing the material opportunities related to consumers and end-users.
53. The undertaking shall explain its general approaches to taking action on material risks arising from its impacts and dependencies on consumers and end-users.
54. The undertaking shall explain its general approaches to pursuing material opportunities arising from its impacts on consumers and end-users.

**Application provisions**

55. ESRS S7 Consumers and End-users standard will become effective in line with the respective CSRD requirements and timelines. None of the Disclosure Requirements of ESRS S7 Consumers and End-users standard is supposed to be applied with deferral by one year.

## Appendix A: Defined terms

This appendix is integral part of the [draft] ESRS S7 Consumers and End-users standard.

Affected stakeholders	An individual or group that has been or may be affected by a reporting undertaking's operations, products or services, including through its value chain.
Affected communities	A group living or working in the same area that has been or may be affected by a reporting undertaking's operations or through its value chain. The local community can range from those living adjacent to the organisation's operations to those living at a distance.
Business relationships	Those relationships an undertaking has with business partners, entities in its value chain and any other non-State or State entity directly linked to its business operations, products or services. They include indirect business relationships in its value chain, beyond the first tier, and minority as well as majority shareholding positions in joint ventures or investments.
Consumer	Individuals who acquire, consume or use goods and services for personal use, either for themselves or for others, and not for resale or commercial 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.
End-users	Individuals who ultimately use or are intended to ultimately use a particular product or service.
Human rights due diligence	An ongoing risk management process that a reasonable and prudent undertaking needs to follow in order to identify, prevent, mitigate and account for how it addresses its adverse human rights impacts. It includes four key steps: assessing actual and potential human rights impacts; integrating and acting on the findings; tracking responses; and communicating about how impacts are addressed.

Grievance mechanism	A formal system put in place by an undertaking or third party for receiving complaints, addressing concerns and providing remedies. Grievance mechanisms should be legitimate, accessible, predictable, equitable, transparent, rights-compatible, a source of continuous learning. Where operated by an undertaking that may be the object of complaints, their process should also be based on dialogue and engagement with the individuals concerned.
Legitimate representatives	Individuals recognised as such under law or practice, such as elected trade union representatives in the case of workers, or other similarly freely chosen representatives of affected stakeholders.
Leverage	The ability of an undertaking to effect change in the wrongful practices of another party that is causing or contributing to an adverse human rights impact.
Remedy	Refers to both the process of providing remedy for a negative human rights impact and the substantive outcomes that can counteract, or make good, the negative impact. These outcomes may take a range of forms such as apologies, restitution, rehabilitation, financial or non-financial compensation, and punitive sanctions (whether criminal or administrative, such as fines), as well as the prevention of harm through, for example, injunctions or guarantees of non-repetition.
Stakeholder engagement	An ongoing process of interaction and dialogue between an undertaking and its stakeholders that enables the undertaking to hear, understand and respond to their interests and concerns.
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.
Value chain	The full range of activities or processes needed to create a product or service. This includes entities with which the undertaking has a direct or indirect business relationship, both upstream and downstream of its own activities, which either (a) supply products or services that contribute to the organisation's own products or services, or (b) receive products or services from the organisation.
Value chain worker	An individual performing work in the value chain

	of an undertaking, regardless of the existence or nature of any contractual relationship with that undertaking.
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Working Paper

## Appendix B: Application Guidance

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This appendix is an integral part of the [draft] ESRS S7 Consumers and End-Users Standard. It describes the application of the requirements set for in paragraphs 8-54 and has the same authority as the other parts of this [draft] ESRS S7 Standard.

### **[Objective]**

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- AG 1. The types of content and definitions used in reported information shall be consistent over time in order to ensure that users understand material developments and can compare past and present events. Static information can be made easily available through other channels in order to ensure focused reporting. Any material changes relevant for users of reporting should be highlighted and explained. The undertaking may also highlight special issues relevant to a material impact for a shorter period of time, for instance initiatives regarding the health and safety of consumers and end-users in relation to contamination of a product or severe breach of privacy due to a massive data leak.
- AG 2. Changes in the strategy or the business model (reported under ESRS 2) may result in the undertaking changing, for instance, policies and KPIs that are relevant to reporting under this standard. Since this impacts the consistency of reporting over time, the undertaking shall explain any such changes and, if possible and relevant, support comparability by providing equivalent data from the previous year in line with the provisions set out in ESRS 1. If not possible, for instance due to an excessive cost associated with doing so or the lack of available data, then this constraint should be disclosed

### **[Disclosure requirement 1] – Impacts originating from business model and strategy**

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- AG 3. The disclosure requirement assumes that the undertaking has determined its material impacts on consumers and end-users following the process set out in ESRS 4 Impacts, Risks, and Opportunities.
- AG 4. Where this information is disclosed under ESRS 2, DR 7, the undertaking may provide a cross-reference to its disclosures under ESRS 2.
- AG 5. Connections between an undertaking's business model and material negative impacts on consumers and end-users may relate to the undertaking's value proposition, its value chain, or its cost structure and the revenue model.

### **[Disclosure requirement 2] – Material impacts on consumers and end-users and types of consumers and end-users affected**

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- AG 6. The disclosure requirement assumes that the undertaking has determined its material impacts on consumers and end-users following the process set out in ESRS 4 Impacts, Risks, and Opportunities.
- AG 7. In providing further information about its material impacts on consumers and end users, the undertaking should state:
- a) Whether the impacts are actual or potential;
  - b) The timeframe of the impacts (i.e., whether the effects are short-term, medium-term or long-term);
  - c) Whether they are related to one or more geographic contexts.
- AG 8. In the case of potential negative impacts, the undertaking should provide information about how the impact is identified and assessed, including, where possible, its potential severity (scale, scope and irremediable character) and estimated likelihood.
- AG 9. In the case of negative impacts, the undertaking may state whether they are widespread or systemic in contexts where the undertaking operates or has sales, retail or other business

relationships (e.g., state censorship that routinely limits freedom of expression and access to information in certain countries), or whether they are related to individual incidents (e.g., a defect linked to a particular product) or to specific business relationships (e.g., a business partner uses marketing that targets vulnerable or under-age consumers).

- AG 10. In the case of positive impacts, the undertaking may state the activities that result in the positive impacts (e.g., product design, marketing) and the types of consumers and end-users that are positively affected or could be positively affected, including their geographic location.
- AG 11. In describing the main types of consumers and end-users negatively affected following the process set out in ESRS 4 [Risk, opportunities and impacts], the undertaking should explain how it has developed an understanding of how consumers and end-users with particular characteristics, those living in particular contexts, or those using particular products or services may be at greater risk of harm. For example, this may be because consumers and end-users are young and may be more susceptible to impacts on their physical and mental development, or they lack financial literacy and may be more susceptible to exploitative sales or marketing practices, or they are women in a context where women are routinely discriminated against in their access to particular services or in the marketing of particular products.
- AG 12. The undertaking should explain, where relevant, why a material impact on consumers and end-users identified in the previous reporting period is no longer considered to be material or why a new topic has been determined as material for the current reporting period. This may be due to significant changes in the undertaking's own products or services compared to the previous reporting period, changes in the structure of the organisation's value chain (such as new business customers, retail or franchise partners), or changes in the locations of its existing business relationships. Or it may be due to wider economic, environmental or social changes that affect the general situation of consumers and end-users (e.g., impacts on end-users' personal safety in the context of a civil conflict, or impacts of a global pandemic on consumers' ability to access certain products and services). Here, the undertaking may cross-refer to its disclosure under ESRS 4.

**[Disclosure requirement 3] – Risks and opportunities related to consumers and end-users**

- AG 13. This disclosure requirement assumes that the undertaking has determined its material sustainability-related business risks and opportunities following the process set out in ESRS 4 Impacts, Risks and Opportunities.
- AG 14. The undertaking shall explain which, if any, of those material risks and opportunities arise from its material positive or negative impacts on consumers and end-users. This could be because a material impact on consumers and end-users could affect the undertaking's future cash flows, for example, if some consumers or end-users boycott a product or service following a health scare or major data privacy breaches.
- AG 15. The risks could also arise because of a more general situation where low likelihood but high impact events may affect the undertaking's future cash flows, for example, where a global pandemic leads to severe impacts on certain consumers' livelihoods resulting in major changes in patterns of consumption.
- AG 16. In providing further information about its material risks and opportunities related to consumers and end-users, the undertaking should explain both current and anticipated effects and state the timeframe over which each could reasonably be expected to have a financial effect on the undertaking (short, medium or long-term).
- AG 17. The undertaking should briefly explain the types of consumers and end-users that are relevant in relation to each material risk or opportunity, including where in the undertaking's operations or value chain they are concentrated (for example, geographic areas, or particular distribution or sales channels).
- AG 18. The undertaking should explain, where relevant, why a material risk or opportunity identified in the previous reporting period is no longer considered to be material or why a new topic has been determined as material for the current reporting period. The undertaking may cross-refer to its disclosure under ESRS 4 Impacts, Risks and Opportunities.

**[Disclosure requirement 4] – Policies related to consumers and end-users**

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- AG 19. This disclosure requires the undertaking to provide a summary of the policies or commitments the undertaking has developed that are relevant to managing the undertaking's material impacts on consumers and end-users identified in DR2 and/or to the management of related risks and opportunities identified under DR3.
- AG 20. The summary should also include any external-facing sales, marketing codes of conduct or similar documents for itself or its business relationships that set out the undertaking's commitments or expectations about the management of impacts on consumers and end-users whether through its own activities or those of its business relationships.
- AG 21. The summary should include an explanation of how the external facing policies are embedded, for example through internal-facing sales and distribution policies, and aligned with other policies relevant to consumers and end-users.
- AG 22. It should state which position or function within the undertaking has operational responsibility for implementation of the policy or policies. It should also state, if different, which position or function has ultimate accountability. This requirement could also be fulfilled with reference to [ESRS 3 on Governance and Organisation].
- AG 23. If the policy is publicly available, the undertaking should provide the link to the webpage where it can be found. The policy may take the form of a stand-alone policy regarding consumers and end-users, or be included in a broader document such as a code of ethics or a general sustainability policy. The undertaking should meet the general criteria in the Accounting Directive for providing information on the website.
- AG 24. The summary should include the key information necessary to ensure a faithful representation of the policy, including an explanation of significant changes to the policy adopted during the year (e.g., new expectations for business customers, new or additional approaches to due diligence and remedy in relation to consumers and end-users).
- AG 25. The summary should explain whether the undertaking's policy covers all consumers and end-users that could be affected by the material impacts identified under DR2, or whether they only cover some consumers and end-users and if so, why.
- AG 26. The summary should state if any material impacts are not covered by or addressed in a relevant policy and explain any plans it has to address the gap.
- AG 27. The undertaking should disclose whether the relevant policies are mandatory or are only recommendatory in nature for those who are expected to follow or implement them. If they are mandatory, the undertaking should explain how it ensures adherence by staff internally and/or from its business relationships, as relevant.
- AG 28. The undertaking should disclose the extent of the alignment of its policy or policies with internationally recognised standards relevant to consumers and end-users, including the standards set out in Universal Declaration of Human Rights and the two Covenants that implement it.
- AG 29. Where the undertaking is, through its policy commitment, explicitly referring to alignment with the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the United Nations (UN) Guiding Principles on Business and Human Rights, it should state so, if it has not disclosed it previously.
- AG 30. The undertaking should explain how its policies are communicated to those individuals or entities for whom they are relevant, whether because they are expected to implement them (for example, the undertaking's employees, contractors and business customers), because they have a direct interest in their implementation (for example, consumers and end-users, investors) or both. The undertaking should explain if and how it tailors dissemination to different audiences to help ensure that the policy is accessible and that they understand its implications. Elements may include communication tools and channels (e.g., flyers, newsletters, dedicated websites, social media, face to face interactions, consumer representative organisations) or identification and removal of potential barriers for dissemination, such as through translation into relevant languages or the use of graphic depictions.

***[Disclosure requirement 5] – Processes for engaging with consumers and end-users about impacts***

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- AG 31. The disclosure requirement concerning the processes for engaging with consumers and end-users focuses on how the undertaking gains insight into the perspectives of consumers and end-users regarding impacts that do or may affect them, and how the undertaking takes their perspectives into account in their activities or decisions.
- AG 32. The undertaking should disclose whether engagement occurs directly with consumers or end-users, or their legitimate representatives, or with credible proxies who have knowledge of their interests, experiences or perspectives (such as national consumer protection bodies for some consumers).
- AG 33. The undertaking should explain any steps it takes to gain insight into the perspectives of consumers and end-users that may be particularly vulnerable to impacts and/or marginalised.
- AG 34. The undertaking should disclose the due diligence stage at which engagement occurs, for example in assessing impacts, taking action on them or evaluating the effectiveness of the undertaking's approach. It should explain whether engagement occurs on a regular basis, at certain points in a project or business process (for example, in the development stage of a new product or service or in marketing and sales activities), 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.
- AG 35. The undertaking shall describe if and how inputs from consumers and end-users are taken into account in the identification of the material impacts, in particular, inputs from potentially affected consumers and end-users.
- AG 36. The undertaking should state what position or function has operational responsibility for such engagement and/or ultimate accountability, and whether it requires certain skills of, or provides training or capacity-building for, relevant staff to undertake engagement. This can be part of a broader role or function. If it cannot identify such a position or function, it should explain why not. This requirement could also be fulfilled with reference to [ESRS 3 on Governance and Organisation].
- AG 37. Wherever possible, the undertaking should provide examples from the reporting period to illustrate how the perspectives of consumers and end-users have informed specific decisions or activities of the undertaking.

***[Disclosure requirement 6] – Channels for consumers and end-users to raise concerns***

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- AG 38. The disclosure requirement is focused on information about channels for consumers and end-users themselves to proactively raise concerns about actual or potential impacts on them and have them addressed. This is distinct from other mechanisms an undertaking may use to gain insight into the perspectives of consumers and end-users, such as customer satisfaction surveys.
- AG 39. The undertaking should explain whether it operates any channels itself, or participates in any third party grievance mechanisms (such as those operated by the government, NGOs, industry associations and other collaborative initiatives), through which consumers and end-users (or individuals or organisations acting on their behalf or who are otherwise in a position to be aware of adverse impacts), can raise complaints or concerns related to its own activities.
- AG 40. The undertaking should explain whether and how consumers and end-users that may be affected are able to access channels at the level of the undertaking they are affected by, in relation to each material impact. Relevant channels may include hotlines, or other grievance mechanisms operated by the relevant undertaking or by a third party. Where the undertaking is relying solely on information about the existence of such channels provided by its business relationships to answer this requirement, it should state that.
- AG 41. The undertaking may explain whether these various mechanisms treat grievances confidentially and whether they allow for consumer and end-users to use them anonymously (for example, through representation by a third party).



AG 42. In explaining whether and how the undertaking knows that consumers and end-users are aware of and trust any of these channels, it should include any data it has about the effectiveness of these channels from the perspective of consumers and end-users themselves. For example, surveys of consumers and end-users that have used such channels and their levels of satisfaction with the process and outcomes.

AG 43. In describing the effectiveness of channels for consumers and end-users to raise concerns, the undertaking can be guided by the following questions, based on the “effectiveness criteria for non-judicial grievance mechanisms”, as laid out in the UN Guiding Principles on Business and Human Rights. The below considerations may be applied on an individual channel basis or for the collective system of channels:

- a) Are the channels legitimate and accountable for the fair conduct?
- b) Are the channels accessible?
- c) Do the channels have known procedures, set timeframes and clarity on the processes?
- d) Do the channels ensure reasonable access to sources of information, advice and expertise?
- e) Are the channels transparent and providing sufficient information to meet any public interest at stake?
- f) Does the outcome 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?

For more information, see Principle 31 of the UN Guiding Principles on Business and Human Rights.

### ***[Disclosure requirement 7] – Targets related to managing material impacts on consumers and end-users***

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AG 44. The disclosure requirement is set to capture targets related to impacts on consumers and end-users, as well as topic-specific targets in relation to each specific material impacts on consumers and end-users and/or targets related to risks and opportunities associated with consumers and end-users. These can be overarching and/or specific targets. For example, an overarching target may be that the undertaking aims to help x number of people improve their health and hygiene. This may be supported by a number of specific targets related to sanitation, access to safe drinking water and other issues.

AG 45. Targets related to risks and opportunities may be the same as or distinct from targets tied to impacts. For example, a target to ensure equal access to finance for underserved consumers could both reduce discrimination impacts on those consumers and enlarge the undertaking’s pool of customers. Alternatively, a risk-based target might focus on enlarging the pool of customers rather than the underlying factors that affect it.

AG 46. Where the undertaking has overarching targets, it should state them and explain how it arrived at those targets. [Section to be further aligned with reference standard ESRS 1 once updated].

AG 47. The undertaking should state any topic-specific targets it has set in relation to each material impact and explain how it arrived at those targets. Where the undertaking does not have any such targets it should state this and explain any plans it has to address the gap. [Section to be further aligned with reference standard ESRS 1 once updated].

AG 48. The undertaking can also distinguish between short, medium and longer-term targets covering the same policy commitment. For example, an 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.

- AG 49. In general, when communicating and disclosing targets in relation to consumers and end-users, the undertaking should ensure that the targets are defined in terms of the intended outcomes to be achieved for consumers and end-users and that they are measurable/verifiable, and stable over time in terms of definitions and methodologies to allow for continuity in the datapoints derived from the targets. Any standards or commitments on which the targets are based should also be clearly defined in the reporting (for instance code of conducts, sourcing policies, global frameworks or industry codes).
- AG 50. In relation to both overarching and specific targets, the undertaking should explain whether and how consumers and end-users themselves were or are involved in the process of defining the target(s), tracking performance against it/them and/or identifying lessons related to implementation.
- AG 51. Where an undertaking has changed or replaced a target in the reporting period, this should be explained, for instance by linking it to significant changes in the business model or to broader changes in the accepted standard or legislation from which the target is derived.

***[Disclosure requirement 8] – Taking action on material impacts on consumers and end-users and effectiveness of those actions***

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- AG 52. This disclosure requirement is focused on how the undertaking responds to its material impacts on consumers and end-users and how those responses relate to the nature of its involvement in those impacts. Understanding impacts, identifying appropriate responses and putting them into practice takes time. It is therefore unlikely that an undertaking will be able to show that all challenges have been addressed. Therefore, the undertaking should explain:
- a) Its general and specific approaches to addressing impacts;
  - b) How far it has progressed in its efforts during the reporting period; and
  - c) Its aims for continued improvement.
- AG 53. In relation to each material impact, the undertaking should explain which internal functions are involved in managing the impact and what types of action they take to address negative and advance positive impacts. Appropriate action will vary according to whether the undertaking causes or contributes to a material impact, or whether it is involved because the impact is directly linked to its operations, products or services by a business relationship.
- AG 54. The undertaking should explain whether and how it ensures that its own practices do not cause or contribute to material negative impacts on consumers and end-users, including its practices in relation to marketing, sales and data use. This may include explaining what approach is taken when tensions arise between the prevention or mitigation of impacts and other business pressures.
- AG 55. Given that material impacts affecting consumers and end-users may not be caused by the undertaking alone nor be under its direct control, the undertaking should explain whether and how it seeks to use leverage with relevant business relationships to manage those impacts. This may include using commercial leverage (for example, enforcing contractual requirements with business relationships or implementing incentives), 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 collaborative leverage with peers or other actors (such as initiatives aimed at responsible marketing or product safety) to motivate business relationships to take action.
- AG 56. If the undertaking reports on its participation in an industry or multi-stakeholder initiative as part of its efforts to take action, the undertaking should make clear how the initiative, and its own involvement, is aiming to address the material impact concerned. It may report under DR 7 regarding any relevant targets set by the initiative and progress towards them.
- AG 57. The undertaking should also explain whether and how it considers additional impacts on consumers and end-users in decisions to terminate business relationships and if it seeks to address any such impacts.
- AG 58. The undertaking should explain what resources are allocated to the management of each material impact.

- AG 59. Where the undertaking has caused or contributed to actual negative impacts on consumers and end-users during the reporting period, it should explain whether and how it has provided or enabled remedy (to the extent of its contribution).
- AG 60. Where negative impacts have occurred during the reporting period but the undertaking has not caused or contributed to them, it may explain whether and how it has taken a role in using its leverage to help enable remedy for the consumers and end-users.
- AG 61. The undertaking should explain how it tracks the effectiveness of its actions to manage material impacts during the reporting period and any lessons learned from the previous and current reporting periods. Processes used to track the effectiveness of actions can include stakeholder feedback, measurement systems, grievance mechanisms, external performance ratings, and benchmarking. Where there is a relationship with a target under DR7, the undertaking should explain the connection.
- AG 62. In reporting on effectiveness, the undertaking should show that there is a credible link between the actions it has taken and the effective management of impacts. For example, to show the effectiveness of training of sales representatives to eliminate discrimination in the delivery of its services, the undertaking can report survey feedback from vulnerable or marginalised consumers and end-users showing that their ability to access services has improved since the time the undertaking began training on these issues. Additional information the undertaking can provide includes data showing a decrease in the number of complaints identified through for instance consumer-facing channels.

***[Disclosure requirement 9] – Initiatives aimed at positive outcomes for consumers and end-users***

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- AG 63. This disclosure requirement is focused on programmes or processes that the undertaking has in place to positively contribute to outcomes for consumers and end-users where the undertaking can show that these are informed by consumers and end-users' actual needs.
- AG 64. Specifically, the undertaking may choose to support and promote the Sustainable Development Goals as a way to advance positive outcomes for consumers and end-users. For example, an undertaking committing to SDG 3 to “ensure healthy lives and promote well-being for all at all ages” may be actively working to make its products less addictive and harmful to physical and psychological health, which can benefit both the consumers and end-users themselves, but also their families and communities.
- AG 65. The undertaking should explain whether and how consumers and end-users are involved in the design or implementation of these programmes or processes, distinct from being participants in or beneficiaries of them.
- AG 66. The undertaking should state the intended positive outcomes for consumers and end-users and disclose any evidence of achievement of these outcomes. The undertaking should be careful to distinguish evidence of certain activities having occurred (e.g., that x number of consumers have received information about healthy eating habits) from evidence of actual outcomes for consumers and end-users (e.g., that x number of consumers have changed their eating habits and improved their overall health).
- AG 67. The undertaking should explain whether these programmes or processes also play a role in mitigating material negative impacts disclosed under DR2. For example, where a programme that aims to support heightened digital awareness of the risk of online scams has led to a reduction in the number of cases of end-users experiencing breaches of data privacy.

***[Disclosure requirement 10] – Approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users***

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- AG 68. This disclosure requirement is focused on how the undertaking seeks to monitor, manage and mitigate the risks, and pursue opportunities, related to its impacts on consumers and end-users or due to its dependencies on consumers and end-users. The undertaking should highlight external

developments that influence whether dependencies turn into risks. [Section to be further aligned with reference standard ESRS 1 once updated].

AG 69. The undertaking should include disclosure about policies, targets, action plans or resources related to the management of risks and opportunities insofar as they differ from those reported in relation to impacts underlying such risks or opportunities, including if there are specific dependencies that trigger a risk for the undertaking or its business model. [Section to be further aligned with reference standard ESRS 1 once updated].

AG 70. The undertaking should explain the extent to which and how its processes to manage material risks related to consumers and end-users are integrated into its existing risk management processes.

Working Paper

## Basis for Conclusions

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This [draft] Basis for Conclusions accompanies, but is not part of, [draft] ESRS S7 [Social - Consumers and End-Users] (the [draft] 'Standard'). It summarises the considerations and references of the [EFRAG Sustainability Reporting Board (the 'Board')] in developing the contents of the [draft] standard. [Individual Board members may be giving greater weight to some factors than to others.]”

### Introduction

BC1. The proposal for a Corporate Sustainability Reporting Directive (CSRD) and its predecessor, the Non-Financial Reporting Directive (NFRD), as well as the Sustainable Finance Disclosure Regulation (SFDR) and the Taxonomy Regulation (EU Taxonomy) are the central components of the sustainability reporting requirements underpinning the EU's sustainable finance strategy. These all recognise the importance of respect for human rights, as enshrined in the Charter of Fundamental Rights of the European Union, and international instruments such as the UN Guiding Principles on Business and Human Rights (UN Guiding Principles) and the Organisation for Economic Co-Operation and Development Guidelines for Multinational Enterprises (OECD Guidelines).

BC2. Specifically, the CSRD aims to improve the relevance, faithfulness, reliability and comparability of information about social sustainability topics. Article 19b requires disclosure on:

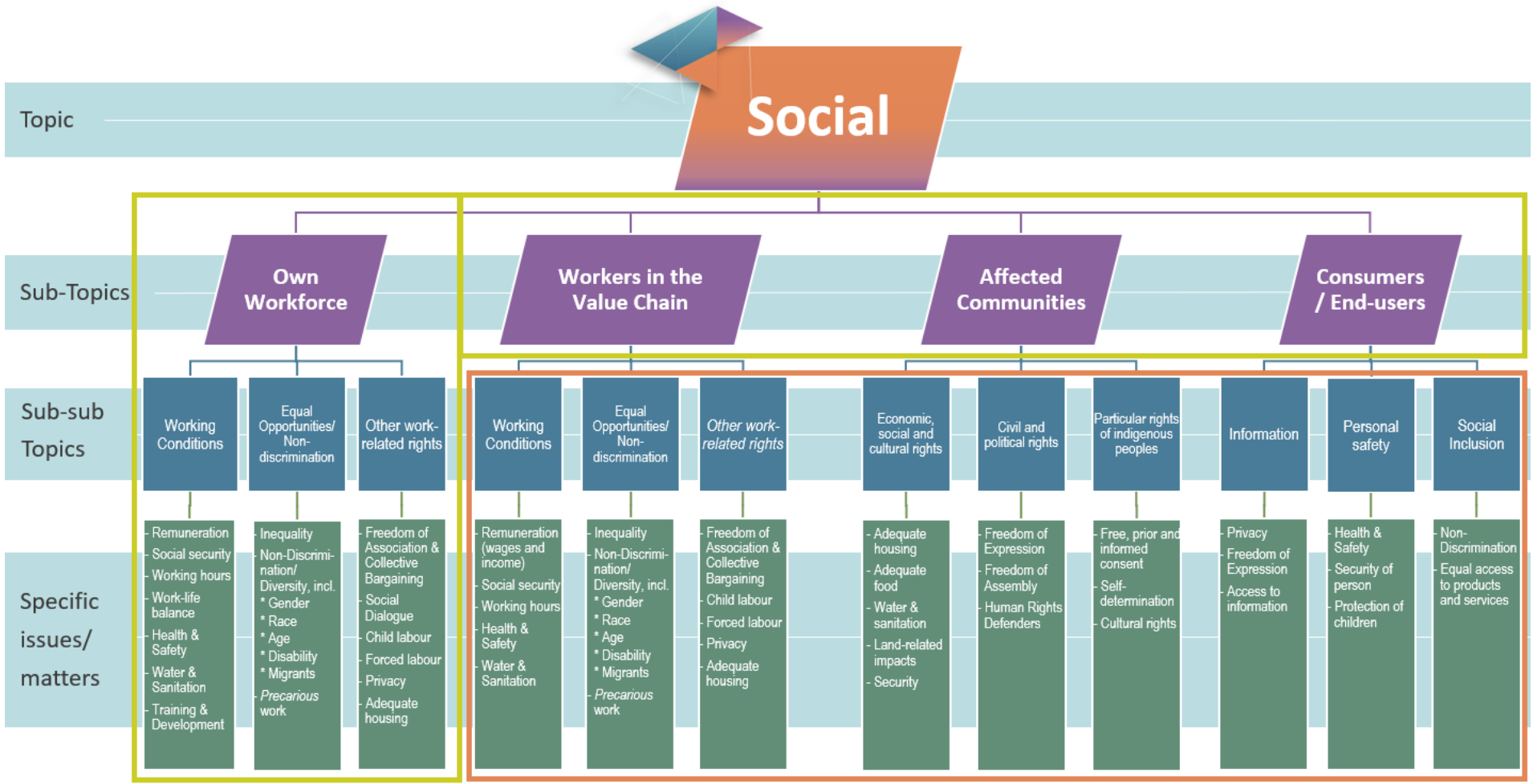
- (i) Equal opportunities for all, including gender equality and equal pay for equal work, training and skills development, and employment and inclusion of people with disabilities;
- (ii) Working conditions, including secure and adaptable employment, wages, social dialogue, collective bargaining and the involvement of workers, work-life balance, and a healthy, safe and well-adapted work environment;
- (iii) Respect for the human rights, fundamental freedoms, democratic principles and standards established in the International Bill of Human Rights and other core UN human rights conventions, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work and the ILO fundamental conventions and the Charter of Fundamental Rights of the European Union.

BC3. In line with this CSRD requirement, the [draft] Standard, along with the other social standards, was drafted with the understanding that social topics are, in their essence, about people, as individuals, groups and societies. Based on the approach of double materiality, this includes both the perspective of undertakings' impacts on people and the perspective of business risks and opportunities that result from undertakings' impacts and dependencies on people. The key categories of people – or 'stakeholders' – addressed in the ESRS are the undertaking's own workforce (ESRS S1-S4), workers in the value chain (ESRS S5), affected communities (ESRS S6), and consumers and end-users (ESRS S7).

BC4. The social standards, taken together, are designed to address these four categories of stakeholders. The standards include a respective overarching standard for each stakeholder group (ESRS S1, S5, S6 and S7) that reflects the general due diligence process defined in international instruments (as developed in ESRS 1), and additional standards addressing specific impacts, risks and opportunities. These overarching standards are included in the first set of EU Sustainability Reporting Standards, together with the standards on specific impacts relating to an undertaking's own workforce (ESRS 2 on working conditions, ESRS 3 on equal opportunities, ESRS4 on other human rights). Standards on specific impacts relating to value chain workers, affected communities and consumers and end-users will form part of the second set. The structure of the standards (Social topic; sub-topics; sub-sub-topics) is set out below, with the standards published in this first set highlighted in yellow and second set in orange.

Standards developed in first set

Standards to be developed in second set



- BC5. The [draft] Standard addresses undertakings' impacts and dependencies on consumers and end-users.
- BC6. The CSRD highlights the particular importance of sustainability reporting standards being aligned with the UN Guiding Principles and the OECD Guidelines, including their chapters on human rights.
- BC7. Human rights address the full range of types of negative impacts on people that can occur: economic, social, cultural, civil and political. They include the commonly understood 'social' issues of health and safety (in the workplace and beyond), privacy (of data and other), non-discrimination, and are today understood to include impacts on people resulting from climate change and broader environmental harm.
- BC8. Human rights represent a threshold: they are about impacts on people that are sufficiently acute that they undermine the basic dignity and equality of individuals. As such, human rights impacts – and in particular severe impacts on human rights – are likely to be material in terms of the impacts themselves. And these material impacts on people are in turn among the most likely to also raise material risks to the business in the short, medium or long term.
- BC9. The CSRD also makes clear that the content of reporting on due diligence should be fully aligned with the UN Guiding Principles and OECD Guidelines. It states:

*'To ensure consistency with international instruments such as the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct, the due diligence disclosure requirements should be specified in greater detail than is the case in Article 19a(1), point (b), and Article 29a(1), point (b) of Directive 2013/34/EU. Due diligence is the process that undertakings carry out to identify, prevent, mitigate and remediate the principal actual and potential adverse impacts connected with their activities and identifies how they address those adverse impacts. Impacts connected with an undertaking's activities include impacts directly caused by the undertaking, impacts to which the undertaking contributes, and impacts which are otherwise linked to the undertaking's value chain. The due diligence process concerns the whole value chain of the undertaking including its own operations, its products and services, its business relationships and its supply chains. In alignment with the UN Guiding Principles on Business and Human Rights, an actual or potential adverse impact is to be considered principal where it measures among the greatest impacts connected with the undertaking's activities based on: the gravity of the impact on people or the environment; the number of individuals that are or could be affected, or the scale of damage to the environment; and the ease with which the harm could be remediated, restoring the environment or affected people to their prior state.'*

- BC10. The disclosures in this [draft] Standard therefore align with the elements of due diligence as set out in the international instruments, and which are summarised in ESRS 1.
- BC11. The disclosures aim to reach a fair balance between the need for meaningful information regarding an undertaking's impact, risks and opportunities in relation to consumers and end-users, and the need to ensure that reporting requirements are reasonable and feasible for undertakings themselves, recognising the time and resources it can take to gather and interpret the data required. Any additional burden on companies flowing from the disclosures should lead to more relevant and comparable reporting, whereby resources are allocated efficiently and in a targeted manner that directly serves the objectives of the CSRD and complementary EU and international instruments.

## **Objective**

- BC12. Based on the relevant provisions from the CSRD-proposal as illustrated in Table 1 below, and other EU legislation, as well as the global standard of the UNGPs and relevant chapters of the OECD Guidelines, this [draft] Standard on Consumers and End-users aims to ensure that stakeholders of the reporting undertaking obtain information that enables them to understand:

- How consumers and end-users of the undertaking's products and services can be impacted in both positive and negative ways;

- The due diligence approaches taken to identify, prevent, mitigate or remediate negative impacts and assess the effectiveness of these actions;
- How the voices and perspectives of consumers and end-users are integrated into these due diligence processes and through remedy channels and processes;
- How undertakings contribute positively to improved social outcomes for consumers and end-users;
- The nature, type and extent of the material risks or opportunities for the business which arise from the impacts described above or from their dependencies on consumers and end-users;
- The approaches taken to mitigating these risks and pursuing these opportunities.

BC13. Under the EU Taxonomy, undertakings have to meet the minimum safeguards stipulated in Article 18, according to which investments must align with the OECD Guidelines and the UN Guiding Principles including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights. Under the SFDR, the European Supervisory Authorities (ESAs) developed Regulatory Technical Standards (RTS) that are designed to align with the minimum safeguards requirements of the EU Taxonomy Regulation, as well as its Do No Significant Harm principle. The RTS contain templates for pre-contractual and periodic product disclosures that include information on whether the sustainable investment is aligned with the OECD Guidelines and UN Guiding Principles as well as the principles and rights set out in the eight core ILO conventions and the International Bill of Human Rights.

BC14. The Universal Declaration of Human Rights (UDHR) addresses a range of human rights that are further elaborated in the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights. Taken together, these instruments constitute the International Bill of Human Rights. Human rights in the UDHR that are specifically relevant to consumers and end-users include the human rights to non-discrimination, security of the person, privacy, the right to an adequate standard of living, and freedom of expression.

BC15. The International Covenant on Economic, Social and Cultural Rights further elaborates on the rights to non-discrimination, the right to an adequate standard of living; the right to the enjoyment of the highest attainable standard of health.

BC16. The disclosure requirements of this [draft] Standard on Consumers and End-users are in line with relevant provisions of these international instruments specified in the CSRD. They also take account of the RTS developed by the ESAs that are relevant to impacts risks and opportunities related to consumers and end-users. The disclosures aim to provide the information necessary to meet the requirements of those RTS disclosures. Through their alignment with the UN Guiding Principles and the OECD Guidelines more generally, they also provide context that can assist investors (and other users of sustainability reporting) in appropriately interpreting those disclosures.

## **Context**

BC17. Following the architecture outlined in the Introduction to this Basis for Conclusions, the [draft] Standard defines how to report impacts on consumers and end-users.

BC18. The [draft] Standard will apply for the reporting years [2023] and onwards, while more granular standards related to specific types of impact, risk and opportunity will apply from [2024] and onwards. The expansion in 2024 will build on the principles outlined in the Standard and follow the architecture presented above in BC4.

BC19. The design of the [draft] Standard has been guided by the four following considerations:

- a. Determining disclosures that can reasonably apply to all reporting undertakings (that is, sector-agnostic disclosures);



- b. Complying with the requirements of the CSRD, the existing EU regulation, reporting requirements and agreed initiatives in the field of sustainable finance mainly the NFRD, together with the SFDR and the EU Taxonomy Regulation underpinning the EU's sustainable finance strategy as further elaborated in the Commission's 2018 action plan on financing sustainable growth and the 2021 strategy for financing the transition to a sustainable economy;
- c. The need for disclosures to build on existing reporting standards and frameworks wherever appropriate, while ensuring that disclosures meet the quality of information guidelines, reflect lessons drawn from experience in the application of social indicators and disclosures, and provide the context;
- d. The importance of disclosures being reasonable and feasible for reporting undertakings at this point in time, while also helping preparers of all sizes, including SMEs, respond to the increasing demand for sustainability information by providing a coherent system of disclosures that reduces the potential for multiple requests for information in different formats.

BC20. The CSRD aims to build on and contribute to international sustainability reporting initiatives. The reporting frameworks and standards of the Global Reporting Initiative (GRI), the Climate Disclosure Standards Board (CDSB), the Sustainability Accounting Standards Board (SASB), the International Integrated Reporting Council (IIRC) and the UN Guiding Principles Reporting Framework are reflected, as relevant, in the [draft] Standard.

BC21. The following table cross-references requirements of the [draft] Standard and the requirements of the CSRD, NFRD, the UN Guiding Principles and OECD Guidelines, and other reporting frameworks.

Table 1 Cross-reference of requirements of the [draft] Standard and the requirements of the CSRD, NFRD, the UN Guiding Principles and OECD Guidelines, and other reporting frameworks

[draft] ESRS S7 disclosure requirements	Required by CSRD	Required by NFRD (incl non-binding guidelines)	References to OECD Guidelines and UN Guiding Principles	References to other reporting frameworks
DR 1	Art. 19a 2 (a) (iv)			GRI 2-22 / CDSB Reporting Requirement 1 / UNGP RF A2
DR 2	Art. 19a 2 (e) (ii)		OECD IV.45 / UNGP 18, 21 and 24	GRI 3-3 and 3-2/ UNGP RF B1
DR 3	Art. 19a 1 Art. 19a 2 (a) (ii) Art. 19a 2 (f)	Art. 19a 1 Art. 19a 1 (d) /		IR 4.25 / CDSB 3 / SASB CG-AM-250a.2
DR 4	Art. 19a 2 (d)	Art. 19a 1 (b)	OECD IV 4 and Commentary IV para. 44 / UNGP 15 and 16	GRI 2-23 and 3-3 / UNGP RF A1, A1.3 and C1
DR 5	Art. 19a 2 (e) (i)		OECD II A 14 and III 3 (g) / UNGP 18	GRI 2-29 / GRI 3-3 (f) / UNGP RF C2 / CDSB 2 and 3
DR 6	Art. 19a 2 (e) (iii)		OECD VI 6 / UNGP 29, 30 and 31	GRI 2-25 / UNGP RF C6.2
DR 7	Art 19a 2 (b)		UNGP 20	GRI 3-3-e and 3-3-f / CDSB 2 / OECD VI 1
DR 8	Art. 19a 2 (e) (iii)		OECD II A and IV / OECD DD Guidance II 3.1 / UNGP 19, 20 and 22 / UNGP Interpretive Guide III B	GRI 3-3-d and 2-25 / CDSB Environmental and social policies and strategies / UNGP RF C4.3, C5 and C6.5

<b>DR 9</b>	Art. 19a 2 (e) (iii)	NBG 3.1	OECD II A1	GRI 3-3 (a) / UNGC/GRI 3.1
<b>DR 10</b>	Art 19a 2 (f)		OECD MNE Guidelines Section III 1-2	SASB CG-AM-250a.2

BC22. The Basis for Conclusions includes the following information, as applicable, for each disclosure requirement:

- Relevant EU-legislations that have been referenced (e.g., CSRD, NFRD, SFDR/RTS, EU Taxonomy);
- Reference to the leading international instruments as they are relevant to the standard: the UN Guiding Principles and the OECD Guidelines, and their provisions that underpin the rationale for the specific disclosure requirements;
- Relevant reporting frameworks and standards that provide for disclosures that are relevant or similar to the disclosure requirements (e.g., GRI, UN Guiding Principles Reporting Framework, SASB, CDSB);
- Additional explanation of the elements are included in each disclosure requirement.

## **Specific disclosure requirements**

### **[Disclosure requirement 1] – Impacts on consumers and end-users originating from business model and strategy**

BC23. As stated in the CSRD Article 19a 2 (a) (iv), undertakings should briefly describe ‘how the business model and strategy take account of the interests of the undertaking’s stakeholders and of the impacts of the undertaking on sustainability matters’. While undertakings are increasingly focused on connections between business models and climate change, the features of business models that can be a source of impacts on people, including on consumers and end-users, are often overlooked. Research has shown the various ways in which such connections between business model, strategy and material impacts can arise.<sup>1</sup> Where they do so, typical mitigation strategies may be ineffective at the operational level, given that impacts are part of how the business is designed to operate, and therefore require engagement of senior leaders and governance bodies to address them effectively.

BC24. Guidance to GRI 2-22 states that undertakings should describe how their purpose, business strategy, and business model aim to prevent negative impacts and achieve positive impacts on the economy, environment, and people.

BC25. CDSB Reporting Requirement 1 states that disclosures shall describe the governance of environmental and social policies, strategies and information, and that this disclosure requirement will be satisfied when disclosures, inter alia, explains whether and how the Board considers how the organisation’s business model and strategy may contribute to material environmental and social risks;

BC26. Question A2 of the UN Guiding Principles Reporting Framework guides undertakings to report on how they demonstrate the importance they attach to the implementation of their human rights commitment, including how the business model reflects, or has been adapted to enable, respect for human rights, as well as how any risks to human rights associated with the business model (e.g., offering lowest-cost products) are understood among the senior leadership and the Board.

### **[Disclosure requirement 2] – Material impacts on consumers and end-users and types of consumers and end-users affected**

BC27. Article 19a 1 of the CSRD, requires undertakings to include information ‘necessary to understand the undertaking’s impacts on sustainability matters, and information necessary to understand how sustainability matters affect the undertaking’s development, performance and position’ in its management report (concept of double materiality). Article 19a 2 (e) (ii) of the CSRD requires a description of the ‘principal actual or potential adverse impacts connected with the undertaking’s value chain, including its

<sup>1</sup> Shift, ‘Business Model Red Flags’, New York, 2021, <https://shiftproject.org/resource/business-model-red-flags/red-flags-about/>

own operations, its products and services, its business relationships and its supply chain' (impact materiality).

- BC28. According to UN Guiding Principle 18 and OECD Guidelines IV-45, the initial step in conducting human rights due diligence is to identify and assess any actual or potential adverse human rights impacts with which undertakings may be involved either through their own activities or as a result of their business relationships. The purpose is to understand the specific impacts on specific people, given a specific context.
- BC29. UN Guiding Principle 24 states that where it is necessary to prioritise actions to address actual and potential impacts, undertakings should first seek to prevent and mitigate those that are most severe or where delayed response would make them irremediable. The UN's Interpretive Guide to the Corporate Responsibility to Respect Human Rights under the UN Guiding Principles refers to these as 'salient' human rights, while the OECD Guidelines refer to them as the most significant. These steps within the due diligence process are further set out in [ESRS1].
- BC30. The UN Guiding Principles Reporting Framework and GRI 3 set out how this same prioritisation process leads to the identification of the material impacts of the organisation by determining the threshold above which the most salient/significant impacts are understood to be material. This is reflected in the guidance on determining impact materiality, as part of double materiality, under ESRS 1, as well as in the application guidance to disclosures on impacts under Disclosure Requirement 1 of ESRS 4.
- BC31. GRI 3-3 requires undertakings to describe the actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights. Further, the undertaking should describe whether it is involved with the negative impacts through its activities or as a result of its business relationships and describe the activities or business relationships.
- BC32. In addition to disclosing material impacts on consumers and end-users, DR2 of the Standard requires disclosure on the main types of consumers and end-users that are affected by those impacts (e.g., people with disabilities, women, children, etc.). The disclosure on the affected types of consumers and end-users provides context for understanding the nature and potential consequences of the impacts, and for assessing the potential actions that could be appropriate in response. UN Guiding Principle 21 requires that, in their external communications, undertakings should 'provide information that is sufficient to evaluate the adequacy of an enterprise's response to the particular human rights impact involved.'
- BC33. For investors and other stakeholders to understand changes in the undertaking's impacts on consumers and end-users over time, DR2 requires undertakings to describe any changes in its material impacts compared to the previous reporting period. This helps users of information quickly identify significant developments in the types of impacts and groups affected. In addition, GRI 3-2, requires undertakings to list their material topics (based on impact materiality) and report changes to the list of material topics compared to the previous reporting period.

### **[Disclosure requirement 3] – Risks and opportunities related to consumers and end-users**

- BC34. DR3 builds on both the current EU NFRD as well as the CSRD proposal. Article 19a 1 of the CSRD requires undertakings to include in the management report information 'necessary to understand how sustainability matters affect the undertaking's development, performance and position'. Article 19a 2 (f) of the CSRD requires 'a description of the principal risks to the undertaking related to sustainability matters, including the undertaking's principal dependencies on such matters, and how the undertaking manages those risks' and Article 19a 2 (a) (ii) refers to 'the opportunities for the undertaking related to sustainability matters'. Already under Article 19a 1 (d) of the NFRD, undertakings are required to report on the principal risks related to sustainability matters and how the undertaking manages those risks.
- BC35. The Integrated Reporting Framework highlights that an integrated report should identify the key risks and opportunities that are specific to the organisation, including those that relate to the organisation's effects on, and the continued availability, quality and affordability of, relevant capitals in the short-, medium- and long-term. This includes both human capital and social and relationship capital, which could be relevant with regard to consumers and end-users.
- BC36. Requirement 3 of the CDSB Reporting Framework for reporting environmental and social information states that disclosures shall explain the material current and anticipated environmental and social risks and opportunities affecting the organisation and the processes used to identify, assess and prioritise the risks and opportunities. The Framework defines human and social capital dependencies, which may be a

source of risks or opportunities, as the human and social resources and relations that organisations need in order to create and sustain value.

- BC37. Requirement 3 of the CDSB Reporting Framework further states that information will be useful where it explains whether and how the undertaking's processes to identify, assess and prioritise risks and opportunities include an assessment of whether business risks may result, in the short, medium, and long term, from actual or potential negative environmental and social impacts that the organisation itself may cause or contribute to or which may be linked to its operations, products or services through its business relationships; and when it explains any additional causes and sources of the material business risks and opportunities the organisation has identified, such as risks to the availability of any of the organisation's natural, social, or human capital dependencies
- BC38. SASB Industry Standards evaluate sustainability issues for inclusion in the Standards by assessing whether a given topic is reasonably likely to materially affect the financial condition, operating performance, or risk profile of a typical undertaking within an industry. With regard to consumers and end-users, for example, standards require undertakings to describe processes to identify and manage safety risks associated with the use of products (e.g. CG-AM-250a.2)
- BC39. DR3 and AG18 further require the undertaking to explain how the material risks and/or opportunities might differ from the previous reporting period. Requirement 3 of the CDSB Framework guides undertakings to explain any changes to the material environmental and social risks identified and processes by which they were identified with the previous reporting period.

**[Disclosure requirement 4] – Policies related to consumers and end-users**

- BC40. As stated in Article 19a 1 (b) of the NFRD amending Directive 2013/34/EU and its non-binding guidelines, as well as Article 19a 2 (d) of the CSRD, undertakings should provide 'a description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented' and 'a description of the undertaking's policies in relation to sustainability matters'. A policy demonstrates the nature of the commitment made by the undertaking regarding impacts, risks and opportunities related to consumers and end-users.
- BC41. According to both UN Guiding Principle 15 and the OECD Guidelines (IV, 4), undertakings should have in place policies and processes appropriate to their size and circumstances, including a policy commitment to meet their responsibility to respect human rights. UN Guiding Principle 16 states that such a policy should stipulate the enterprise's human rights expectations of personnel, business partners and other parties directly linked to its operations, products or services; and that it should be publicly available and communicated internally and externally to all personnel, business partners and other relevant parties. Expanding on section IV para. 4, the OECD Guidelines' Commentary on Human Rights specifies that undertakings should 'express their commitment to respect human rights through a statement of policy that: (i) is approved at the most senior level of the enterprise; (ii) is informed by relevant internal and/or external expertise; (iii) stipulates the enterprise's human rights expectations of personnel, business partners and other parties directly linked to its operations, products or services; (iv) is publicly available and communicated internally and externally to all personnel, business partners and other relevant parties; (v) is reflected in operational policies and procedures necessary to embed it throughout the enterprise.'
- BC42. GRI 2-23 requires the undertaking to describe policy commitments for responsible business conduct, including the specific policy commitment to respect human rights, the internationally recognised human rights that the commitment covers, and the categories of stakeholders, including at-risk or vulnerable groups, that the undertaking gives particular attention to in the commitment. It requires undertakings to provide links to the policy commitments if publicly available. GRI 3-3 also requires the undertaking to describe its policies or commitments regarding material topics (i.e., specific material impacts). This entails describing the policies or commitments the organisation has developed specifically for the topic, in addition to the policy commitments reported under Disclosure 2-23.
- BC43. The UN Guiding Principles Reporting Framework guides undertakings to report on their public commitment to respect human rights (A1) for which relevant information would include whether the public commitment covers all individuals and groups who may be impacted by the undertaking's activities or through its business relationships, and whether there are any groups to which the undertaking pays particular attention, and why. It guides undertakings to report any more specific policies they may have that address their salient (material) human rights issues. It indicates that relevant information would include clarification of whose human rights the policy or policies relate to, such as consumers and end-users. Its

supporting guidance explains that specific policies may be addressed through a single provision or section within a broader document

- BC44. DR 4 requires undertakings to summarise how the relevant policies are communicated to consumers, end-users and other relevant stakeholders in the undertaking's value chain. In line with UN Guiding Principle 16d and OECD Guidelines (IV, para. 44), GRI 2-23 requires undertakings to describe how their policy commitments – including with regard to respect for human rights – are communicated to workers, business partners, and other relevant parties. In addition, the guidance to GRI 2-23f suggests disclosing how the undertaking identifies and removes potential barriers to the communication or dissemination of the policy commitments, e.g., by making them accessible and available in relevant languages.
- BC45. The UN Guiding Principles Reporting Framework (A 1.3) guides undertakings to report how their public commitment to respect human rights is disseminated and indicates that relevant information would include whether and how the public commitment is disseminated in an accessible form to external stakeholders, in particular potentially affected stakeholders, for example consumers, end-users and the associations representing their interests.

**[Disclosure requirement 5] – Processes for engaging with consumers and end-users about impacts**

- BC46. The CSRD requires undertakings to provide 'a description of the due diligence process implemented with regard to sustainability matters'. In line with the UN Guiding Principles and the OECD Guidelines, this due diligence process should throughout be informed by engagement with relevant stakeholders, especially those who may be adversely impacted.
- BC47. The UN Guiding Principles refer to the importance of meaningful stakeholder engagement in the conduct of human rights due diligence. For example, the commentary to UN Guiding Principles 18 states that, to enable undertakings to assess their human rights impacts accurately, they should seek to understand the concerns of potentially affected stakeholders by consulting them directly in a manner that takes into account language and other potential barriers to effective engagement. It further states that in situations where such consultation is not possible, undertakings should consider reasonable alternatives such as consulting credible, independent expert resources, including human rights defenders and others from civil society. The UN Interpretive Guide to the Corporate Responsibility to Respect Human Rights defines stakeholder engagement as an ongoing process of interaction and dialogue between an enterprise and its potentially affected stakeholders that enables the enterprise to hear, understand and respond to their interests and concerns, including through collaborative approaches.
- BC48. Section II A. 14 of the OECD Guidelines similarly provides that undertakings should engage with relevant stakeholders in order to provide meaningful opportunities for their views to be taken into account in relation to planning and decision making that may significantly impact them. The related Commentary adds that stakeholder engagement involves interactive processes of engagement (e.g., meetings, hearings or consultation proceedings) and that effective stakeholder engagement is characterised by two-way communication and depends on the good faith of the participants on both sides.
- BC49. GRI 2-29 requires undertakings to describe their approach to engaging with stakeholders, including the categories of stakeholders they engage with, and how they are identified; the purpose of the stakeholder engagement; and how the organisation seeks to ensure meaningful engagement with stakeholders. GRI 3-3 (f) requires undertakings to describe how engagement with stakeholders has informed the actions taken to address material impacts and how it has informed whether the actions have been effective.
- BC50. The UN Guiding Principles Reporting Framework (C2) guides companies to disclose how the undertaking identifies which stakeholders to engage with in relation to each of its salient (material) issues; which stakeholders it has engaged with regarding each salient issue in the reporting period, and why; and how the views of stakeholders have influenced the undertaking's understanding of each salient issue and/or its approach to addressing it.
- BC51. Requirement 2 of CDSB's Reporting Framework states that information about environmental and social policies and strategies should include confirmation of whether and to what extent policies and strategies take account of the organisation's key stakeholder relationships and perspectives including details about engagement with key stakeholder relationships and perspectives along the value chain. Requirement 3 states that information related to the identification, assessment and prioritisation of risks and opportunities is useful where it explains whether and how the processes include engagement with

affected stakeholders, their legitimate representatives or subject matter experts, and the types of stakeholders engaged and the engagement methods used.

**[Disclosure requirement 6] – Channels for consumers and end-users to raise concerns**

- BC52. UN Guiding Principle 29 states that, to make it possible for grievances to be addressed early and remediated directly, undertakings should establish or participate in effective operational-level grievance mechanisms for individuals as well as communities who may be adversely impacted. The commentary explains that operational-level grievance mechanisms are accessible directly to individuals and communities who may be adversely impacted by an undertaking; are typically administered by enterprises, alone or in collaboration with others, including relevant stakeholders; may also be provided through recourse to a mutually acceptable external expert or body; do not require that those bringing a complaint first access other means of recourse; engage the undertaking directly in assessing the issues and seeking remediation of any harm. It states that such mechanisms need not require that a complaint or grievance amount to an alleged human rights abuse before it can be raised, but specifically aim to identify any legitimate concerns of those who may be adversely impacted.
- BC53. In addition, UN Guiding Principle 30 addresses the importance of industry, multi-stakeholder and other collaborative initiatives that are based on respect for human rights-related standards ensuring the availability of grievance mechanisms.
- BC54. The OECD Guidelines (IV, 6) also recommend that when undertakings identify through their human rights due diligence process or other means that they have caused or contributed to an adverse impact, they should have processes in place to enable remediation. The Guidelines note that some situations require cooperation with judicial or State-based non-judicial mechanisms.
- BC55. Both UN Guiding Principle 29 and the OECD Guidelines (IV, 6) underline that operational-level grievance mechanisms can be important complements to wider stakeholder engagement, which it cannot however substitute, nor should it preclude access to judicial or non-judicial grievance mechanisms.
- BC56. GRI 2-25 specifically requires disclosing the grievance mechanisms that the organisation has established or participates in, as well as a description of how the stakeholders who are intended users of the grievance mechanisms are involved in the design, review, operation, and improvement of these mechanisms.
- BC57. This disclosure requires undertakings to explain whether and how they know that consumers and end-users are aware of and trust these structures or processes as a way to raise their concerns or needs and have them addressed. This aligns with UN Guiding Principle 31, which states that grievance mechanisms should be legitimate, accessible, predictable, equitable, transparent, rights-compatible, a source of continuous learning and based on engagement and dialogue. The OECD Guidelines similarly state that operational-level grievance mechanisms can be an effective means of providing for remediation when they meet the core criteria of: legitimacy, accessibility, predictability, equitability, compatibility with the Guidelines and transparency, and are based on dialogue and engagement with a view to seeking agreed solutions.
- BC58. The UN Guiding Principles Reporting Framework (C6.2) specifically guides undertakings to disclose how they know if people feel able and empowered to raise complaints or concerns, with relevant information including evidence that they are used by the intended individual or groups and feedback from those who have and have not used the channels regarding their confidence in them.

**[Disclosure requirement 7] – Targets related to managing material impacts on consumers and end-users**

- BC59. Art. 19a 2 (b) of the CSRD mandates undertakings to provide a description of sustainability targets and the progress made towards achieving those targets. It contains specific disclosure requirements on targets related to sustainability matters, which include rights relevant to consumers and end-users.
- BC60. The setting of targets provides a goal against which progress can be tracked. The Commentary to UN Guiding Principle 20 states that undertakings should make particular efforts to track the effectiveness of their responses to impacts on individuals from groups or populations that may be at heightened risk of vulnerability or marginalisation. The OECD Guidelines (VI, 1) also recommend that undertakings regularly monitor and verify progress toward environmental, health, and safety objectives or targets.

- BC61. With regard to tracking the effectiveness of actions taken, GRI 3-3-e requires undertakings to report the processes used to track the effectiveness of the actions; any goals, targets, and indicators used to evaluate progress; the effectiveness of the actions, including progress toward the goals and targets; lessons learned and how these have been incorporated into the organisation's operational policies and procedures. Its guidance further states that reporting on goals and targets should include how the targets are set. GRI 3-3-f also requires undertakings to describe how engagement with stakeholders has informed the actions taken [to address impacts] and how it has informed whether the actions have been effective.
- BC62. Requirement 2 of the CDSB Reporting Framework states that disclosures shall report management's environmental and social policies, strategies, and targets, including the indicators, plans and timelines used to assess performance. It further specifies that to meet this requirement undertakings will need to describe their targets, timelines, and key performance indicators against which delivery of environmental and social strategies and policies is measured and resourced. Information on a social target should include whether it is a direct measure of outcomes for people or a measure of systemic changes aimed at improving outcomes for people. Information on targets should further include whether and how they are informed by engagement with affected stakeholders, their legitimate representatives and/or subject matter experts; and key performance indicators used to assess progress against targets.

**[Disclosure requirement 8] – Taking action on material impacts on consumers and end-users and effectiveness of those actions**

- BC63. Addressing the identified material impacts, as required by DR8, is part of the human rights due diligence process and in line with Art 19a 2 (e) (iii) of the CSRD which calls for a description of 'any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts'.
- BC64. UN Guiding Principle 19 states that undertakings should take appropriate action in order to prevent and mitigate negative human rights impacts and that, to facilitate this, responsibility for addressing such impacts should be assigned to the appropriate level and function within the business enterprise; and internal decision-making, budget allocations and oversight processes should enable effective responses. The commentary to UN Guiding Principle 19 elaborates that an undertaking should take the necessary steps to cease or prevent any impacts it causes, may cause or to which it contributes, and should use its leverage to mitigate, to the greatest extent possible, impacts it has not contributed to, but where that impact is nevertheless directly linked to its operations, products or services by its business relationship with another entity. It states that if an undertaking lacks leverage there may be ways for it to increase it, for example, offering capacity-building or other incentives to the related entity, or collaborating with other actors.
- BC65. The OECD Guidelines (IIA and IV) similarly set out the different steps on how to address actual and potential adverse impacts. The UN's Interpretive Guide on the Corporate Responsibility to Respect Human Rights (III B) and the OECD's related Due Diligence Guidance for Responsible Business Conduct (II, 3.1) set out in more detail what this entails.
- BC66. The UN Guiding Principles and the OECD Guidelines also address the need for action in response to actual impacts to include steps to provide remedy. This is more general than the requirement to provide an effective grievance mechanism, while such mechanisms can provide one means through which action may be taken. UN Guiding Principle 22 states that where business enterprises identify that they have caused or contributed to adverse impacts, they should provide for or cooperate in their remediation through legitimate processes. The commentary notes that operational-level grievance mechanisms can be one effective means of enabling remediation when they meet effectiveness criteria.
- BC67. GRI3-3 (d) requires undertakings to disclose information on actions taken to manage material topics and related impacts, including actions to prevent or mitigate potential negative impacts; actions to address actual negative impacts, including actions to provide for or cooperate in their remediation; and actions to manage actual and potential positive impacts. GRI 2-25 requires undertakings to describe the processes for remediation of negative impacts and how the effectiveness of these processes is tracked.
- BC68. The CDSB Reporting Framework states that information on the undertaking's environmental and social policies and strategies should include information about whether the organisation's environmental and social policies and strategies involve working with entities in the value chain (upstream and downstream) and other third parties (e.g., joint venture partners, franchisees) to facilitate their management of environmental and social impacts; and Information relating to actions to mitigate or remediate environmental and social impacts.

- BC69. The UN Guiding Principles Reporting Framework (C4.3) guides undertakings to report what action they have taken in the reporting period to prevent or mitigate potential impacts related to each salient (material) issue and (C6.5) whether the undertaking provided or enabled remedy for any actual impacts related to a salient (material) issue.
- BC70. UN Guiding Principle 20 states that tracking is necessary in order for undertakings to know whether their policies are being implemented optimally, whether they responded effectively to the identified impacts, and to drive continuous improvement. It further requires that tracking should be based on appropriate qualitative and quantitative indicators and draw on feedback from both internal and external sources, including affected stakeholders. Section VI 1 c) of the OECD Guidelines also recommends that undertakings regularly monitor and verify progress toward environmental, health, and safety objectives or targets.
- BC71. GRI 3-3 (e) requires undertakings to report the processes used to track the effectiveness of the actions; goals, targets, and indicators used to evaluate progress; the effectiveness of the actions, including progress toward the goals and targets; and lessons learned and how these have been incorporated into the organisation's operational policies and procedures.
- BC72. The UN Guiding Principles Reporting Framework guides undertakings to disclose how they know if their efforts to address salient (material) issues are effective in practice. It indicates that relevant information would include internal review processes, internal audit, supplier audits, surveys of employees or other workers, surveys of external stakeholders, other processes for affected stakeholders to provide feedback, including stakeholder engagement processes and grievance mechanisms, databases that track outcomes when actual impacts or complaints arise). Relevant information is also indicated as including qualitative and/or quantitative indicators used to assess how effectively each salient issue is being managed (e.g., indicators developed by the reporting undertaking or by a relevant industry association, multi-stakeholder initiative or in a more general reporting framework).

**[Disclosure requirement 9] - Initiatives aimed at positive outcomes for consumers and end-users**

- BC73. The non-binding guidelines of the NFRD state in their key principles that the impact of an undertaking's activity is a relevant consideration when making non-financial disclosures and that impacts may be positive or adverse (3.1).
- BC74. The OECD Guidelines (II, A.1.) state that enterprises should contribute to economic, environmental and social progress with a view to achieving sustainable development.
- BC75. The explanatory memorandum of the CSRD puts the UN Sustainable Development Goals (SDGs) at the centre of the CSRD's objective as an EU policy. The preamble to the CSRD also highlights that the Commission has linked the SDGs to the Union policy framework to ensure that all Union actions and policy initiatives, both in and beyond the Union, take those SDGs on board at the outset.
- BC76. Step 3.1 of the UN Global Compact/GRI Practical Guide to Integrating the SDGs into Corporate Reporting guides undertakings to report on their strategy, including objectives (goals) and measurement (indicators) for contributing to their priority SDG targets, recognising that positive contributions can result from both tackling risks and providing beneficial products or services. It states that this may include providing a description of relevant company policies, systems and processes, including their engagement with stakeholders; and data that demonstrate how the undertaking is progressing towards its objectives for contributing to its priority SDG targets and any setbacks it has encountered.
- BC77. GRI 3-3 (a) guidance indicates in relation to reporting on positive impacts, that an undertaking may describe whether the positive impacts are actual or potential, the timeframe of the positive impacts (i.e. whether the positive effects are short-term or long-term and when they are likely to arise); the activities that result in the positive impact; and the stakeholders (without identifying specific individuals) that are positively affected or could be positively affected, including their geographic location.



**[Disclosure requirement 10] – Approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users**

- BC78. Article 19a 2 (f) of the CSRD requires a description of the principal risks to the undertaking related to sustainability matters, including the undertaking's principal dependencies on such matters, and how the undertaking manages those risks.
- BC79. According to the OECD Guidelines (III, 1, 2) undertakings should ensure the disclosure of timely and accurate information on all material matters regarding their activities, structure, financial situation, performance, ownership and governance.
- BC80. Requirement 2 of the CDSB Reporting Framework states that information about undertakings' environmental and social policies and strategies should include the rationale for and nature of those policies and strategies, for example, to respond to the particular business risks and opportunities identified, or to contribute to national or international environmental and social ambitions (e.g., the Paris Agreement or SDGs). Under this requirement, information should also include details of social policies and strategies, for example, whether they involve investing resources in the prevention, mitigation, and remediation of particular negative human rights impacts, the advancement of human capital, the development of beneficial products and services, etc.; information about whether the organisation's environmental and social policies and strategies involve working with entities in the value chain (upstream and downstream) and other third parties; information relating to actions to mitigate or remediate environmental and social impacts. The Requirement also calls for a description of the resources that are allocated to managing and delivering the policies, strategies, and targets, including investment and capital expenditure plans.
- BC81. SASB standards require undertakings to describe processes to identify and manage safety risks associated with the use of products (e.g. CG-AM-250a.2)