

**[Draft] Voluntary ESRS v21**  
**for Small- and Medium-Sized Enterprises – Exposure Draft**  
**(VSMESME ESRS ED)**

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**[DISCLAIMER]**

This document is a technical working paper intended solely for the internal use within EFRAG working groups. It is not open to public consultation but serves as work-in progress document leading to the exposure drafts to be submitted to a future public consultation. Significant changes to this working paper may arise from the subsequent steps of the due process. This working paper should therefore not be interpreted in any way whatsoever as representing the views of EFRAG 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 EFRAG 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).

**Editorial notes from Secretariat:**

1. Text highlighted in **GREEN** in turquoise corresponds to decisions and changes agreed in SR TEGSFDR PAI Table 1 (mandatory)
2. Text highlighted in **YELLOW** corresponds to topics for discussion in SR TEG (see 'VSME topics for discussion' agenda paper -07 – 01 VSME Cover Note) in SR TEG
- 2-3. The internal references to paragraphs of this draft are still to be updated. in orange corresponds to Benchmark Regulation Indicator.

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## Objective of this Standard and to which companies it applies, scope

~~The objective of this [draft] Standard is to set requirements for that Micro-, Small- and Medium-Sized Undertakings within the meaning of Article 3 of Directive 2013/34/EU whose securities are not admitted to trading on a regulated market in the European Union (in the following "SMEs"). When SMEs voluntarily provide/prepare a sustainability statement, shall apply these requirements/this (draft) Standard should/shall be applied, when they voluntarily provide a sustainability statement. Separately, vWhen referring to Micro SMEs/undertakings, voluntary requirements are separately specified for Micro undertakings as explainedspecified in Section 1.1 Complying with [draft] VSME ESRS of this [draft] standard. The objective of this Standard is to support mMicro-, sSmall- and mMedium-sSized undertakings **undertaking Enterprises**~~

1. inat:

- a) ~~.....their contributing~~ to a more sustainable and inclusive economy;
- b) improving their management of the sustainability issues they face, i.e. environmental and social challenges, such as (i.e. pollution, workforce health and safety.) This will is expected to support called sustainability issues in order to improve their development (competitive growth) and to increase their competitive growth and enhance their resilience in the short-medium- and long-termime horizons;
- c) providing information that will help satisfy data demand needs offrom lenders/credit providers and investors, therefore **helping undertakingundertakings in their access toof finance;**
- b)d) providing information that will help satisfy the data demand needs- of large undertakings needs of larger companies requesting sustainability information from their suppliers.
- e) providing a structured set of information that are expected to/help satisfy the demand needs of lenders/credit providers and, through this,, (in the process)in this way, facilitate the access of SMEs to finance; supporting their dialogue with lenders/credit providers and, therefore, facilitating access to sustainable finance;
- d) providing a structured set of information that are expected to help satisfy the demand needs of larger companies, which demand sustainability information from their suppliers, including also SMEs outside the scope of the supporting the dialogue with larger companies, which will demand sustainability information from their suppliers, including also in which SMEs outside the scope of the Reporting -

~~provide small companies with a simplified version of the ESRS to help them disclose on sustainability matters and inform relevant stakeholders in an effective and comparable way. At the same time, this standard can support small companies in their management of sustainability matters and enhance their contribution to societal goals, as set out in European policies.~~

2.

2. This [draft] Standard is applicable to all SMEs outside the scope of ESRS regardless of the sector of activity. The use of using standardized requirements allows to inform key stakeholders to be informed on (SMEs) sustainability related matters. (In particular), This [drafandard It is expected to support SMEs in their dialogue with counterparties such as lenders and large undertakings that require data from (to the same) SMEs in their value chain, (as it sets disclosures aimed at meeting the users' needs of such counterparties: delete it?). (it's point d) below: can we even skip this and link directly to contribution to EU goals?). This [draft] Standard also offers a management tool for sustainability matters for all SMEs that want to engage in a process of measuring, monitoring and managing considering relevant information. This [draft] Standard is appropriate for any SME that bears an interest (i) to engage in the Green Transition, (ii) to be able to use sustainability reporting as a good practice relevant for the implementation of the business strategy and as a management tool.. This Standard is voluntary and applies only to undertakingundertakingSMEs whose securities are not admitted to trading on a regulated market

in the European Union (not listed), as per Article 3 of Directive 2013/34/EU, defines and distinguishes three categories of between small and medium-sized companies undertakings based on their balance sheet total, their net turnover and their average number of employees during the financial year. An undertaking is micro if it does not exceed two of the following thresholds: €350,000 in balance sheet total, €700,000 in net turnover and 10 employees. An undertaking company is (in the following "SMEs") small if it does not exceed two of the following thresholds: €4 million in balance sheet total, €8 million in net turnover, or an average of 50 employees. An undertaking company is medium if it does not exceed two of the following thresholds: €20 million in balance sheet total, €40 million in net turnover and 250 employees. A company is micro if it does not exceed two of the following thresholds: €350,000 in balance sheet total, €700,000 in net turnover and 10 employees. These SMEs, which are outside the scope of the ESRS, are encouraged to use these standards as part of their sustainability reports or communications. Micro Enterprises are welcome to use only certain parts of this Standards, as highlighted in Section 1.1.

3. These SME undertakings, which are outside the scope of the Corporate Social Reporting Directive (CSRD), but are encouraged to use these standards to prepare and share with whoever it may concern ~~educ~~ sustainability reports and information. This [draft] Standard covers the same sustainability issues as the full European Sustainability Reporting Standards (ESRS) for large undertakings, but is based upon the key concept of proportionality and therefore takes into account tailored SME undertakings' fundamental characteristics and has been designed to provide a coverage of sustainability issues compatible with the content of the European Micro-Enterprises are welcome to use only certain parts of this Standard, as highlighted in Section X par. XX9.8X

4. Unlike the European Sustainability Reporting Standards for large undertakings, with from which consistency has been carefully considered while defining proportionate requirements, it has been derived, this [draft] standard has no legal authority. It offers undertakings that are outside the scope of the CSRD (see paragraph XX3) and the ESRS for listed undertakings, a voluntary tool for sustainability reporting. These undertakings have also the possibility, if they wish, to apply on a voluntary basis the ESRS.

3. finding opportunities The reporting areas included in this [draft] Standard provide the SME with guidance for the implementation of an initial level of actions for environmental, social, and business conduct (governance) matters. This [draft] Standard also represents the entry-level building-block of reporting that may facilitate the integration with other more advanced ESRS levels (ESRS for Listed Small- and Medium-Sized Undertakings (LSME ESRS) or "full" ESRS for Large Undertakings) and with possible future sector-specific standards ("advanced level" of voluntary reporting disclosures). [NOTE: THIS PARAGRAPH WILL BE MOVED TO BASIS FOR CONCLUSIONS/EXPLANATORY NOTE] This Standard also serves as an entry point for SMEs to help them to disclose on a more complex level in the future, for instance, on the ESRS that listed Small- and Medium-Sized Enterprises will be required to use or even the full set of ESRS for large companies. These different standards build on each other. Sector specific standards will also be developed.

4. This [draft] Standard has no legal authority. It is non-authoritative based on and complements the European Sustainability Reporting Standards for large undertakings ("full ESRS"). It derives its General Requirements and General Disclosures are intended to be what is best suited to SMEs and their stakeholders provides an initial approach to non-financial reporting, named sustainability reporting. This standard aims at preparing SMEs to a more complex/extended disclosure in the future according to the CSRD (and in line with the ESRS for listed SMEs or even the full set of ESRS for large companies).

## General requirements How to prepare and present sustainability information

6.5. This chapter sets out the general requirements to help SMEs prepare and present sustainability information in alignment with this standard. This chapter outlines how the undertaking/undertakings should prepare and present sustainability information when using this Standard. (that SMEs shall comply with) to follow when preparing and presenting a sustainability statement. OR/General requirements indicate how to prepare a sustainability statement

### 1 Categories of disclosures

#### 1.1 Complying with this Standardese [draft] and Basis for preparationvoluntary sStandards for SMEs (VSME ESRS)

6. This Standard provides requirements that are expected to allow the undertaking/undertakingsSME to provide relevant information on the SME shall disclose relevant information on:

a) how its business can have a positive or negative impact on people or on the environmentaffect positively and/or negatively people and the environment, as well as how social and environmental challenges can financially affect the SME's business financially. Issues identified in this context These challenges are named sustainability matters. A sustainability matter is a problem or an issue that is connected to (the concept of) sustainability, which covers social, economic, and/or environmental aspects and are named sustainability matters. In other words, through this standard the SME shall report on:

b) which and how social and environmental issueschallenges can affect itsthe undertakings' financial position, performance and cash flows.

7. Sustainability reports shall provide information of high quality, i.e. which is relevant, faithful, comparable, understandable and verifiable. its main (actual or potential) impacts on society as well as on those issues that cover social, economic, and/or environmental aspects identified within this context, are named sustainability matters. The SME, in chapter 3 (Materiality analysis) will learn how to identify those sustainability matters that are 'material', or relevant to be reported on, in sessionchapter X3.2 (Materiality analysis).

7. the main relevant sustainability matters that thaffect or can affect the SME's financial performance and cash flows. This type of sustainability information is referred to as 'material'. find more details below. "]

8. The SMEundertakings [shall/may] integrate its disclosure resulting from the application of this the disclosuresinformation required by by this Standard with additional information in relation to on metrics and/or narrative disclosures (e.g. sector specific information) produced by the SME (e.g. financial information) on a material matter not covered or not sufficiently covered by this standard, when such integration is helpful to provide high quality information. a better understanding of its sustainability-related impacts and its financial risks.

8. From the second year of reporting, the SME shall disclose comparative information in respect of the previous year of all the metrics disclosed.

9. This StandardVSME ESRS includes three modules that the undertaking/undertakingcan be structured inthe SMEs can use as the basis for preparation of its sustainability reportstatement as follows:



- a) **Basic Module:** Basic Metrics (DR XX9-XX15<sup>1</sup>) plus Disclosure BP 1. (This module is the target approach for micro-undertakings and a minimum requirement for other undertakings). Materiality analysis is not required.
- b) **Narrative/Policies, Actions and Targets (PAT)AT –Module:** General Disclosures (GD1 – GD56) in relation to Policies, Actions and Targets (PAT) including Policies, Actions and Targets (PAT) if the undertaking has them in place. (This module is suggested to undertakings that have PAT). Materiality analysis is required.
- c) **Business Partners/Sustainable Finance (SF) -related-Module:** Additional datapoints suggested to undertakings that receive data requests from banks [and corporates that are counterparties in the value chain]). Materiality analysis is required.

10. The basic module is a prerequisite requirement for applying the PAT Narrative-PAT and/or for the Business Partners/SF Finance-related-modules.

11. Once chosen, a module shall be complied with in its entirety.

-Only Basic Module

Basic Module and PAT Module

Basic Module and Business Partners Module

Basic Module, PAT Module and Business Partners Module

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<sup>1</sup> Subject to change following TEG discussion 29/09/23



## **BASIC Module**

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12. The undertaking shall report on all Metrics below for Environment, Social and Governance. Comparative information shall also be included, however for metrics disclosed in the first year of reporting, the undertaking shall disclose comparative information starting from the second year of reporting.
13. The disclosures in the basic module are to be reported and no materiality assessment is needed. Certain disclosures only apply to specific circumstances. When one of these disclosures is omitted, it is assumed to be not applicable.

### **Disclosure BP 1-Disclosure: - Basis for Preparation**

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14. The SME undertaking shall disclose, whatever the reporting option chosen:
- a) whether the sustainability report has been prepared on a consolidated or individual basis;  
—
  - b) in case of a consolidated sustainability report statement, the list of the subsidiaries, including their registered address, covered in the report.  
—
  - c) the SME undertaking shall state which module(s) among the three it has applied according to the following combinations:
    - i. OPTION A: Basic Module (only)
    - ii. OPTION B: Basic Module and Narrative/PAT Module
    - iii. OPTION C: Basic Module and Business Partners/SF Module
    - iv. OPTION D: Basic Module, Narrative/PAT Module and Business Partners/SF Module.e

**Basic module:** Basic core Metrical data-set (DR 9-15<sup>28-15</sup>) plus DR 1 the target approach micro (ambition target for micro undertakings)

**Narrative Module:** General Disclosures (GD1—GD67) and policies targets and actions—PAT (DR 1-7) to report if the SMEs has them in place., (ambition target for SMEs that have PAT)

**Sustainable Finance-related Module:** additional disclosures listed in Appendix C optional (found) that corresponds/satisfy/comply with/matches the to meet "request/demand/sustainability-related on sustainable finance (ambition target for SMEs that receive data requests from banks [and corporates that are counterparties in the value chain]). better access finance, including report information

9. In addition, on a voluntary basis, the SME may disclose the information illustrated in section 4.6 below

Micro-Enterprises SMEs/undertakings may further choose to limit their sustainability statement to dataset Disclosure Requirement 1 and the metrics (check references) part of this [draft] Standard (paragraphs 58 to 82) that defines a minimum data set. and dismiss As a consequence/therefore Accordingly, micro SMEs they are not subject to paragraphs XX update 19 and 20.

10. Medium-sized Enterprises undertakings may choose to go further and, instead of this standard, apply on a voluntary basis the more complex ESRS required for listed SMEs advanced level of (LSME ESRS).

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<sup>2</sup>Subject to change following TEG discussion 29/09/23

1.2 [draft] The structure of the VSME ESRS structure

~~and reporting areas~~

This [draft] Standard is composed of the following sections:

~~This (draft) Standard is composed of tThe following sections in this document contain the disclosures needed to complete the Basic and the Narrative Module: One section refers to information to be disclosed about the SME's sustainability governance, the strategy and how it manages sustainability (this is referred to as "General Disclosures"). The other section lists specific metrics related to environmental, social and governance areas.~~

~~The additional information contained in this document will help SMEs disclose on the general disclosures and metrics.~~

~~(a) General Disclosures (GDs) (reference to Narrative module) about the contents of the sustainability report and on key features of the SME's, including:~~

~~(i) Basis for preparation of the sustainability report (GD1);~~

~~(ii) Dealing with uncertainty, using estimates and making assumptions when preparing the sustainability report (GD2);~~

~~(iii) Business conduct/Governance: principles, rules and processes and principles by which SMEs operate (in relation to sustainability matters) (GD23);~~

~~(iv) Strategy and key stakeholders: description of the business model-related practices (and relationships on the SME's environmental and social commitments/challenges/OR challenges/sustainability /matters)? (GD34 and GD45);~~

~~(v) Sustainability matters and their management: which sustainability matters the SME shall disclose and the approaches (PAti.e. policies, actions and targets) by which it manages those sustainability matters (GD56 and GD67); and~~

~~**material topics and subtopics ;**~~

~~—— (b) how the SME's strategy and business model interact with its material impacts and risks and the related material topics and subtopics; and Specific mMetrics, (reference to Basic Module) related how the SME measures its performance, with key indicators for: to:~~

~~(vi) the environmental;~~

~~(vii) the societal; and~~

~~the business conduct (governance).~~

~~The additional information contained in this document will help SMEs disclose on the General Disclosures and Specific Metrics (points a) and b)).~~

~~(viii)~~

## ~~2 Qualitative characteristics of information~~

~~11. When preparing its sustainability statement, the SME shall apply:~~

~~(a) the fundamental qualitative characteristics of information, i.e., relevance and faithful representation; and~~

~~(b) the enhancing qualitative characteristics of information, i.e., comparability, verifiability and understandability.~~

## ~~3 Double materiality as the basis for sustainability disclosures~~

~~12. The SME shall report on sustainability matters based on the double materiality principle as defined and explained in this chapter. A sustainability matter meets the criteria of double materiality if it is material from either the impact perspective or the financial perspective or both perspectives.~~

### ~~3.1 Stakeholder and their relevance to the materiality assessment process~~

~~13. Stakeholders are those individuals or groups of people who can exercise influence over the SME and/affect or be affected by the activities of the /undertaking. There are two main groups of stakeholders:~~

~~(a) affected stakeholders: individuals or groups (individuals)peoplewhose interests are affected or could be affected — positively or negatively — by the undertaking's activities and its direct and indirect business relationships across its value chain; and~~

~~(b) users of sustainability statements: primary users of general-purpose financial reporting (existing and potential investors, lenders and other creditors, including asset managers, credit institutions, insurance undertakings), as well as other users, including the undertaking's business partners, trade unions and social partners, civil society and non-governmental organisations, governments, analysts and academics.~~

~~14. Some, but not all, stakeholders may belong to both groups defined in paragraph 15. An SME may engage with stakeholders in its materiality assessment.~~

### ~~2.3.2 Material significant [NOT FOR BASIC MODULE] matters and materiality of information~~

~~Issues that cover social, business conduct and/or environmental aspects identified in this context are named sustainability matters. The SME will learn how to identify those sustainability matters that are 'material', or relevant to be reported on, in this section.~~

~~to the reporting SME and of information about a sustainability matterMateriality analysis is the process to identify the sustainability matters that SMEs should report on and the information to include or not in their sustainability reports. The SME is encouraged to use the list in Appendix B of this standard as guidance for the identification of its~~

~~material sustainability matters. The materiality analysis does not apply for SME that choose the Basic Module.~~

~~As part of its materiality assessment, the SME will assess impacts that it has or may have on people and the environment, as well as do or identifying which sustainability matters are material is needed particularly to minimize or avoid negative impacts. can Knowing which sustainability matters are material allows SMEs to be aware of financial risks and opportunities that may derive from sustainability matters. In addition, it can help SMEs to improve their products or services or to develop new ones that address environmental or social challenges. Understanding financial risks allows SMEs to reduce operational costs, avoid fines, litigations or reputational damages.~~

~~When assessing whether a sustainability matter is to be reported, because it is material to the SME, two dimensions have to be considered, namely impact materiality and financial materiality. This is why it is called double materiality analysis.~~

~~15. and to be aware of/effectsal issues[Suggested alternative: A materiality assessment is the process to identify those relevant sustainability matters that a company should report on, and which are called material matters.] Performing a materiality assessment is necessary for the SME to identify the material matters to be reported on. The SME shall use shall refer to the list of sustainability matters reported in Appendix B of this standard to support the identification ofy which matters are material to it.~~

~~16. Materiality analysis allows SMEs to be aware of risks and opportunities related to sustainability matters. As a consequence/This means, SMEs can their develop new products or services or improve already existing ones that address environmental or social challenges. Understanding Rrisks awareness/analysis allows SMEs tooperational avoid fines, litigations or reputational damages.~~

~~17. is isthe reason the analysisisit~~

~~18. The SME shall include in its sustainability statement all the information required in this standard, which are indicated with 'shall disclose'. In determining the level of details necessary to comply with narrative information required by this standard, the SME shall~~

~~include information that is material and that allows to comply with the required qualitative characteristics of the information.~~

### ~~2.13.3 Impact materiality~~

~~From an impact perspective, a sustainability matter is material when it pertains to the SME's material impacts. This includes:~~

~~actual or potential impacts on people or on the environment over the short, medium, and long-term time horizons. An impact is actual when it is already happening. An impact is potential when it is likely to happen; and~~

~~impacts connected with the SME's own (business) operations, products and services as well as through its business relationships, such as those that arise from the operations of suppliers.~~

~~Examples of impacts on people are: excessive working hours can lead to employee burnout, women paid less than men despite having similar job responsibilities causes gender disparities, unsafe products can threaten consumers' health. Examples of impacts on the environment are: manufacturing facilities release pollutants into the air that can affect air quality; the discharge of chemicals into water bodies can affect water quality; logging can cause deforestation and harm ecosystems; high water consumption can lead to depletion of freshwater bodies and water scarcity.~~

~~A sustainability matter is material from an impact perspective when it pertains to the undertaking's material actual or potential, impacts on people or the environment over the short-, medium-, and long-term (find more information about below) time horizons. produced Impacts includes those can be connected with to the undertaking's own business operations and value chain, including through its products and services as well as those connected to its business relationships. A non exhaustive list of examples of impact is provided as guidance in Appendix D. [work in progress] areas are water contamination, air pollution, over consumption of natural resources, deforestation. manufacturing facilities release pollutants into the air that can affect air quality; the discharge of chemicals into water bodies can affect water quality; logging can cause deforestation and harm ecosystems; high water consumption can lead to depletion of freshwater bodies and water scarcity. non exhaustive list of examples of impact is provided as guidance in Appendix D. [work in progress]~~

~~To determine if an actual negative impact is material, the SME has to consider how severe the impact is on people and the environment. To determine if a potential negative impact is material, the SME has to consider the severity of the impact on people and the environment and the likelihood of that impact happening. Severity is based on:~~

~~the scale, i.e. how grave the harm caused to people or to the environment is. (e.g., minor injury at work without day lost vs fatality at work; inadequate industrial waste disposal~~

leading to soil pollution within a local facility vs leak of harmful chemicals in a river leading to severe damage of ecosystem and wildlife).

the scope: how widespread the harm caused to people or to the environment is; (e.g., number of people affected, square meters of contaminated land).

the irremediable character of the impact: whether and to what extent it is possible to remediate the harm caused to people or on the environment (e.g., restoration for contaminated land, affected people compensations).

In the case of a potential negative human rights impact, the severity of the impact takes precedence over its probability.

The consideration of scale, scope and irremediability are meant to guide SMEs when analysing the severity of its impacts. SMEs are not expected to report on the details related to each of these three aspects.

Quantitative measures of impacts are the most objective evidence to assess their materiality. However, quantitative information is not always available or may result in additional costs. Therefore, qualitative analysis can be sufficient for the SME to reasonably conclude that a matter is material or not.

19.—

20.— For the actual negative impacts, materiality analysis is based on the severity of the impact, thus on how severe/serious is the impact caused by the SME on people or on the environment, while for potential negative impacts, materiality analysis is based on both the severity and probability/likelihood of the impact. To determine if an actual negative impact (an impact that is already happening) is material, the severity of the impact on people and the environment will be assessed. To determine if a potential negative impact (an impact that is likely to happen) is material, the severity of the impact



~~on people and the environment and the likelihood of that impact happening will be assessed. Severity is based on:~~

~~(a) — the scale; (e. g. minor injury at work without day lost vs fatality at work; inadequate industrial waste disposal leading to soil pollution within a local facility vs leak of harmful chemicals in a river leading to severe damage of ecosystem and wildlife.~~

~~(b) — scope; and g.~~

~~21. — irremediable character of the impact .In the case of a potential negative human rights impact, the severity of the impact takes precedence over its.~~

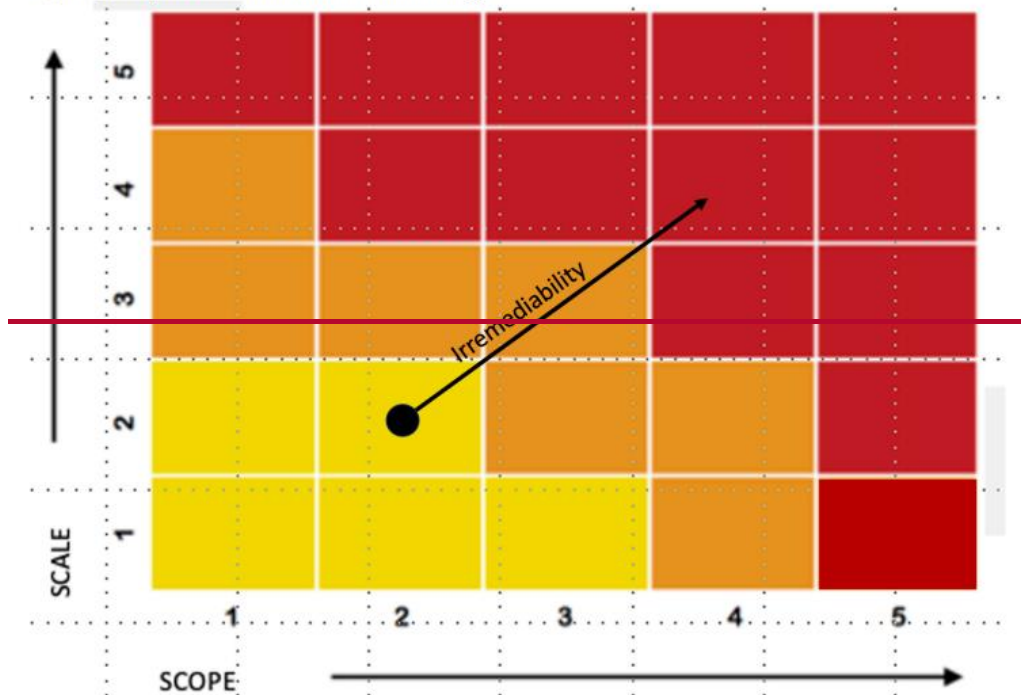
~~22. — . [Maybe sth. like: “The aspects of scale, scope and irremediability are meant to guide SMEs when analyzing the severity of its impacts. SMEs are not expected to report on the details related to each of these three aspects.” ?]~~

~~23. — Quantitative measures of impacts are the most objectives evidence.~~

~~24. — likelihood However, quantitative information is not always available or may result in additional costs. Therefore, qualitative analysis can be sufficient for the SME to reasonably conclude that a matter is material or not. meant to guide SMEs when performing the materiality analysis. SMEs are not expected to use/publish them in their sustainability reports.~~

~~25. — The following graphical representations are meant to guide SMEs when performing the materiality analysis. SMEs are not expected to use/publish them in their~~

Figure 4a: Graphical representation of impact severity for current impacts (scale, scope combined with irremediability)



**2.23.4 Financial materiality**

~~26.— A sustainability matter is material from a financial perspective if it triggers or could reasonably be expected to trigger material financial effects on the undertaking. This is the case when a sustainability matter generates or may generate risks or opportunities that have a material influence, or could reasonably be expected to have a material materially influence, on the undertaking’s financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium- or long-term time horizons. Risks and opportunities may derive from past events or future events. The financial materiality of a sustainability matter is not constrained to matters that are within the control of the SME but includes information on material risks attributable to business relationships with other undertakings or stakeholders beyond the scope of consolidation used in the preparation of financial statements.~~

~~27.— Dependencies from natural and social resources are sources of financial risks or opportunities. E.g., they may affect the undertaking’s ability to Dependencies may trigger effects in two possible ways:~~

~~(a) — they may influence the undertaking’s ability to continue to use or obtain the resources needed in its business processes, the quality and pricing of those resources; and~~

~~(b) — they may affect the undertaking’s ability to rely on relationships needed in its business processes on acceptable terms on acceptable terms.~~

~~The materiality of risks is assessed based on a combination of the likelihood of occurrence and the potential magnitude/seriousness of the financial effects. A non~~

~~exhaustive list of examples of impact is provided as guidance in Appendix D. [work in progress]~~

~~s2.35(significantly/ objectively) and partners64 In many cases, particularly micro enterprises will consider the views only of their most relevant stakeholders among the ones mentioned in paragraph 25.~~

### 3.2-Principles for the preparation and presentation of sustainability information

#### 3.6 Characteristics of information OR How to ensure that the Information is of quality

Sustainability reports shall provide information which is understandable, complete, relevant, accurate, faithful, comparable and verifiable.

~~28. From the second year of reporting, the SME shall disclose comparative information in respect of the previous year for all the metrics disclosed.~~

~~29.—~~

### 4 Preparation and presentation of sustainability information

~~30. This chapter provides general requirements to be applied when preparing and presenting sustainability information.~~

#### 4.1 Presenting comparative information

~~The SME shall disclose comparative information in respect of the previous period for all metrics disclosed in the current period. When such information would be relevant to an understanding of the current period's sustainability statement, the SME shall also disclose comparative information for narrative sustainability disclosures.~~

### 3.7 Time horizons

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~~34.15. When preparing its sustainability statement, the Sundertaking~~undertaking~~ME shall apply/adept~~adopt~~ the following time-horizons ~~references~~definitions as of the end of the reporting period:~~

- ~~a) for the short-term time horizon: the same period adopted by the SME~~undertaking~~ as the reporting period in its financial statement/~~report~~ (typically 1 year);~~
- ~~b) for medium-term horizon: from the end of the above short-term horizon up to five years; and~~
- ~~(a)c) for the long term horizon: more than five years.~~

~~(b) for the medium-term time horizon: from the end of the above short-term reporting periodtime horizon up per (a) above to five years; and~~

~~(c) for the long-term time horizon: more than five years.~~

### **32.8 Consistency and connectivity of disclosures**

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32.16. If applicable, tThe SMEundertaking:

a) shall report sustainability related information that is consistentcoherent with its financial statements for the same period, and

b) may connect its financial and sustainability statements through appropriate cross-references.

~~(a) —~~

~~(b) may connect its financial and sustainability related informationstatements through appropriate references or reconciliations.~~

### **23.9 Location and timing of the sustainability reportstatement and incorporation by reference**

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17. The SMEundertaking shall present its sustainability statementreport-statement in a separate report or, if applicable, may present it as a separate distinct sectionpart of . Sustainability statement can also of or be integrated in the management report if one is required under applicable law and regulations or in a specific report when no management report is required. In all cases the sustainability reporstatement shall be prepared and available for communication at the same time as financial reportstatements.

18. To avoid publishing the same information twice, the SMEundertaking can decide to insert in its sustainability reporstatement a referencemay refer with an explicit reference to disclosures that it outlinesreports in other parts of its corporate reporting that are released-accessible at the same time and as accessible-as its sustainability reportstatementreport.

~~To avoid duplication of reported information the SME may refer in its sustainability statement to disclosures that it reports in other parts of its corporate reporting that are released at the same time and as accessible as the sustainability statement (incorporation by reference).~~

### **4.1 Optional Additional disclosures the SME can choose to provide**

~~33. The SME may choose to voluntarily provide additional optional, sector-agnostic or sector-specific information not mandated by this standard. In particular, the SME may:~~

~~(a) disclose material information regarding positive impacts in relation to environmental, social, and business conduct (governance) matters; and/or~~

~~(b) disclose sustainability-related financial opportunities that generate or could reasonably be expected to generate material financial effects in the short-, medium- or long-term. The SME should not report on opportunities for which the SME has not put in~~

~~place or does not plan to put in place concrete actions to pursue them, accompanied by appropriate resources; and/or~~

~~(e) report on the additional EU law module of this standard (Appendix C) that would allow the SME to provide the information its stakeholders may request with regard to the Sustainable Finance Disclosure Regulation, Benchmark Regulation and Capital Requirement Regulation (Pillar 3 ESG). This may increase attractiveness from the investors stand-point.~~

~~If the SME chooses to voluntary disclose this information, it should: The information shall be:~~

~~(a) report alongside the most related Disclosure Requirements of this [draft] Standard; and~~

~~(b) reflect the qualitative characteristics of information (paragraph X 0).~~

#### **24.02 – Classified** ~~Classified~~ **and sensitive information, and information on intellectual property, know-how or results of innovation**

~~— The SME undertaking SME is not required to disclose ~~classified~~ classified information or sensitive information, even if such information is considered material. information~~

~~19. When disclosing information about its strategy, plans and actions, where a specific piece of information corresponding to intellectual property, know-how or the results of innovation is relevant, the undertaking undertaking SME may omit that specific piece of classified or sensitive information if it:~~

~~a) the information has commercial value because it is secret; and~~

~~b) its publication will be likely to impair the financial performance or position of the undertaking.~~

~~If the undertaking decides to omit such information, it shall simply state that it is the case under Disclosure B 1 (see par. XX).~~

#### **Disclosure B 2 – Practices for transitioning towards a more sustainable economy**

~~20. The undertaking may briefly describe in addition specific practices for transitioning towards a more sustainable economy, if applicable. Practices in this context shall not include philanthropic activities (e.g., donations), but for instance sustainability training for its workforce or efforts to reduce the undertaking's water and electricity consumption.~~

~~21. If the undertaking not only implements specific practices, but actually adopts policies, actions and targets, applying also the Narrative-Policies, Actions and Targets (PAT) Module is recommended.~~

~~; and~~

~~a) undertaking has been subject to reasonable steps by the SME to keep it secret~~

#### **BASIC Module**

**The SME shall report on the Metrics below (par.xx) for Environment, Social and Governance. For each metric disclosed in the first year of reporting, the SME shall**

~~disclose comparative information starting from the second year of reporting. The undertaking can also briefly describe its main practices for transitioning towards a more sustainable economy. Practices in this context shall not include philanthropic activities (e.g. donations), but for instance sustainability training for its workforce or efforts to reduce the undertaking's water and electricity consumption. If the undertaking not only implements individual practices, but actually adopts policies, actions and targets, the PAT Module should be adopted.~~

## Environment

### Disclosure B 3 Requirement 8 – Energy and greenhouse gas emissions

- ~~22. The undertaking shall disclose its impacts on the environment through energy usage and greenhouse gas emissions.~~
- ~~23. The undertaking shall disclose its disclosure shall include total energy consumption in MWh, with a breakdown between:~~<sup>34</sup>
- ~~a) fossil fuels; and~~
  - ~~b) electricity, as expressed in utility billings (with the breakdown between renewable and non-renewable sources, if available).~~<sup>56</sup>

~~\_\_\_\_\_~~

~~\_\_\_\_\_ The changes in total energy consumption expressed in MWh referred to the previous reporting period.~~

~~24. The SME undertaking shall disclose its estimated gross GHG emissions in tons of CO<sub>2</sub> equivalents (tCO<sub>2</sub>eq), including:~~

- ~~a) The scope 1 GHG emissions in tCO<sub>2</sub>-eq (from owned or controlled sources); and~~
- ~~b) The scope 2 emissions in tCO<sub>2</sub>-eq (generation of purchased energy);<sup>7</sup> and<sup>8</sup>~~

~~the changes in scope 1 and scope 2 emissions compared with the previous reporting period.~~

<sup>3</sup> Regulation (EU) 2019/2088 (SFDR), mandatory indicator #5 in Table 1 of Annex I (“Share of non-renewable energy consumption and production”).

<sup>4</sup> Regulation (EU) 2019/2088 (SFDR), mandatory indicator #5 in, Table 1 of Annex I (“Share of non-renewable energy consumption and production”).

<sup>5</sup> Regulation (EU) 2019/2088 (SFDR), mandatory indicator #5 in Table 1 of Annex I (“Share of non-renewable energy consumption and production”).

<sup>6</sup> Regulation (EU) 2019/2088 (SFDR), mandatory indicator #5 in, Table 1 of, Annex I (“Share of non-renewable energy consumption and production”) 1.

<sup>7</sup> Regulation (EU) 2019/2088 (SFDR) mandatory indicators #1 and #2 in Table 1 of Annex I (“GHG emissions”: Carbon footprint”); and Regulation (EU) 2020/1816 Benchmark Regulation, Articles 5 (1), 6 and 8 (1).

<sup>8</sup> Regulation (EU) 2019/2088 (SFDR) mandatory indicators #1 and #2 in, Table 1 of, Annex I (“GHG emissions”: Carbon footprint”); and Regulation (EU) 2020/1816 Benchmark Regulation, Articles 5 (1), 6 and 8 (1).

**Disclosure B Requirement 9 – Pollution of air, water and soil**

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25. The SME undertaking shall disclose, if applicable, the pollutants it emits in its own operations to air, water and soil that it is required to report by law to competent authorities (e.g. under the Industrial Emissions Directive and the European Pollutant Release and Transfer Register) or required to report under an Environmental Management System such as EMAS.

**Disclosure Requirement B 5 10 – Biodiversity**

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26. The undertaking shall disclose, if applicable, metrics related to its impacts on biodiversity and ecosystems and land use change., if applicable.

27. The undertaking shall disclose the number and area (in hectares) of sites that it owns, that it has leased or that it manages, that are located in or near biodiversity sensitive areas.<sup>9</sup>

28. The undertaking may disclose metrics related to land-use change such as:

~~— The SME shall disclose the number and area (in hectares) of sites that it owns, that it has leased or that it manages, that are located in or near biodiversity sensitive areas, if applicable.<sup>10</sup>~~

~~— The SME may disclose, if applicable, metrics related to land-use change such as:~~

~~a) total use of land;~~

~~b) total sealed area;~~

~~b) total nature-oriented area on site; and~~

~~c)~~

~~d) total nature-oriented area off site.~~

**Disclosure B Requirement 6 11 – Water**

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29. The undertaking shall disclose its total water withdrawal/water inputs, i.e. the amount of water that enters the undertaking's premises; in addition, the undertaking shall disaggregate by the amount of water withdrawn/input at sites located in areas of high water stress.;

30. If applicable, the undertaking shall disclose its water consumption, calculated as the difference between its water withdrawal/input and water discharge from its production processes.

**Disclosure B Requirement 7 12 – Resource use, circular economy, and waste management**

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31. The undertaking shall disclose how it manages resource use and applies circular economy principles, and waste management practices and whether it applies circular economy principles.

32. If applicable, The disclosure shall include:

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<sup>9</sup> Regulation (EU) 2019/2088 (SFDR), mandatory indicator #7 in Table 1 of Annex I (“Activities negatively affecting biodiversity-sensitive areas”)

<sup>10</sup> Regulation (EU) 2019/2088 (SFDR), mandatory indicator #7 in Table 1 of Annex I (“Activities negatively affecting biodiversity-sensitive areas”).

~~—if the undertaking operates manufacturing and/or packaging processes,~~

~~e) a description of recycled goods and materials bought and sold (expressed in the metric system units commonly used by the undertaking for the specific type of product/good/material);~~

~~a)~~

~~d) if the undertaking operates manufacturing and/or packaging processes, rates of recyclable content in the products and their packaging produced by the undertaking;~~

~~b)~~

~~e) a description of the waste generation (expressed in the metric system units commonly used by the undertaking for the specific type of product/good/material); and~~

~~c)~~

~~d) a description of the waste diverted to recycle or reuse (expressed in metric system units commonly used by the undertaking for the specific type of waste).~~

## **Social**

### **Disclosure Requirement B 8-12 – Workforce – General or workforce characteristics**

~~33. The undertaking shall disclose the number of employees disclosure shall include in full-time equivalents<sup>11</sup>~~12~~ or head count broken down:~~

~~—~~

~~a) number of employees by gender;~~

~~f) and by country; and~~

~~b)~~

~~c) by type of employment contract (temporary and permanent). number of temporary and permanent employees;~~

### **Disclosure Requirement 913 – Workforce - Health and Safety**

~~34. The undertaking shall disclosedisclosure shall include:~~

~~a) the number of fatalities as a result of work-related injuries and work-related ill health;~~

~~—~~

~~b) the the number and rate of recordable<sup>13</sup> work-related accidents.~~

<sup>11</sup> The calculation of full-time equivalent (FTE) is an employee's scheduled hours divided by the employer's hours for a full-time workweek.

~~<sup>12</sup> The calculation of full-time equivalent (FTE) is an employee's scheduled hours divided by the employer's hours for a full-time workweek.~~

<sup>13</sup> Recordable means diagnosed by a physician or other licensed health care professional. Injuries that do not require medical treatment beyond first aid are generally not recordable. (Source: OSHA General recording criteria 1904.7)



number and rate of recordable work-related accidents

**Disclosure Requirement B 10 14 – Workforce – Remuneration, collective bargaining, work-life balance and training and opportunities for development**

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35. The undertaking shall disclose: disclosure shall include:

a) when a significant proportion of employees are compensated based on wages subject to minimum wage rules, the relevant ratio of the entry level wage to the minimum wage, at significant locations of operation

b) If the SME has 150 employees or more, it shall disclose the percentage gap in pay between its female and male employees. The pay gap is defined as the difference of average pay levels between female and male employees, expressed as a percentage of the average pay level of male employees<sup>14</sup><sup>15</sup>. The undertaking may omit this disclosure when its headcount is below 150 employees.

c) the % of employees covered by collective bargaining agreements;

—the average number of training hours per employee and by gender related to the development of skills and competences, either through formal or informal forms of capacity building.

d)

**Business conduct**

**Disclosure Requirement B 1115 – Responsible business practices Convictions and fines for corruption and bribery**

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34. In case of convictions and fines in the reporting period, the undertaking shall disclose The SME shall disclose information about corruption and bribery violations.

36. The disclosure shall include the number of convictions and the amount of fines for violation of anti-corruption and anti-bribery laws<sup>16</sup>

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<sup>14</sup> Regulation (EU) 2019/2088 (SFDR) mandatory indicator #12 in Table 1 of Annex I (“Unadjusted gender pay gap”) and (EU) 2020/1816 Benchmark Regulation (EU), indicator “Weighted average gender pay gap” in section 1 and 2 of Annex II.

<sup>15</sup> ~~Regulation (EU) 2019/2088 (SFDR) mandatory indicator #12 in Table 1 of Annex I (“Unadjusted gender pay gap”) and (EU) 2020/1816 bBenchmark Regulation (EU) 2020/1816.), indicator “Weighted average gender pay gap” in section 1 and 2 of Annex 2II.~~

<sup>16</sup> Benchmark Regulation (EU) 2020/1816, ~~as set out by~~ indicator “Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws” in section 1 and 2 of Annex 2II.

**Principles of Materiality to be applied for the Narrative and SF Modules Implementing a Materiality analysis to identify the significant sustainability information to report on [NOT FOR BASIC MODULE]**

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37. Issues that cover social, business conduct and/or environmental aspects identified in this context are named sustainability matters. This section explains how to identify those sustainability matters that are 'material', meaning relevant to be reported on.

38. Materiality refers to the significance to the ~~reporting undertaking~~ undertaking of a sustainability matter and of information about this ~~sustainability matter~~ sustainability matter. Materiality analysis is the process to identify the sustainability matters that ~~undertaking~~ undertakings should report on. The ~~undertaking~~ undertaking is encouraged to use the list in Appendix B of this standard as guidance for the identification of its material sustainability matters. The materiality analysis does not apply to an ~~for undertaking~~ undertakings that decides to only apply ~~choose~~ the Basic Module.

39. As part of its materiality assessment, the ~~undertaking~~ undertaking will assess impacts that it has or may have on people and the environment, as well as financial risks and opportunities that do or may derive from sustainability matters. Identifying which sustainability matters are material is needed particularly to minimize or avoid negative impacts. At the same time, it can help the ~~undertaking~~ undertakings to improve its/their products or services or to develop new ones that address environmental or social challenges. Understanding financial risks allows the ~~undertaking~~ undertakings to reduce operational costs, avoid fines, litigations or reputational damages.

40. When assessing whether a sustainability matter is to be reported, because it is material to the ~~undertaking~~ undertaking, two dimensions have to be considered, namely impact materiality and financial materiality. This is what is generally referred to as ~~it is called~~ double materiality analysis.

**3.1 Impact materiality**

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41. From an impact perspective, a sustainability matter is to be reported on when it gives rise to material impacts. This includes:

- a) actual or potential impacts on people or on the environment over the short, medium, and long-term time horizons. An impact is actual when it is already happening. An impact is potential when it is likely to happen; and

- b) impacts connected with the ~~undertaking~~ undertaking's own business operations, products and services as well as through its business relationships, such as those that arise from the operations of suppliers.
42. To determine if an actual negative impact is material, the ~~undertaking~~ undertaking has to consider how severe the impact is on people and the environment. To determine if a potential negative impact is material, the ~~undertaking~~ undertaking has to consider the severity of the impact on people and the environment as well as ~~and~~ the likelihood of that impact happening. Severity is based on:
- a) the scale, i.e.i.e., how grave the harm caused to people or to the environment is. (e.g., minor injury at work without day lost vs fatality at work; inadequate industrial waste disposal leading to soil pollution within a local facility vs leak of harmful chemicals in a river leading to severe damage of ecosystem and wildlife).
  - b) the scope: how widespread the harm caused to people or to the environment is; (e.g., number of people affected, square meters of contaminated land).
  - c) the irremediable character of the impact: whether and to what extent it is possible to remediate the harm caused to people or on the environment (e.g., restoration for contaminated land, affected people compensations).
43. The consideration of scale, scope and irremediability are meant to guide ~~undertaking~~ undertakings when analysing the severity of its impacts. ~~Undertaking~~ undertakings are not expected to report on the details related to each of these three aspects.
44. In the case of a potential negative human rights impact, the severity of the impact takes precedence over its probability.
45. Quantitative measures of impacts are the most objective evidence to assess their materiality. However, quantitative information is not always available or may result in additional costs. Therefore, qualitative analysis can be sufficient for the ~~undertaking~~ undertaking to reasonably conclude that a matter is material or not.

### **3.2 Financial materiality**

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46. From a financial perspective, a sustainability matter is material if it can materially influence the ~~SME~~ undertaking's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium- or long-term time horizons. In addition to the ~~undertaking~~ undertaking's business operations, matters related to the ~~undertaking~~ undertaking's business relationships with other companies or stakeholders should also be considered.
47. Material impacts generated by the undertaking are generally a source of financial risks and opportunities. However, the undertaking shall also consider risks and opportunities that are not related to its material impacts.
48. Dependencies from natural and social resources may trigger effects in two ways:
- a) they may influence the ~~undertaking~~ undertaking's ability to continue to use or obtain the resources needed in its business processes, as well as the quality and pricing of those resources; and
  - b) they may affect the ~~undertaking~~ undertaking's ability to rely on business relationships on acceptable terms.
49. Financial materiality is analysed according to the probability and the potential size of the financial effects on the ~~undertaking~~ undertaking.

**The final step is to consolidate the results of the impact materiality and financial materiality and obtain the list of material sustainability matters which will be included in**

~~the sustainability report: a sustainability matter can be material from an impact perspective or from a financial perspective or from both.~~

### 2.3 Stakeholders and their relevance to the materiality assessment process

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50. Stakeholders are those individuals or groups of people who can exercise influence over the ~~undertaking~~undertaking and/or be affected by the activities of the ~~undertaking~~undertaking. There are two main groups of stakeholders:

- a) ~~affected stakeholders: individuals or groups of people whose interests are affected or could be affected – positively or negatively – by the undertaking~~undertaking's activities and its business relationships; and
- b) ~~users of the sustainability statements: including investors, lenders, business partners, social partners and civil society organizations.~~

51. ~~Some stakeholders may belong to both groups defined in paragraph XX.54. An undertaking~~undertaking may engage with stakeholders in its materiality assessment to find out which sustainability matters are the most important to them. In many cases, particularly micro enterprises will consider the views only of their most relevant stakeholders among the ones mentioned in paragraph XX.47.

### Consolidating the impact and financial materiality perspectives

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52. ~~The final step of the materiality analysis is to consolidate the results of the impact materiality and financial materiality and obtain the list of material sustainability matters which will be included in the sustainability report: a sustainability matter can be material from an impact perspective or from a financial perspective or from both.~~



## PAT Narrative – Policies, Actions and Targets (PAT) General Disclosures Module

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### *5 Basis for preparation*

General Disclosures (GDs) refer to the contents of the sustainability report and to key features of the SME's.

### Disclosure Requirement 1 – Basis for preparation of the sustainability statement

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35. The SME shall disclose:

(a) whether the sustainability statement has been prepared on a consolidated or individual basis; in case of a consolidated sustainability statement, a specification of the related reporting scope (specify which subsidiaries are covered in the report) the list of the subsidiaries covered in the report statement; and

the SME shall state which module(s) among the three described in session 1 par.8 has applied.

three The SME shall state if it has applied any of the option of chapter/paragraph X:

~~(a) — Disclosure as micro entity only the key metrics part of this [draft] Standard (paragraph 51 to 64); or~~

~~(b) — this VSME [draft] Standard~~

~~(i) — excluding the additional EU law module; or~~

~~(ii) — including the additional EU law module (see appendix C).~~

~~**Disclosure Requirement 2—Significant uncertainty and changes in the preparation and presentation of sustainability information**~~

~~36. — When significant estimation uncertainty or significant outcome uncertainty exists, the SME shall:~~

~~(a) — identify the metrics it has disclosed that have significant estimation uncertainty; and~~

~~(b) — perfor these metrics disclose information about the assumptions it makes related to the information it discloses.~~

~~37. — When changes in the preparation and presentation of sustainability information occur compared to the previous reporting period(s), such as redefiningchanging or replacing a metric or target, the SME shall:~~

~~(a) — explain the changes; and~~

~~(b) — where possible, provide restated comparative figures.~~

~~4. — If significant outcome uncertainty with regard to forward-looking information exists, the undertaking may indicate that it considers this information to be uncertain.~~

~~38. — The SME may report this information alongside the disclosures to which they refer.~~

## **6 Governance<sup>17</sup>**

### **~~Disclosure Requirement 3 – Responsibilities in relation to sustainability matters~~**

~~39. The SME shall describe:~~

~~the governance structure, in relation to sustainability matters. If applicable, this disclosure shall cover roles and responsibilities of the highest governance body or of an individual/organisation in managing or (if applicable) exercising oversight over those in charge of managing material sustainability matters within the SME; and~~

~~when there is a governance body, the related gender diversity ratio<sup>18</sup>.~~

## **7 Strategy**

### **NPAT Disclosure~~Disclosure Requirement 14 – Strategy: B~~business model, and sustainability related initiatives strategy and value chain**

~~40.53.~~ The SME undertaking shall disclose the key elements of its strategy ~~that relate to or impact sustainability matters~~ and its business model, including:

a) a description of significant groups of products and/or services offered;

b) a description of significant market(s) the ~~undertaking~~ undertaking SME operates in (B2B, wholesale, retail, countries ~~geography~~);

~~a description of a description of, and if applicable the key elements of its strategy that relate to or affect sustainability matters; and~~

~~main business actors (such as key suppliers, customers distribution channels and end-users) and their relationship to the SME.~~

c) ~~main business relationships~~ relationships (such as key suppliers, customers distribution channels and consumers); and-

~~if applicable, a description of the key elements of its strategy that relate to or affect sustainability matters. ; and~~

d)

<sup>17</sup> ~~Governance refers to the way that organizations are managed at the highest level, and the systems for doing this (source: online Cambridge Dictionary)~~

<sup>18</sup> ~~SFDR, Indicator #13 Table 1 of Annex 1 (“Board gender diversity”)~~

~~41.— **Disclosure** The SME shall disclose a general description of its value chain, including;~~

~~(a) main features of its upstream and downstream value chain; and~~

~~(b) main business actors (such as key suppliers, customers distribution channels and end-users) and their relationship to the SME.~~

#### **Disclosure Requirement 5—Key stakeholders**

~~42.— If the SME engages with stakeholders, it may disclose on its engagement with them.~~

~~43.— The disclosure may include:~~

~~(a) the list of its the type of key stakeholder the SME can use categories such s; and~~

~~(b) a brief description of the engagement activities.~~

### **8 Management of material matters**

#### **NPAT Disclosure Requirement 246 – Material sustainability matters**

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~~44.54. The undertaking SME shall disclose the its material sustainability matters resulting from its materiality assessment (see above) (see above) chapter 33.3 *Impact materiality* and 33.4 *Financial materiality* including a brief description of each sustainability matter (listed according to par. XX)5335) and. The disclosure shall include the following:~~

~~a) a brief description of each sustainability matter (listed according to par. 35) and how each matter affects people or the environment the SME's material sustainability matters, including a brief description of them and how they affect people or the environment;~~

~~(a)~~

~~b) its if applicable, sustainability matters' actual and potential effects the arising from the material sustainability matters current and anticipated effects of material sustainability matters on present or future revenues or equity and, if applicable, the effects on its strategy and decision-making the undertaking's present or future financial position and performance; and~~

~~c) its if applicable, sustainability matters' actual and potential effects on the undertaking's activities and strategy~~

~~(b)~~

~~(c) if applicable, the arising from the sustainability matters current and anticipated effects of material sustainability matters on present or future revenues or equity and, if applicable, the effects on its strategy and decision-making activities and strategy.~~



**Disclosure NPAT-Disclosure 3 – Management of material sustainability matters**

55. ~~The undertaking~~undertaking shall disclose how it manages its material sustainability matters, including:

a) ~~whether it has adopted policies or actions to (i.) prevent, (ii.) mitigate and (iii.) remediate actual and potential negative impacts and/or to address financial risks.~~

b) ~~if the undertaking has policies in place, it shall describe:~~

—

~~If the undertaking has policies in place, it shall describe:~~

i. ~~the objectives of the policy and which material sustainability matters it addresses;~~

ii. ~~the scope of the policy in terms of activities, value chain, countries in which the undertaking is active in;~~

iii. ~~if relevant, affected stakeholder groups addressed by the policy;~~

iv. ~~if applicable, a reference to third-party standards or initiatives the undertaking commits to respect through the implementation of the policy; and~~

v. ~~the targets the undertaking uses to monitor the implementation of the policy and the progress achieved;~~

c) ~~if the undertaking has actions in place, it shall describe:~~

i. ~~the list of key actions taken in the reporting year and planned for the future;~~

ii. ~~the scope of those actions (i.e., if they also address aspects in the value chain, if they are implemented in different location and geographies or which affected stakeholder groups they address);~~

iii. ~~the time horizon under which the undertaking intends to complete each key action. In particular, if material, the undertaking shall disclose the actions taken in the reporting period to improve its energy efficiency and to reduce its greenhouse gas emissions and the related possible implications in terms of risks and opportunities; and~~

iv. ~~the targets the undertaking uses to monitor the actions implemented and the progress achieved.~~

56. ~~Where corruption or bribery is a material matter, the undertaking SME shall disclose whether it has the following in place to support the prevention of incidents of corruption or bribery:~~

a) ~~Separation of duties, and/or~~

b) ~~Training for its employees, and~~

c) ~~Any actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery<sup>19</sup>~~

<sup>19</sup> Regulation (EU) 2019/2088 (SFDR) additional indicator #167 in Table 3 of Annex I (“Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery); and (EU) 2020/1816 Benchmark Regulation, indicator “Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery” Numbers of convictions and amount of fines for violation of anti-corruption and anti-bribery laws” in section 1 and 2 of Annex 2II.

**Disclosure NPAT Disclosure 4 – Key stakeholders**

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57. If the ~~undertaking~~undertaking engages with stakeholders, it may disclose:

- a) the ~~categories~~type of key stakeholders considered (the ~~undertaking~~undertaking can use categories such as investors, lending banks/creditors, business partners, trade unions, Ngo); and  
—
- b) a brief description of the engagement activities.

**Disclosure**

**NPAT Disclosure 553 – Governance/~~Business conduct~~: responsibilities in relation to sustainability matters**

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58. The ~~SME~~undertaking shall describe:

- a) the governance and responsibilities/~~business conduct structure~~ in relation to sustainability matters. If applicable, this disclosure shall cover roles and responsibilities of the highest governance body or of the ~~an~~ individual(s) in charge of managing sustainability matters within the ~~undertaking~~undertaking; and
- b) if ~~there is a governance body, the related gender diversity ratio~~<sup>20</sup>.

~~when there is a governance body, the related gender diversity ratio~~<sup>21</sup>.

**Disclosure Requirement 67 – Material matters and related policies, actions, metrics and targets**

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~~The SME shall disclose how it is affected by material sustainability matters.~~

~~The SME shall disclose:~~

~~whether it has adopted policies or actions to address its material matters, i.e. to prevent, mitigate and remediate actual and potential material negative impacts and/or to address material financial risks.~~

~~(a)~~

~~If the SME has such policies in place, it shall describe:~~

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<sup>20</sup> Regulation (EU) 2019/2088 (SFDR), mandatory indicator #13 in Table 1 of Annex 1 (“Board gender diversity”)

<sup>21</sup> Regulation (EU) 2019/2088 (SFDR), mandatory indicator #13 in Table 1 of Annex 1 (“Board gender diversity”)

- ~~i. the general objectives of the policy and which material sustainability matters it addresses the policy is relating to;~~
- ~~— the scope of the policy in terms of activities, value chain, geographies;~~
- ~~— if relevant, affected stakeholder groups addressed by the policy;~~
- ~~ii. if applicable, a reference, to the third-party standards or initiatives the SME commits to respect through the implementation of the policy; and~~
- ~~iii. the targets the SME uses to monitor the implementation of the policy and its objectives and the progress achieved; to assess policies implementation/to measure the effectiveness of the policies~~
- ~~— If the SME has such actions in place, it shall describe:~~
  - ~~—~~
  - ~~— the list of key actions taken in the reporting year and planned for the future;~~
  - ~~— the scope of the key those actions (i.e., coverage in terms of activities, if they also address aspects in the value chain, if they are implemented in different location and geographies or and, where applicable, which affected stakeholder groups they address);~~
  - ~~i. the time horizon under which the SME intends to complete each key action. In particular, if material, it shall disclose the actions taken in the reporting period to improve its energy efficiency and to reduce its greenhouse gas emissions and the related possible implications in terms of risks and opportunities; and~~
  - ~~ii. the targets the SME uses to monitor the actions implemented and the progress achieved. to assess actions implementation/to measure the progress~~
- ~~— enterprises can omit disclosure on policies or actions.~~

## Metrics

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### Add: Notion of “if applicable”

When reporting on this core metrical dataset, the General Disclosure 3 (Double Materiality) does not apply.

### 9 Environment

#### Disclosure Requirement 8 – Energy and greenhouse gas emissions

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~~— The SME shall disclose its impacts on the environment through energy usage and greenhouse gas emissions.~~

~~— The disclosure shall include total energy consumption in MWh, with a breakdown of:<sup>22</sup>~~

~~fossil fuels; and~~

~~electricity, as expressed in utility billings (with the breakdown between renewable and non-renewable sources, if available).<sup>23</sup>~~

~~— The changes in total energy consumption expressed in MWh referred to the previous reporting period.~~

~~— The SME shall disclose its estimated gross GHG emissions in tons of CO<sub>2</sub> equivalents (tCO<sub>2</sub>eq), including:~~

~~The scope 1 GHG emissions in tCO<sub>2</sub> eq (from owned or controlled sources);~~

~~The scope 2 emissions in tCO<sub>2</sub> eq (generation of purchased energy); and<sup>24</sup>~~

~~the changes in scope 1 and scope 2 emissions compared with the previous reporting period.~~

#### Disclosure Requirement 9 – Pollution of air, water and soil

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~~— The SME shall disclose, if applicable, the pollutants it emits in its own operations to air, water and soil that it is required to report by law to competent authorities (e.g. under the Industrial Emissions Directive and the European Pollutant Release and Transfer Register) or required to report under an Environmental Management System such as EMAS.~~

#### Disclosure Requirement 10 – Biodiversity

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~~— The SME shall disclose metrics related to its impacts on biodiversity and ecosystems and land use change, if applicable.~~

~~— The SME shall disclose the number and area (in hectares) of sites that it owns, that it has leased or that it manages, that are located in or near biodiversity sensitive areas, if applicable.<sup>25</sup>~~

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<sup>22</sup> Regulation (EU) 2019/2088 (SFDR), indicator #5, Table 1.

<sup>23</sup> Regulation (EU) 2019/2088 (SFDR), indicator #5, Table 1, Annex 1.

<sup>24</sup> Regulation (EU) 2019/2088 (SFDR), indicator #1 and #2, Table 1, Annex 1; and Benchmark, Articles 5 (1), 6 and 8 (1).

<sup>25</sup> Regulation (EU) 2019/2088 (SFDR), indicator #7, Table 1.

~~— The SME may disclose, if applicable, metrics related to land-use change such as:~~

~~total use of land;~~

~~total sealed area;~~

~~total nature-oriented area on site; and~~

~~total nature-oriented area off site.~~

### **Disclosure Requirement 11 – Water**

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~~— The undertaking shall disclose its water withdrawal/water inputs, disaggregated by the amount of water withdrawn/input at sites located in areas of high water stress;~~

~~— If applicable, the undertaking shall disclose its water consumption, calculated as the difference between its water withdrawal/input and water discharge.~~

### **Disclosure Requirement 12 – Resource use, circular economy, and waste management**

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~~— The undertaking shall disclose how it manages resource use and applies circular economy principles, and waste management practices.~~

~~— If applicable, the disclosure shall include:~~

~~a description of recycled goods and materials bought and sold (expressed in the metric system units commonly used by the SME for the specific type of product/good/material);~~

~~rates of recyclable content in the products and their packaging produced by the undertaking;~~

~~a description of the waste generation (expressed in the metric system units commonly used by the SME for the specific type of product/good/material); and~~

~~a description of the waste diverted to recycle or reuse (expressed in metric system units commonly used by the SME for the specific type of waste).~~

## **9 Environment**

### **~~Disclosure Requirement 8—Energy and carbon emissions (CO<sub>2</sub>.eq)~~**

~~45.—The SME shall disclose its impacts on the environment through energy usage and carbon emissions and whether it improves energy efficiency, increases the fraction of non-fossil energy consumption and decreases its carbon emissions.~~

~~46.—The disclosure shall include:~~

~~(a)—total energy consumption in MWh, with a breakdown of:<sup>26</sup>~~

~~(i)—fossil fuels; and~~

~~(ii)—electricity, as expressed in utility billings (with the breakdown between renewable and non-renewable sources, available).<sup>27</sup>~~

~~47.—The changes in total energy consumption expressed in MWh referred to the previous reporting period:~~

~~(a)—scope 1 and scope 2 greenhouse gas (GHG) emissions, reported in tons of CO<sub>2</sub> equivalent (tCO<sub>2</sub>.eq); and<sup>28</sup>~~

~~(b)—the changes in scope 1 and scope 2 emissions compared with the previous reporting period.~~

### **~~Disclosure Requirement 9—Pollution of air, water and soil~~**

~~48.—The SME shall disclose the pollutant emissions to air, water and soil that it emits in its own operations.~~

~~49.—SME shall disclose the pollutants it emits to air, water and soil that it is required to report by law to competent authorities (e.g. under the Industrial Emissions Directive and~~

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<sup>26</sup> Regulation (EU) 2019/2088 (SFDR), indicator #5, Table 1.

<sup>27</sup> Regulation (EU) 2019/2088 (SFDR), indicator #5, Table 1, Annex 1.

<sup>28</sup> Regulation (EU) 2019/2088 (SFDR), indicator #1 and #2, Table 1, Annex 1; and Benchmark, Articles 5 (1), 6 and 8 (1).

~~the European Pollutant Release and Transfer Register) or required to report under an Environmental Management System such as EMAS or ISO 14001.29~~

~~**Disclosure Requirement 10—Biodiversity**~~

~~50.—The SME shall disclose metrics related to its proximity to biodiversity sensitive areas its impacts on biodiversity and ecosystems and to land use change, if applicable.~~

~~51.—SME shall disclose the number and area (in hectares) of sites that it owns, that it has leased or that it manages, that are located in or near biodiversity sensitive areas.<sup>30</sup>~~

~~52.—The SME may disclose metrics related to land-use change such as:~~

~~(a)—total use of land;~~

~~(b)—total sealed area;~~

~~(c)—total nature-oriented area on site; and~~

~~(d)—total nature-oriented area off site.~~

~~**Disclosure Requirement 11—Resource use, circular economy, water consumption and waste management**~~

~~53.—The SME shall disclose how it manages resource use, application of circular economy principles, water consumption and waste management practices. [Suggested alternative: The SME shall disclose information related to resource use management, water~~

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<sup>29</sup> Regulation (EU) 2019/2088 (SFDR), indicator #8 Table 1, Annex 1.

<sup>30</sup> Regulation (EU) 2019/2088 (SFDR), indicator #7, Table 1, Annex 1.

~~consumption, and waste generation and management, including reuse and recycling (this is connected to what is called a circular economy).]~~

54. ~~The disclosure shall include:~~

~~(a) a description of recycled goods and materials bought and sold (expressed in the metric system units commonly used by the SME for the specific type of product/good/material);~~

~~(b) rates of recyclable content in the SME's products and their packaging;~~

~~(c) water consumption or water use in cubic meters;~~

~~(d) a description of the waste generation (expressed in the metric system units commonly used by the SME for the specific type of product/good/material); and~~

~~(e) a description of the waste diverted to recycle or reuse (expressed in metric system units commonly used by the SME for the specific type of waste).~~

## **10 Social**

### **Disclosure Requirement 12 – Workforce – General or workforce characteristics**

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~~— The SME shall disclose information about its workforce.~~

~~— The disclosure shall include in full-time equivalents<sup>34</sup> or head count:~~

~~number of employees by gender and by country;~~

~~number of temporary and permanent employees;~~

### **Disclosure Requirement 13 – Workforce – Health and safety**

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~~— The SME shall disclose information about its measures on health and safety.~~

~~— The disclosure shall include:~~

~~— the number of fatalities as a result of work-related injuries and work-related ill health;~~

~~— the number and rate of recordable work-related accidents~~

### **Disclosure Requirement 14 – Workforce – Remuneration, collective bargaining, work-life balance and opportunities for development**

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~~— The SME shall disclose information about its measures on equal remuneration, work-life balance and people development.~~

~~— The disclosure shall include:~~

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~~<sup>34</sup>The calculation of full-time equivalent (FTE) is an employee's scheduled hours divided by the employer's hours for a full-time workweek.~~



~~when a significant proportion of employees are compensated based on wages subject to minimum wage rules, the relevant ratio of the entry level wage at significant locations of operation to the minimum wage~~

~~the percentage gap in pay between its female and male employees. The pay gap is defined as the difference of average pay levels between female and male employees, expressed as a percentage of the average pay level of male employees<sup>32</sup>. The undertaking shall adopt a threshold of 150 employees~~

~~% of employees covered by collective bargaining agreements~~

~~average number of training hours per employee and by gender related to the development of skills and competences, either through formal or informal forms of capacity building~~

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<sup>32</sup> ~~Regulation (EU) 2019/2088 (SFDR) indicator #12 in Table 1 of Annex 1 of the related Delegated Regulation and benchmark Regulation (EU) 2020/1816, indicator “Weighted average gender pay gap” in section 1 and 2 of Annex 2.~~

~~**Disclosure Requirement 12—Workforce—General or workforce characteristics**~~

~~55.—The SME shall disclose information about its workforce.~~

~~56.—The disclosure shall include in full-time equivalents<sup>33</sup> or head count:~~

~~(a)—number of employees by region by gender;~~

~~(b)—number of temporary and permanent employees by gender;~~

~~(c)—breakdowns by gender;~~

~~(Please, refer to the Questionnaire, for additional proposals.)~~

~~**Disclosure Requirement 13—Workforce—Health and safety**~~

~~57.—The SME shall disclose information about its measures on health and safety.~~

~~58.—The disclosure shall include:~~

~~(a)—working days lost due to different reasons (absenteeism, illness, and similar); and~~

~~(b)—work-related injuries occurred (including the “in itinerary” accidents also known as commuting accidents).<sup>34</sup>~~

~~**Disclosure Requirement 14—Workforce—Remuneration, work-life balance and opportunities for development**~~

~~59.—The SME shall disclose information about its measures on equal remuneration, work-life balance and people development.~~

~~60.—The disclosure shall include:~~

~~(c)—the percentage gap in pay between its female and male employees. The pay gap is defined as the difference of average pay levels between female and male employees, expressed as a percentage of the average pay level of male employees<sup>35</sup>;~~

~~(d)—the percentage of employees:~~

~~(i)—entitled to take family-related leave, with a breakdown by gender; and~~

~~(ii)—that took family-related leave, with a breakdown by gender.~~

~~Family-related leave includes maternity, paternity, parental, and carers' leave; and~~

~~(e) average number of training hours per employee and by gender related to the development of skills and competences, either through formal or informal forms of capacity building.~~

## ~~11 Business conduct~~

### ~~Disclosure Requirement 15 – Responsible business practices~~

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~~— The SME shall disclose information about corruption and bribery violations.~~

~~— The disclosure shall include the number of convictions and the amount of fines for violation of anti-corruption and anti-bribery laws<sup>36</sup>.~~

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<sup>33</sup> ~~The calculation of full-time equivalent (FTE) is an employee's scheduled hours divided by the employer's hours for a full-time workweek.~~

<sup>34</sup> ~~Benchmark Regulation (EU) 2019/1816, indicator "Weighted average ratio of accidents, injuries, fatalities", section 1 and 2 of Annex 2.~~

<sup>35</sup> ~~Regulation (EU) 2019/2088 (SFDR) indicator #12 in Table 1 of Annex 1 of the related Delegated Regulation and benchmark Regulation (EU) 2020/1816, indicator "Weighted average gender pay gap" in section 1 and 2 of Annex 2.~~

<sup>36</sup> ~~Benchmark Regulation (EU) 2020/1816 as set out by indicator "Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws" in section 1 and 2 of Annex 2.~~

## Sustainable Finance (SF) Module sustainable finance

59. This module provides additional datapoints in relation to the information that is generally needed by business partners, investors, and lenders of the undertaking. They are based upon the data requests that the undertaking receives or is likely to receive from lenders, investors and counterparties that are counterparties in the value chain. In relation to the information needs of financial market participants, these additional datapoints reflect their respective obligations under relevant laws and regulations. They are also relevant for business partners when they assess the sustainability profile of the undertaking as supplier or potential supplier. ~~undertaking~~
60. In this module, the materiality analysis described above is required.
61. The table below provides the list of disclosures to be considered and reported upon if material, following the materiality analysis performed by the undertaking. When not reported upon, a disclosure shall be assumed to be “not material” for the undertaking.

<u>Topic: Environment / Social / Governance</u>	<u>DR number and Title</u>	<u>SFDR Table 1</u>	<u>EBA Pillar 3 and/or Benchmark Regulation</u>
<u>Governance</u>	<u><b>Disclosure SF 1 – Revenues from certain sectors</b> 1. The SME shall include where applicable, a statement indicating, together with the related revenues, that the undertaking is active in:</u>  <u>i. controversial weapons such as anti-personnel mines, cluster munitions, chemical weapons and biological weapons; and / or</u>	<u><b>SFDR #14 ESRS 2 par. 40 d) iii</b></u>	<u><b>Benchmark</b></u>
	<u>ii. the cultivation and production of tobacco; and/or</u>		<u><b>EBA Pillar 3 Benchmark ESRS 2 par. 40 d) iv</b></u>
	<u>iii. fossil fuel (coal, oil and gas) sector (i.e., it derives revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council<sup>17</sup>), including a disaggregation of revenues derived from coal, from oil and from gas)<sup>37</sup>; and/or</u>	<u><b>SFDR # 4 ESRS 2 par. 40 d) i</b></u>	<u><b>EBA Pillar 3 Benchmark</b></u>

<sup>37</sup> The Taxonomy part of this Disclosure was explicitly excluded in the methodological approach from the Sustainable Finance (SF) Module of VSME.

<b><u>Topic: Environment / Social / Governance</u></b>	<b><u>DR number and Title</u></b>	<b><u>SFDR Table 1</u></b>	<b><u>EBA Pillar 3 and/or Benchmark Regulation</u></b>
	<p><u>iv. chemicals production, i.e., its activities fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006;</u></p>		<b><u>Benchmark</u></b>
<u>Environment</u>	<p><b><u>Disclosure SF 4 – GHG emissions reduction target</u></b></p> <p><u>If the SME has set GHG emission reduction targets, it shall provide its GHG emission reduction targets for (i) scope 1 emissions; (ii) scope 2 emissions and (iii) scope 3 emissions.</u></p>		<b><u>Benchmark</u></b> <u>E1 par. 34</u>
<u>Environment</u>	<p><b><u>Disclosure SF 5 – Transition plan for climate change mitigation</u></b></p> <p><u>If applicable, the SME shall provide information about its transition plan for climate mitigation with an explanation of how GHG emission reduction targets are compatible with the limiting of global warming to 1.5°C in line with the Paris Agreement.</u></p>		<b><u>Benchmark</u></b> <u>E1 par. 14</u>
<u>Environment</u>	<p><b><u>Disclosure SF 6 – Sector EU Paris Aligned Benchmarks</u></b></p> <p><u>If applicable, the SME shall include a disclosure on whether or not the SME is excluded from the EU Paris-aligned Benchmarks [LIST OF SECTORS TO BE ADDED IN FOOTNOTE].</u></p>		<b><u>EBA Pillar 3 Benchmark</u></b> <u>E1 par. 16 g)</u>

<u>Topic:</u> <u>Environment /</u> <u>Social /</u> <u>Governance</u>	<u>DR number and Title</u>	<u>SFDR Table 1</u>	<u>EBA Pillar 3</u> <u>and/or</u> <u>Benchmark</u> <u>Regulation</u>
<u>Environment</u>	<p><b><u>Disclosure SF 7 – Energy consumption intensity per high impact climate sector</u></b></p> <p><u>If applicable, the SME shall provide information about its energy intensity, i.e. net revenue from activities in high climate impact sectors [LIST OF SECTORS TO BE ADDED IN FOOTNOTE] divided by the total energy consumption.</u></p> <p><u>If the SME is active in high climate impact sectors, it can disclose its energy intensity within these sectors.</u></p> <p><u>If applicable, the SME shall explain how the net revenues from activities in high climate impact sector relate to the relevant line item or notes in the financial statements.</u></p>	<p><b><u>SFDR</u></b></p> <p><b><u># 6</u></b></p> <p><b><u>E1 par. 40-43</u></b></p>	
<u>Environment</u>	<p><b><u>Disclosure SF 8 – GHG intensity of investee companies</u></b></p> <p><u>If applicable, the SME shall disclose its GHG intensity, i.e. total GHG emissions in metric tonnes of CO<sub>2</sub>eq divided by total net revenue. The SME shall explain how the net revenue relates to the relevant line item or notes in the financial statements.</u></p>	<p><b><u>SFDR</u></b></p> <p><b><u># 3</u></b></p> <p><b><u>E1 par. 53-55</u></b></p>	<b><u>Benchmark</u></b>
<u>Environment</u>	<p><b><u>Disclosure SF 9 – Physical Risks from climate change</u></b></p> <p><u>If applicable, the SME disclose the anticipated financial effects that physical risks from climate change may have on the company. In particular:</u></p> <p><u>(i) the monetary amount and the percentage of the SME's total assets that can be subjected to material physical risks over the short, the medium and the long-term, before considering climate change adaptation actions disaggregated by acute and chronic physical risk;</u></p> <p><u>ii) the proportion of assets at material physical risk addressed by the climate</u></p>		<p><b><u>Benchmark</u></b> <b><u>EBA Pillar 3</u></b></p> <p><b><u>E1 par. 66 and 67</u></b> <b><u>c)</u></b></p>

<b><u>Topic: Environment / Social / Governance</u></b>	<b><u>DR number and Title</u></b>	<b><u>SFDR Table 1</u></b>	<b><u>EBA Pillar 3 and/or Benchmark Regulation</u></b>
	<p><u>change adaptation actions;</u></p> <p><u>ii) the location of the significant assets affected by material physical risks;</u></p> <p><u>iii) the monetary amount and proportion (percentage) of net revenue from its business activities at material physical risk over the short-, medium- and long-term;</u></p> <p><u>(iii) the breakdown of the SME's carrying value of its real estate assets, by energy efficiency classes.</u></p>		
<u>Environment</u>	<p><b><u>Disclosure SF 10 – Climate related opportunities</u></b></p> <p><u>If applicable, the SME shall disclose its potential to benefit from material climate-related opportunities. In disclosing it, the SME shall consider:</u></p> <p><u>i. its expected cost savings from climate change mitigation and adaptation actions; and</u></p> <p><u>ii. the potential market size or expected changes to net revenue from low-carbon products and services or other adaptation solutions to which the SME has or may have access.</u></p>		<p><b><u>Benchmark</u></b></p> <p><u>E1 par. 69</u></p>
<u>Environment</u>	<p><b><u>Disclosure SF 11 – Hazardous waste and radioactive waste ratio</u></b></p> <p><u>If applicable, the SME shall disclose the total amount of hazardous waste and radioactive waste generated (radioactive waste is defined in Article 3(7) of Council Directive 2011/70/Euratom39).</u></p>	<p><b><u>SFDR</u></b></p> <p><b><u># 9</u></b></p> <p><b><u>E5 39</u></b></p>	
<u>Social</u>	<p><b><u>Disclosure SF 12: Alignment with internationally recognised instruments</u></b></p> <p><u>The undertaking shall disclose whether its policies with regard to its own workforce are aligned with relevant internationally recognised instruments,</u></p>		<p><b><u>Benchmark</u></b></p> <p><b><u>S1, para 21</u></b></p>

<u>Topic: Environment / Social / Governance</u>	<u>DR number and Title</u>	<u>SFDR Table 1</u>	<u>EBA Pillar 3 and/or Benchmark Regulation</u>
	including the <u>UN Guiding Principles on Business and Human Rights</u> .		
<u>Social</u>	<p><b><u>Disclosure SF 13: Policies to address and mechanisms to communicate violations</u></b></p> <p>The undertaking shall disclose whether it has policies to address violations or a complaints mechanism in place for its own workforce to communicate violations of the <u>OECD Guidelines for Multinational Enterprises, the UN Guiding Principles, including the principles and rights set out in the eight fundamental conventions identified in the ILO Declaration and the International Bill of Human Rights</u>.</p>	<p><b><u>SFDR #11</u></b></p> <p><b><u>S1, para 20</u></b></p>	
<u>Social</u>	<p><b><u>Disclosure SF 14 – Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles (including the principles and rights set out in the 8 fundamental conventions of the ILO Declaration and the International Bill of Human Rights)</u></b></p> <p>If applicable, the undertaking shall disclose whether there have been any violations of the <u>UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work or the OECD Guidelines for Multinational Enterprises during the reporting year</u>.</p>	<p><b><u>SFDR #10</u></b></p> <p><b><u>S1, para 104(a)</u></b></p>	<b><u>Benchmark</u></b>
<u>Social</u>	<p><b><u>Disclosure SF 14 – Workforce – Work-life balance (*)</u></b></p> <p>The SME shall disclose the percentage of employees:</p> <ul style="list-style-type: none"> <li><u>(i) entitled to take family-related leave, with a breakdown by gender; and</u></li> <li><u>(ii) that took family-related leave, with a breakdown by gender.</u></li> </ul> <p><u>Family-related leave includes maternity, paternity, parental, and carers' leave.</u></p>		



<u>Topic: Environment / Social / Governance</u>	<u>DR number and Title</u>	<u>SFDR Table 1</u>	<u>EBA Pillar 3 and/or Benchmark Regulation</u>
<u>Social</u>	<p><b><u>Disclosure SF 15 – Placements for apprentices (*)</u></b></p> <p>The SME shall disclose:</p> <p>(i) whether it has issued placements for trainees or apprentices in the reporting year</p>	-	-

\* These datapoints were inserted in this module to be questioned in outreach events.

1. For clarification, the following datapoints which are related to SF requirements are already included in other Modules and are therefore identified under a double disclosure reference:

<u>Topic: Environment / Social / Governance</u>	<u>DR number and Title</u>	<u>SFDR Table 1</u>	<u>EBA Pillar 3 and/or Benchmark Regulation</u>
<u>Governance</u>	<p><b><u>2. Disclosure PAT 5 - Responsibilities in relation to sustainability matters</u></b></p> <p>The SME shall describe:</p> <p>b) <u>if there is a governance body, the related gender diversity ratio<sup>38</sup>.</u></p>	<p><b><u>SFDR</u></b></p> <p><b><u># 13</u></b></p> <p><b><u>ESRS2</u></b></p> <p><b><u>par. 21 d)</u></b></p>	<b><u>Benchmark</u></b>
<u>Environment</u>	<p><b><u>Disclosure B 3 – Energy and greenhouse gas emissions</u></b></p> <p>3. <u>The SME shall disclose its total energy consumption related to own operations in MWh, with a breakdown between:<sup>39</sup></u></p> <p>a) <u>fossil fuels; and</u></p> <p>b) <u>electricity, as expressed in utility billings (with the breakdown between renewable and non-renewable sources, if available).<sup>40</sup></u></p>	<p><b><u>SFDR</u></b></p> <p><b><u># 5</u></b></p> <p><b><u>E1 par. 38</u></b></p>	
<u>Environment</u>	<p><b><u>Disclosure B 3 – Energy and greenhouse gas emissions</u></b></p> <p>4. <u>The SME shall disclose its estimated gross GHG emissions in tons of CO2 equivalents (tCO2eq), including:</u></p> <p>a) <u>The scope 1 GHG emissions in tCO<sub>2</sub>-eq (from owned or controlled sources); and</u></p>	<p><b><u>SFDR</u></b></p> <p><b><u># 1 and 2</u></b></p> <p><b><u>E1 par. 44</u></b></p>	<b><u>Benchmark</u></b>

<sup>38</sup> Regulation (EU) 2019/2088 (SFDR), mandatory indicator #13 in Table 1 of Annex 1 (“Board gender diversity”)

<sup>39</sup> Regulation (EU) 2019/2088 (SFDR), mandatory indicator #5 in Table 1 of Annex I (“Share of non-renewable energy consumption and production”).

<sup>40</sup> Regulation (EU) 2019/2088 (SFDR), mandatory indicator #5 in Table 1 of Annex I (“Share of non-renewable energy consumption and production”).

<u>Topic: Environment / Social / Governance</u>	<u>DR number and Title</u>	<u>SFDR Table 1</u>	<u>EBA Pillar 3 and/or Benchmark Regulation</u>
	b) <u>The scope 2 emissions in tCO<sub>2</sub>-eq (generation of purchased energy).</u> <sup>41</sup>		
<u>Environment</u>	<p><b><u>Disclosure B 4 – Pollution of air, water and soil</u></b></p> <p>5. <u>The SME shall disclose, if applicable, the amount of each pollutants it emits to air, water and soil listed in Annex II of Regulation (EC) No 166/2006 of the European Parliament and of the Council<sup>64</sup> (European Pollutant Release and Transfer Register “E-PRTR Regulation”) emitted to air, water and soil, with the exception of emissions of GHG.</u></p>	<p><b><u>SFDR # 8 E 2 par. 28</u></b></p>	
<u>Environment</u>	<p><b><u>Disclosure B 5 - Biodiversity</u></b></p> <p><u>The SME shall disclose the number and area (in hectares) of sites that it owns, that it has leased or that it manages, that are located in or near biodiversity sensitive areas, if applicable.</u></p>	<p><b><u>SFDR # 7 E4 16 a) i</u></b></p>	
<u>Social</u>	<p><b><u>Disclosure B 8 – Workforce – Health and safety</u></b></p> <p>6. <u>The SME shall disclose:</u></p> <ul style="list-style-type: none"> <li>a) <u>the number of fatalities as a result of work-related injuries and work-related ill health;</u></li> <li>b) <u>the number and rate of recordable work-related accidents.</u></li> </ul>		<p><b><u>Benchmark S1 para 88(b), (c)</u></b></p>
<u>Social</u>	<p><b><u>7. Disclosure B 9 – Workforce – Remuneration, collective bargaining, and training</u></b></p> <p>8. <u>The SME shall disclose:</u></p> <ul style="list-style-type: none"> <li>b) <u>the percentage gap in pay between its female and male employees. The pay gap is defined as the difference of average pay levels between female and male employees, expressed as a percentage of the average pay level of male employees<sup>42</sup>. The SME may omit this disclosure when its headcount is below 150 employees.</u></li> </ul>	<p><b><u>SFDR #12 S1, para 97(a)</u></b></p>	<p><b><u>Benchmark</u></b></p>

<sup>41</sup> Regulation (EU) 2019/2088 (SFDR) mandatory indicators #1 and #2 in Table 1 of Annex I (“GHG emissions”; Carbon footprint”); and Regulation (EU) 2020/1816 Benchmark Regulation, Articles 5 (1), 6 and 8 (1).

<sup>42</sup> Regulation (EU) 2019/2088 (SFDR) mandatory indicator #12 in Table 1 of Annex I (“Unadjusted gender pay gap”) and (EU) 2020/1816 Benchmark Regulation (EU), indicator “Weighted average gender pay gap” in section 1 and 2 of Annex II.

<u>Topic:</u> <u>Environment</u> <u>/ Social /</u> <u>Governance</u>	<u>DR number and Title</u>	<u>SFDR</u> <u>Table 1</u>	<u>EBA Pillar 3</u> <u>and/or</u> <u>Benchmark</u> <u>Regulation</u>
<u>Governance</u>	<u>Disclosure B 10 – Convictions and fines for</u> <u>corruption and bribery</u>  <u>In case of convictions and fines in the reporting period,</u> <u>the SME shall disclose the number of convictions and</u> <u>the amount of fines for violation of anti-corruption and</u> <u>anti-bribery laws .</u>		<u>Benchmark</u> <u>G1 par. 24 a)</u>

If applicable, tSME shall its revenues related to:

i. c.; and/or

iii.

**Global Impact Principles G**

If applicable, tSME shall what it does the labour rights (part of the ) consumers. The description can include activities with its business partners. **Global Impact Principles** If applicable, tSME shall if its approach the labour rights (part of the ) . T can these standards. If applicable, SME shall scope 1 scope 2 scope 3 . If applicable, SME shall .

8. f applicable, s SME undertakings shall disclose if it is excluded in one of the sectors excluded? If applicable, tSME shall about providing . ISME is active init can disclose its within these sectors. If applicable, SME can refer to report for coming.

If applicable, 12. Can SME undertakings shall i. (as disclosed in its sustainability statement) and ii. financial statements for the denominator that is the indicated in its financial statements amounts? (GHG Intensity = Total GHG emissions / Net revenue)

If applicable, 13. Can SME undertakings shall n. and n. ly the following?

what is i.?

where is the i.?

(i. current?), by specifying by their. If applicable, SME shall :

i.:

ii. adopted. If applicable, tSME () **Possible additional Disclosure:**

**SFDR #11: Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact pPrinciples and OECD Guidelines for Multinational Enterprises (share of companies without policies to monitor compliance or grievance/complaints handling mechanisms to address violations)**

**SFDR**

(8of) If applicable, tSME disclose . WSME shall **Placements for a SME shall Number of whether it has issued placements issued for trainees or apprentices in the reporting year. Topic: Environment / Social / Governance** DR number and Title SFDR Table 1 EBA Pillar 3 and/or Benchmark Regulation

The SME shall disclose: The SME shall disclose ti GHG emissions ii) . If applicable, t If applicable, t. HSME shall ei) the number of fatalities as a result of work-related injuries and work-related ill health; ii) the number and rate of recordable work-related accidents.

training If the SME has 150 employees or more, it shall disclose the percentage gap in pay between its female and male employees. SME disclose **Disclosure Requirement 15 – Responsible Business Practices**

## Guidance on Environment Metrics

### Disclosure B 3 – Energy and greenhouse gas emissions

#### Scope 1 emissions calculation guidance

Scope 1 emissions are direct greenhouse (GHG) emissions that occur from sources that are controlled or owned by an organization. Typical Scope 1 emissions include CO<sub>2</sub> (and CH<sub>4</sub> and N<sub>2</sub>O) emissions associated with fuel combustion (for example in boilers, furnaces, vehicles, etc), as well as fugitive emissions from air conditioning and industrial processes.

Emissions associated with combustion can be calculated by the expression:

$$Emissions_{GHG,Fuel} = Activity Data_{Fuel} * EF_{GHG,Fuel} * GWP_{GHG}$$

Where

\_\_\_\_\_  $Emissions_{GHG}$  are the emissions of CO<sub>2</sub>, CH<sub>4</sub> or N<sub>2</sub>O resulting from the combustion of the Fuel in t CO<sub>2</sub>e;

\_\_\_\_\_  $Activity Data_{Fuel}$  is the quantity of fuel consumed, typically expressed in energy units, but can also be in volume (m<sup>3</sup> or l) or mass (tonnes or kg);

\_\_\_\_\_  $EF_{GHG,Fuel}$  is the specific combustion Emission Factor for the fuel. The units of the EF need to be consistent with the units of the Activity data;

\_\_\_\_\_  $GWP_{GHG}$  is the Global Warming Potential of the GHG (CO<sub>2</sub>, CH<sub>4</sub> or N<sub>2</sub>O).

The activity data can be determined using fuel purchase receipts, purchase records, or through direct measurement at the combustion device. The fuel quantities can be measured in different forms (typically mass or volume) and care needs to be taken to make sure the activity data and the EF are expressed using the same units. It is not uncommon for emission factors of fuels to be expressed in terms of energy (Lower Calorific Value) in which case, a further step to convert between the volume or mass of the fuel and its energy content needs to be done (see example below). So, the expression above can take different forms, namely:

$$Emissions_{GHG,Fuel} = Activity Data_{Fuel} * EF_{GHG,Fuel} * GWP_{GHG}$$

$$Emissions_{GHG,Fuel} = [Volume * CalorificValue]_{Fuel} * EF_{GHG,Fuel} * GWP_{GHG}$$

CO<sub>2</sub> emission factors are either derived through analysis of the carbon and heat content of the fuel (unlikely to be needed for undertakings) or through the use of published emission factors (see question on emission factors) for the most common fuels. EFs for CH<sub>4</sub> and N<sub>2</sub>O will depend of the type of combustion technology and vary with it. In most cases CH<sub>4</sub> and N<sub>2</sub>O emissions are within the measurement error of CO<sub>2</sub> and can be neglected.

The Global Warming Potential is derived – as per AR39 d) of E1 – from the latest list published by the IPCC. In this case, the list is the one in AR6 (see question below).

#### Documentation Sources:

<u>Data</u>	<u>Documentation Source</u>
<u>Activity data</u>	<u>fuel purchase receipts, purchase records, or through direct measurement at the combustion device.</u>
<u>Emissions Factors (EF):</u>	
<u>Fuel</u>	<u>ADEME – Bilant Carbonne <a href="https://base-empreinte.ademe.fr/">https://base-empreinte.ademe.fr/</a> IPCC – Emissions Factor Database</u>

[https://www.ipcc-nggip.iges.or.jp/EFDB/find\\_ef.php?reset=](https://www.ipcc-nggip.iges.or.jp/EFDB/find_ef.php?reset=)

[IPCC – Guidelines for National Greenhouse Gas Inventories](#)

[Microsoft Word - V2\\_Ch2\\_Stationary\\_Combustion\\_Final.doc \(iges.or.jp\)](#)

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[Global Warming Potential \(GWP\)](#) [IPCC – Global Warming Potential p. 16](#)

[https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC\\_AR6\\_WGI\\_Chapter07\\_SM.pdf](https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_Chapter07_SM.pdf)

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[You can also find more guidance and tools on how to act and report on climate in the https://undertakingclimatehub.org/.](https://undertakingclimatehub.org/)

### Example

Company A burns Nr. 4 fuel oil in an industrial boiler. For its financial accounting, it keeps track of its costs and for GHG accounting purposes it keeps track of volumes (m<sup>3</sup>) expressed in the fuel receipts. From the receipts, it determines the annual volumes of fuel oil bought and keeps track, as well, of the fuel oil inventory on the 1<sup>st</sup> day of the year. In 2023 it had purchased 100 m<sup>3</sup> of fuel oil. On its registers on the 1<sup>st</sup> Jan of 2023 it had 2.5 m<sup>3</sup> in its deposit and on 1<sup>st</sup> Jan 2024 it had 1 m<sup>3</sup>. Thus, it has determined (through purchase and measurement of inventory) that during 2023 it consumed 101.5 m<sup>3</sup> of fuel oil.

Using the IPCC list of emissions factors (Table 2.3, page 2.18) it approximates its emission factor as a 50/50 blend of Diesel oil and Residual oil as 75.75 t CO<sub>2</sub>/TJ and, by contacting its supplier, it has determined that its net calorific value of the fuel is 0.03921 TJ/m<sup>3</sup>. Given that the CO<sub>2</sub> GWP equal one, its CO<sub>2</sub> emission for this specific Scope 1 source is:

$$101.5 \text{ m}^3 * 0.03921 \text{ TJ/m}^3 * 75.75 \text{ t CO}_2/\text{TJ} * 1 = 301.5 \text{ t CO}_2$$

For completeness of this example, the CH<sub>4</sub> and N<sub>2</sub>O emissions are also calculated. Checking the IPCC list of emission factors, these are respectively 3 kg of CH<sub>4</sub>/TJ and 0.6 kg of N<sub>2</sub>O/TJ, thus the emissions will be:

$$\text{CH}_4 \text{ emissions} = 101.5 \text{ m}^3 * 0.03921 \text{ TJ/m}^3 * 3 \text{ kg CO}_2/\text{TJ} * 29.8 = 0.36 \text{ t CO}_2\text{e}$$

$$\text{N}_2\text{O emissions} = 101.5 \text{ m}^3 * 0.03921 \text{ TJ/m}^3 * 0.6 \text{ kg CO}_2/\text{TJ} * 273 = 0.65 \text{ t CO}_2\text{e}$$

As mentioned, CH<sub>4</sub> and N<sub>2</sub>O emissions add around 1 t CO<sub>2</sub>e to the CO<sub>2</sub> value of 301.5 t CO<sub>2</sub>, so about 0.3% of the total. This could be considered well within the reporting error and so, could not have been calculated and reported.

Global Warming Potentials for CH<sub>4</sub> and N<sub>2</sub>O are derived from IPCC's 6<sup>th</sup> Assessment Report, Chapter 7SM<sup>43</sup>, as per E1.AR39(d).

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<sup>43</sup> Smith, C., Z.R.J. Nicholls, K. Armour, W. Collins, P. Forster, M. Meinshausen, M.D. Palmer, and M. Watanabe, 2021: The Earth's Energy Budget, Climate Feedbacks, and Climate Sensitivity Supplementary Material. In Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Masson-Delmotte, V., P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M.I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J.B.R. Matthews, T.K. Maycock, T. Waterfield, O. Yelekçi, R. Yu, and B. Zhou (eds.)]. Available from <https://www.ipcc.ch/>.

## **Disclosure B 3 – Energy and greenhouse gas emissions**

### **Scope 2 emissions calculation guidance**

Scope 2 emissions are indirect greenhouse (GHG) emissions that that are a consequence of the activities of the reporting company, but occur at sources owned or controlled by another company. Scope 2 includes emissions from electricity, heat, steam and cooling purchased or acquired and consumed by the reporting company.

Typical sources of Scope 2 emissions relate to any equipment that consumes electricity (electrical engines, lights, buildings, etc), heat (heat in industrial processes, buildings, etc), steam (industrial processes) and cooling (industrial processes, buildings).

Emissions associated with the purchase and consumption of electricity, heat, steam and cooling can be calculated by the expression:

$$Emissions_{GHG} = Activity\ Data * EF$$

Where:

\_\_\_\_\_  $Emissions_{GHG}$

are the emissions of GHG's resulting from the production of the electricity, heat, steam or cooling (typically, if from generated through combustion CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O);

Activity Data \_\_\_\_\_

Is the quantity of fuel consumed, typically expressed in energy units (e.g. MWh);

\_\_\_\_\_  $EF_{GHG,Energy}$

is the Emission Factor for the production of electricity (heat, steam or colling). The units of the EF need to be consistent with the units of the Activity data;

### Example

Company A occupies an office building of 2000 m<sup>2</sup> in Paris, where it pays the electricity consumed for the central heating and cooling, lighting, computers and other electric appliances. Through its utility bills it has estimated that the building consumed 282 MWh of electricity in 2022. By using the emission factor provided by nowtricity.com for France in 2022, it has estimated its Scope 2 emissions for its building electricity consumption to be

$$Emissions_{GHG} = 282\ 000\ [kWh] * 73\ \left[ \frac{g\ CO_2eq}{kWh} \right] = 20.6\ t\ CO_2eq$$

### **Documentation Sources:**

<u>Data</u>	<u>Documentation Source</u>
<u>Activity data</u>	<u>Purchase receipts or utility bills, contract purchase or firm purchase records</u>
<u>Emissions Factors (EF):</u>	
<u>Europe Grid electricity</u>	<u>Association of Issuing Bodies (AIB) – Residual Mix Grid Emission Factors</u> <u><a href="https://www.aib-net.org/facts/european-residual-mix">https://www.aib-net.org/facts/european-residual-mix</a></u> <u>ADEME – Bilant Carbonne</u> <u><a href="https://base-empreinte.ademe.fr/">https://base-empreinte.ademe.fr/</a></u> <u>JRC – Historical GHG emissions factor for electricity consumption</u> <u><a href="https://data.jrc.ec.europa.eu/dataset/919df040-0252-4e4e-ad82-c054896e1641#dataaccess">https://data.jrc.ec.europa.eu/dataset/919df040-0252-4e4e-ad82-c054896e1641#dataaccess</a></u>

Life-cycle electricity production emission factors  
<https://www.nowtricity.com/>

USEPA GHG emission factors Hub

<https://www.epa.gov/climateleadership/ghg-emission-factors-hub>

North America Grid  
electricity

Government of Canada

[https://publications.gc.ca/collections/collection\\_2023/eccc/En84-294-2023-eng.pdf](https://publications.gc.ca/collections/collection_2023/eccc/En84-294-2023-eng.pdf)

IEA's Annual GHG emission factors for World countries from electricity and heat generation (2022 data set, paid data set)

<https://www.iea.org/data-and-statistics/data-product/emissions-factors-2022#emissions-factors>

Other regions/Global

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Global Warming Potential  
(GWP)

IPCC – Global Warming Potential (GWP-100) p. 16

[https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC\\_AR6\\_WGI\\_Chapter07\\_SM.pdf](https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_Chapter07_SM.pdf)

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#### **Disclosure B 4 – Pollution of air, water and soil**

##### **Guidance on which undertakings need to report on pollution and what pollutants do undertakings need to report on.**

Paragraph XX establishes that, if applicable, undertakings shall disclose in their voluntary sustainability report the pollutants they emit in their own operations to air, water and soil in the case that such reporting is required by law to competent authorities or under an Environmental Management System such as EMAS.

In general, this requirement is expected to apply to undertakings that are owners or operators of one industrial installation covered by the Industrial Emissions Directive (IED). The IED applies to some 52,000 installations in Europe covering activities such as burning fuel in boilers with rated power of more than 50 MW, metal foundries, processing of non-ferrous metals, production of lime, manufacture of ceramic products by firing, production of plant protection products or biocides, tanning of hides, slaughterhouses, etc. In these cases, the installation already has to report to the competent authority the pollutants released to air, water and soil, to the European Pollutant Release and Transfer Register (E-PRTR).

Likewise, if under an EMAS certification a company has been identified as having to monitor and report on the pollutants listed in the PRTR then these are, in principle, relevant aspects for the undertaking to report on in its sustainability report.



## **Disclosure B 5 – Biodiversity**

### **Guidance on how to calculate and report land use changes**

The undertaking may disclose in units of area (e.g., m2 or ha) on land-use using guidance provided by the Eco-Management and Audit Scheme (EMAS):

- (a) total use of land;
- (b) total sealed area;
- (c) total nature-oriented area on site; and
- (d) total nature-oriented area off site.

### **Documentation Sources:**

<u>Data</u>	<u>Documentation Source</u>
<u>EMAS Guidance</u>	<u>EU Commission Regulation 2018/2026</u> <u><a href="https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R2026&amp;rid=2">https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R2026&amp;rid=2</a></u>

## **Disclosure B 6 – Water**

### **Guidance on how to calculate and report on water withdrawals and water consumption**

Water withdrawal relates to the amount of water an undertaking draws into its organizational boundaries from any source during the reporting period. In practice, for most undertaking, this relates to the amount of water taken from the public water supply network as indicated in the utility bills. However, where applicable, water withdrawal also includes the amounts of water from other sources, such as groundwater from own wells, water taken from rivers or lakes or water received by other undertakings. Rainwater collected by the undertaking is not considered as a water withdrawal.

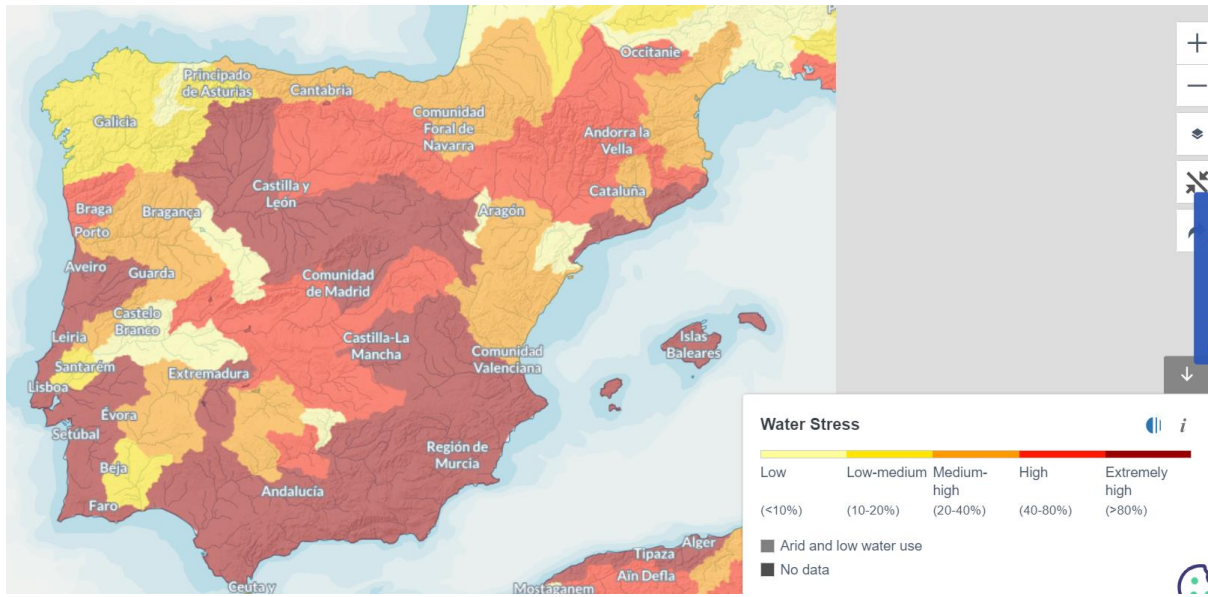
... add guidance on “disaggregation by sites in water stressed areas”

Water consumption is the amount of water drawn into the boundaries of the undertaking that is not discharged or planned to be discharged back to the water environment or to a third party. This typically relates to water evaporated – e.g. in thermal energy processes, like drying or power production -, water embedded into the products – e.g. in food production -, or water for irrigation purposes – e.g. in agriculture or for watering company premises. Discharge to third parties means the amount of water transferred, for example, directly to receiving water bodies such as lakes or rivers, the public sewer or to other companies for cascading water use. Water consumption can therefore be calculated by deducting the amount of water discharged from the amount of water withdrawals. Collected rainwater can be considered in the calculation. For undertakings which solely withdraw water from the public water network and discharge it to the sewer, water consumption will be close to zero and can therefore be omitted in reporting.

The undertaking may provide additional explanatory information to contextualize its water withdrawals or consumption. For example, the undertaking may highlight if rainwater is collected and used as a replacement of tap water or if water is discharged to other parties for cascading use.

### **Guidance on how to know if operating in an area of high water stress?**

To know if the undertaking operates in an area of high water stress you can consult the regional water authorities of the places you operate on, to understand their assessment of the water resources for that specific location. Alternatively, you can also consult public available and free tools that map water scarcity globally. One of such tools is WRI’s Aqueduct Water Risk Atlas. Through this tool you can consult the Water stress baseline for different river basins globally. The picture below shows a map of the main Iberian river basins and their water stress classification according to WRI Aqueduct.



You can observe several of the water basins in the Peninsula and their water stress classification. Most of the southern part of the peninsula is an area of very high water stress - with the exception of the Guadiana basin (in yellow). So, if you have operations within the Guadalquivir basin (Andalucia region, very high level water stress) you would have to disaggregate your water consumption for that region/water basin. But if your operation is located within the southern part of the Guadiana river basin (low water stress) then that would not be necessary.

## Disclosure B 7- Resource use, circular economy and waste management

### Guidance on circular economy principles

When disclosing information on its products, material use, and waste management, the undertaking may provide information in relation to the circular economy principles. Circular economy principles are articulated in the paragraphs below. The key principles outlined by Ellen Macarthur Foundation are shown underlined while the key principles considered by the European Commission are shown in *italic*.

Eliminate waste and pollution – which can be done through process improvements but also design considerations at the level of the *usability, reusability, repairability, disassembly and remanufacturing*;

Circulate products and materials (at their highest value) – *reusability and recycling* is key for product circulation, but this is ~~circulation of products is increased~~ enhanced if special consideration for circularity ~~it~~ is given at design phase for issues such as *usability, reusability, repairability, remanufacturing and disassembly*. ~~-Factors such as the incorporation of biom-materials and their *recirculation* ~~by~~ *intely* –the biological cycle can also be considered – for example, using biodegradable crop covers instead of plastics in agriculture.~~

Regenerate nature – whenever possible, human activities should seek to regenerate nature and improve or restore key ecological functions (*drainage, habitat provision, thermal regulation, etc*) that may have been lost due to previous human activities.;

From the European Commission:

*usability*;

*reusability*;

*repairability*;

*disassembly*;

remanufacturing or refurbishment;

recycling;

recirculation by the biological cycle;

other potential optimization of product and material use. When compiling the rate, the undertaking may use as denominator the overall total weight of materials used during the reporting period.

**Guidance on the rate of recycled contents in the products and packaging**

When compiling the rate of recycledable content – this is, inputs into the process that have originated from recycled materials – the undertaking may use as denominator the total weight of materials that are technically recyclablerecycled used in products and packaging (during the reporting period) divided by the total weight of materials in products and packaging (during the reporting period).

**Guidance on the rate of recyclable contents in the products and packaging**

When compiling the rate of recyclable content – this is, materials that can be technically recycled - –the undertaking may use as denominator the overall total weight of materials that are technically recyclable (and used in products and packaging (during the reporting period) divided by the total weight of materials within products and their packaging (during the reporting period).

**The SME shall disclose information about its system to prevent and detect, investigate, and respond to allegations or incidents relating to corruption and bribery.**

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**Appendix A: Defined terms [upload in a separate document to follow]**

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## **Appendix B: List of sustainability matters used for materiality assessment**

This appendix is an integral part of this [draft] Standard. The compilation of sustainability topics and related sub-topics and sub-sub-topic shall be used as a basis to determine the material matters to be reported.

<b>Sustainability matters covered in [draft] topical ESRS</b>		
<b>Topic</b>	<b>Sustainability matter: Sub-topic</b>	<b>Sustainability matter: sub-sub topic</b>
<u>Climate change</u>	<ul style="list-style-type: none"> <li>- <u>Climate change adaptation</u></li> <li>- <u>Climate change mitigation</u></li> <li>- <u>Energy</u></li> </ul>	
<u>Pollution</u>	<ul style="list-style-type: none"> <li>- <u>Pollution of air</u></li> <li>- <u>Pollution of water</u></li> <li>- <u>Pollution of soil</u></li> <li>- <u>Pollution of living organisms and food resources</u></li> <li>- <u>Substances of concern</u></li> <li>- <u>Substances of very high concern</u></li> </ul>	
<u>Water and marine resources</u>	<ul style="list-style-type: none"> <li>- <u>Water</u></li> <li>- <u>Marine resources</u></li> </ul>	<ul style="list-style-type: none"> <li>- <u>Water consumption</u></li> <li>- <u>Water withdrawals</u></li> <li>- <u>Water discharges</u></li> <li>- <u>Water discharges in the oceans</u></li> <li>- <u>Extraction and use of marine resources</u></li> </ul>
<u>Biodiversity and ecosystems</u>	<ul style="list-style-type: none"> <li>- <u>Direct impact drivers of biodiversity loss</u></li> </ul>	<ul style="list-style-type: none"> <li>- <u>Climate Change</u></li> <li>- <u>Land-use change, fresh water-use change and sea-use change</u></li> <li>- <u>Direct exploitation</u></li> <li>- <u>Invasive alien species</u></li> <li>- <u>Pollution</u></li> <li>- <u>Others</u></li> </ul>
	<ul style="list-style-type: none"> <li>- <u>Impacts on the state of species</u></li> </ul>	<ul style="list-style-type: none"> <li>- <u>Examples:</u></li> <li>- <u>Species population size</u></li> <li>- <u>Species global extinction risk</u></li> </ul>
	<ul style="list-style-type: none"> <li>- <u>Impacts on the extent and condition of ecosystems</u></li> </ul>	<ul style="list-style-type: none"> <li>- <u>Examples:</u></li> <li>- <u>Land degradation</u></li> <li>- <u>Desertification</u></li> <li>- <u>Soil sealing</u></li> </ul>
	<ul style="list-style-type: none"> <li>- <u>Impacts and dependencies on ecosystem services</u></li> </ul>	
<u>Circular economy</u>	<ul style="list-style-type: none"> <li>- <u>Resources inflows, including resource use</u></li> <li>- <u>Resource outflows related to products and services</u></li> <li>- <u>Waste</u></li> </ul>	
<u>Own workforce</u>	<ul style="list-style-type: none"> <li>- <u>Working conditions</u></li> </ul>	<ul style="list-style-type: none"> <li>- <u>Secure employment</u></li> <li>- <u>Working time</u></li> <li>- <u>Adequate wages</u></li> <li>- <u>Social dialogue</u></li> <li>- <u>Freedom of association, the existence of works councils and the information,</u></li> </ul>

<b>Sustainability matters covered in [draft] topical ESRS</b>		
<b>Topic</b>	<b>Sustainability matter: Sub-topic</b>	<b>Sustainability matter: sub-sub topic</b>
		<ul style="list-style-type: none"> <li><u>consultation and participation rights of workers</u></li> <li>– <u>Collective bargaining, including rate of workers covered by collective agreements</u></li> <li>– <u>Work-life balance</u></li> <li>– <u>Health and safety</u></li> </ul>
	– <u>Equal treatment and opportunities for all</u>	<ul style="list-style-type: none"> <li>– <u>Gender equality and equal pay for work of equal value</u></li> <li>– <u>Training and skills development</u></li> <li>– <u>Employment and inclusion of persons with disabilities</u></li> <li>– <u>Measures against violence and harassment in the workplace</u></li> <li>– <u>Diversity</u></li> </ul>
	– <u>Other work-related rights</u>	<ul style="list-style-type: none"> <li>– <u>Child labour</u></li> <li>– <u>Forced labour</u></li> <li>– <u>Adequate housing</u></li> <li>– <u>Privacy</u></li> </ul>
<u>Workers in the value chain</u>	– <u>Working conditions</u>	<ul style="list-style-type: none"> <li>– <u>Secure employment</u></li> <li>– <u>Working time</u></li> <li>– <u>Adequate wages</u></li> <li>– <u>Social dialogue</u></li> <li>– <u>Freedom of association, including the existence of work councils</u></li> <li>– <u>Collective bargaining</u></li> <li>– <u>Work-life balance</u></li> <li>– <u>Health and safety</u></li> </ul>
	– <u>Equal treatment and opportunities for all</u>	<ul style="list-style-type: none"> <li>– <u>Gender equality and equal pay for work of equal value</u></li> <li>– <u>Training and skills development</u></li> <li>– <u>The employment and inclusion of persons with disabilities</u></li> <li>– <u>Measures against violence and harassment in the workplace</u></li> <li>– <u>Diversity</u></li> </ul>
	– <u>Other work-related rights</u>	<ul style="list-style-type: none"> <li>– <u>Child labour</u></li> <li>– <u>Forced labour</u></li> <li>– <u>Adequate housing</u></li> <li>– <u>Water and sanitation</u></li> <li>– <u>Privacy</u></li> </ul>
<u>Affected communities</u>	– <u>Communities' economic, social and cultural rights</u>	<ul style="list-style-type: none"> <li>– <u>Adequate housing</u></li> <li>– <u>Adequate food</u></li> <li>– <u>Water and sanitation</u></li> <li>– <u>Land-related impacts</u></li> <li>– <u>Security-related impacts</u></li> </ul>
	– <u>Communities' civil and political rights</u>	<ul style="list-style-type: none"> <li>– <u>Freedom of expression</u></li> <li>– <u>Freedom of assembly</u></li> </ul>

Sustainability matters covered in [draft] topical ESRS		
Topic	Sustainability matter: Sub-topic	Sustainability matter: sub-sub topic
		– <u>Impacts on human rights defenders</u>
	– <u>Rights of indigenous communities</u>	– <u>Free, prior and informed consent</u> – <u>Self-determination</u> – <u>Cultural rights</u>
<u>Consumers and end-users</u>	– <u>Information-related impacts for consumers and/or end-users</u>	– <u>Privacy</u> – <u>Freedom of expression</u> – <u>Access to (quality) information</u>
	– <u>Personal safety of consumers and/or end-users</u>	– <u>Health and safety</u> – <u>Security of a person</u> – <u>Protection of children</u>
	– <u>Social inclusion of consumers and/or end-users</u>	– <u>Non-discrimination</u> – <u>Access to products and services</u> – <u>Responsible marketing practices</u>
<u>Business conduct</u>	– <u>Corporate culture</u> – <u>Protection of whistle-blowers</u> – <u>Animal welfare</u> – <u>Political engagement</u> – <u>Management of relationships with suppliers including payment practices</u>	
	– <u>Corruption and bribery</u> –	– <u>Prevention and detection including training</u> – <u>Incidents</u>

61. ~~The SME shall disclosure if applicable shall include:~~

- ~~(a) any whether it has assessed the effectiveness of actions taken to address breaches in procedures and standards (including for instance a code of ethics) of anti-corruption and anti-bribery; and~~
- ~~(b) the number of convictions and the amount of fines for violation of anti-corruption and anti-bribery laws<sup>44</sup>.~~

<sup>44</sup> ~~Benchmark Regulation (EU) 2020/1816, indicator “Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws” in section 1 and 2 of Annex 2.~~

**Appendix A: Defined terms + guidance**~~Actions refer to activities and resources (financial, human or technological) channelled to meet planned targets. --- Sustainability information is comparable when it can be compared with:~~

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- what the SME reported in the past:

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~~-what is reported by other companies within the same sector.~~

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~~Materiality has two dimensions: impact materiality and financial materiality: this is why it is called double materiality analysis. A sustainability matter satisfies the criteria of double materiality if it is material/significant from an impact or from a financial perspective or from both, or it is likely and SME impacts. Impacts can be connected with the SME's own business operations, products and services as well as through its business relationships. Materiality refers to the quality of being relevant or significant.~~

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**~~This appendix is integral part of the [draft] Standard.~~**

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<b>Defined term</b>	<b>Definition</b>
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Defined term	Definition
<b>Actions</b>	<p><del>Actions refer to (i) actions that are undertaken to ensure that the SME delivers against targets set and through which the SME seeks to address material topics and subtopics; and (ii) decisions to support these with financial, human or technological resources.</del> <b><u>Actions refer to activities and resources (financial, human or technological) channelled to meet planned targets.</u></b></p>
<b>Comparability</b>	<p><del>Sustainability information is comparable when it can be compared with information provided by the SME in previous periods and, can be compared with information provided by other undertakings, in particular those with similar activities or operating within the same industry. A point of reference for comparison can be a target, a baseline, an industry benchmark, comparable information from either other undertakings or from an internationally recognised organisation, etc.</del></p>
<b>Direct GHG emissions (Scope 1)</b>	<p><del>GHG emissions from sources that are owned or controlled by the undertaking.</del></p>
<b>Double materiality</b>	<p><del>Has two dimensions: impact materiality and financial materiality. A sustainability matter meets therefore the criteria of double materiality if it is material from either the impact perspective or the financial perspective or both perspectives.</del></p>
<b>Faithful representation</b>	<p><del>To be useful, the information must not only represent relevant phenomena, it must also faithfully represent the substance of the phenomena that it purports to represent. Faithful representation requires information to be (i) complete, (ii) neutral and (iii) free from error.</del></p>
<b>Financial materiality</b>	<p><del>A sustainability matter is material from a financial perspective if it triggers or may trigger material financial effects on the undertaking.</del></p>
<b>Greenhouse Gases GHG</b>	<p><del>are those gaseous constituents of the atmosphere, both natural and anthropogenic, that absorb and emit radiation at specific wavelengths within the spectrum of terrestrial radiation emitted by the Earth's surface, the atmosphere itself and by clouds. This property causes the greenhouse effect.</del></p>

Defined term	Definition
<b>Impact materiality</b>	<del>A sustainability matter is material from an impact perspective when it pertains to the undertaking's actual or potential, positive or negative on people or the environment over the short-, medium- or long-term. A material sustainability matter from an impact perspective includes impacts caused or contributed to by the SME and impacts which are directly linked to the undertaking's operations, products, and services through its business relationships.</del>
<b>Indirect GHG emissions (Scope 2)</b>	<del>are a consequence of the operations of the SME but occur at sources owned or controlled by another company. Scope 2 GHG emissions are indirect emissions from the generation of purchased or acquired electricity, steam and heat, or cooling consumed by the undertaking.</del>
<b>Indirect GHG emissions (Scope 3)</b>	<del>are a consequence of the operations of the SME but occur at sources owned or controlled by another company. Scope 3 GHG emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. Scope 3 GHG emissions are considered as estimated emissions in comparison with Scope 1 and 2 as their calculation is based on a combination of methods and primary and secondary data ranging from precise figures (supplier-specific or sites-specific methods) to extrapolated figures (average data or spend-based methods).</del>
<b>Listed SMEs</b>	
<b>Materiality</b>	<del>A sustainability matter is "material" for the SME when it meets the criteria defined for impact materiality or financial materiality or both.</del>

Defined term	Definition
Policy	<p><del>A set or framework of general objectives and management principles that the SME uses for decision-making. A policy implements the undertaking's strategy or management decisions related to a material sustainability matter. Each policy is under the responsibility of defined person(s), specifies its perimeter of application, and includes one or more objectives (linked when applicable to measurable targets). A policy is implemented through actions or action plans.</del></p> <p><del>SMEs and undertakings with less resources may have few (or no) policies formalised in written documents, but this does not necessarily mean they do not have policies.</del></p> <p><del>If the SME has not yet formalised a policy but has implemented actions or defined targets through which the SME seeks to address material sustainability topics and subtopics, it may disclose them.</del></p>



Defined term	Definition
<p><b>Relevance</b></p>	<p><del>Sustainability information is relevant when it may make a difference in the decisions of users under a double materiality approach (see chapter 3 of this [draft] Standard). Information may make a difference in a decision even if some users choose not to take advantage of it or are already aware of it from other sources. Sustainability information may impact decisions of users if it has predictive value, confirmatory value or both.</del></p> <p><del>Information has predictive value if it can be used as an input to processes employed by users to predict future outcomes. Sustainability information does not need to be a prediction or forecast to have predictive value, but rather has predictive value if employed by users in making their own predictions. Information has confirmatory value if it provides feedback about (confirms or changes) previous evaluations.</del></p> <p><del>Materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates, as assessed in the context of the undertaking's sustainability reporting (see chapter 3 of this [draft] Standard).</del></p>

<p><b>SME</b></p>	<p><del>Micro-, Small- and Medium-Sized undertakings as defined by Article 3 of Directive 2013/34/EU excluding those whose transferable securities governed by the law of a Member State are admitted to trading on a regulated market of any Member State as defined by Article 2 of Directive 2013/34:</del></p> <p><del>1. Micro undertakings shall be undertakings which on their balance sheet dates do not exceed the limits of at least two of the three following criteria:</del></p> <p><del>(a) — balance sheet total: EUR 350 000;</del></p> <p><del>(b) — net turnover: EUR 700 000;</del></p> <p><del>(c) — average number of employees during the financial year: 10.</del></p> <p><del>2. Small undertakings shall be undertakings which on their balance sheet dates do not exceed the limits of at least two of the three following criteria:</del></p> <p><del>(a) — balance sheet total: EUR 4 000 000;</del></p> <p><del>(b) — net turnover: EUR 8 000 000;</del></p> <p><del>(c) — average number of employees during the financial year: 50.</del></p> <p><del>Member States may define thresholds exceeding the thresholds in points (a) and (b) of the first subparagraph. However, the thresholds shall not exceed EUR 6 000 000 for the balance sheet total and EUR 12 000 000 for the net turnover.</del></p> <p><del>3. Medium-sized undertakings shall be undertakings which are not micro-undertakings or small undertakings and which on their balance sheet dates do not exceed the limits of at least two of the three following criteria:</del></p> <p><del>(a) — balance sheet total: EUR 20 000 000;</del></p> <p><del>(b) — net turnover: EUR 40 000 000;</del></p> <p><del>(c) — average number of employees during the financial year: 250.</del></p> <p><del>Those criteria might change over time based on regulation of the European Union.</del></p> <p><del><a href="https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32003H0361">https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32003H0361</a></del></p>
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Defined term	Definition
	<p>An enterprise is considered to be any entity engaged in an economic activity, irrespective of its legal form. This includes, in particular, self-employed persons and family businesses engaged in craft or other activities, and partnerships or associations regularly engaged in an economic activity. (source: <a href="https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32003H0364">https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32003H0364</a>)</p>
<p>Stakeholder</p>	<p>Stakeholders are those who can affect or be affected by the undertaking. There are two main groups of stakeholders:</p> <p>(a) affected stakeholders: individuals or groups whose interests are affected or could be affected – positively or negatively – by the undertaking’s activities and its direct and indirect business relationships in the value chain; and</p> <p>(b) users of sustainability reporting: primary users of general-purpose financial reporting (existing and potential investors, lenders and other creditors including asset managers, credit institutions, insurance undertakings); as well as other users, including the undertaking’s business partners, trade unions and social partners, civil society organisations and non-governmental organisations.</p> <p>Some, but not all, stakeholders may belong to the two groups.</p>
<p>Sustainability</p>	<p>refers to Sustainable development. It was defined in the World Commission on Environment and Development’s 1987 Brundtland report ‘Our Common Future’ as ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs’.</p>

<b>Defined term</b>	<b>Definition</b>
<b>Targets</b>	Measurable, outcome-oriented and time-bound goals that the SME aims to achieve in relation to material sustainability topics and subtopics. They may be set voluntarily by the SME or derive from legal requirements on the undertaking.
<b>Understandability</b>	Sustainability information is understandable when it is clear, and concise. Understandable information enables any reasonable knowledgeable user to readily comprehend the information being communicated.
<b>Verifiability</b>	Sustainability information is verifiable if it is possible to corroborate either such information itself or the inputs used to derive it. Verifiability means that various knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. Sustainability information shall be provided in a way that enhances their verifiability.



**Appendix B: List of sustainability matters used for materiality assessment**

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~~This appendix is an integral part of this [draft] Standard. The compilation of sustainability topics and related sub-topics and sub-sub-topic shall be used as a basis to determine the material matters to be reported.~~

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**Sustainability matters covered in [draft] topical ESRS**

<b>Topic</b>	<b>Sustainability matter: Sub-topic</b>	<b>Sustainability matter: sub-sub topic</b>	<b>Example</b>

**Sustainability matters covered in [draft] topical ESRS**

Topic	Sustainability matter: Sub-topic	Sustainability matter: sub-sub topic	Example
Climate change	<ul style="list-style-type: none"> <li>● Climate change adaptation</li> </ul>	<ul style="list-style-type: none"> <li>●</li> </ul>	
	<ul style="list-style-type: none"> <li>● Climate change mitigation</li> </ul>		
Pollution	<ul style="list-style-type: none"> <li>● Energy</li> </ul>		
	<ul style="list-style-type: none"> <li>● Pollution of air</li> <li>● Pollution of water</li> <li>● Pollution of soil</li> <li>● Pollution of living organisms and food resources</li> </ul>	<ul style="list-style-type: none"> <li>●</li> </ul>	
Water and marine resources	<ul style="list-style-type: none"> <li>● Substances of concern</li> <li>● Substances of very high concern</li> </ul>		
	<ul style="list-style-type: none"> <li>● Water</li> <li>● Marine resources</li> </ul>	<ul style="list-style-type: none"> <li>● Water consumption</li> <li>● Water withdrawals</li> <li>● Water discharges</li> <li>● Water discharges in the oceans</li> <li>● Extraction and use of marine resources</li> </ul>	<p><b>Water discharges:</b></p> <p>● <b>Impact Materiality:</b> A manufacturing company discharges untreated wastewater containing chemicals into a nearby river. This causes water pollution, killing aquatic plants and wildlife and creating health issues to people using the river.</p> <p>● <b>Financial materiality:</b> The company could be confronted, for instance, with fines for violating environmental regulations, legal costs to face lawsuits from affected communities and/or costs related to the clean-up and restoration of the affected ecosystems.</p>

**Sustainability matters covered in [draft] topical ESRS**

Topic	Sustainability matter: Sub-topic	Sustainability matter: sub-sub topic	Example
Biodiversity and ecosystems	<ul style="list-style-type: none"> <li>Direct impact drivers of biodiversity loss</li> </ul>	<ul style="list-style-type: none"> <li>Climate Change</li> <li>Land-use change, fresh water-use change and sea-use change</li> <li>Direct exploitation</li> <li>Invasive alien species</li> <li>Pollution</li> <li>Others</li> </ul>	<p><b>Land-use change:</b></p> <p><b>Impact materiality:</b> A real estate company purchases and clears forest land to build residential properties. The conversion of forests into urban development causes a direct loss of natural habitat for plants and animals and disrupts the local ecosystem. Indirect effects, deferred in time, can also be experienced: the building of roads and other infrastructure may lead to further loss of habitats; and other residential developments may follow, once infrastructure is in place and degradation of a given area has occurred.</p> <p><b>Financial materiality:</b> Reputational risks can reduce the demand for and value of those residential properties. To minimize reputational risks the company could incur costs in offsetting its impact, e.g. by planting trees and help restoring a degraded ecosystem in another location. The cost for borrowing from credit providers may increase if the project is associated with negative environmental impacts.</p>
	<ul style="list-style-type: none"> <li>Impacts on the state of species</li> </ul>	<p><b>Examples:</b></p> <ul style="list-style-type: none"> <li>Species population size</li> <li>Species global extinction risk</li> </ul>	
	<ul style="list-style-type: none"> <li>Impacts on the extent and condition of ecosystems</li> </ul>	<p><b>Examples:</b></p> <ul style="list-style-type: none"> <li>Land degradation</li> <li>Desertification</li> <li>Soil sealing</li> </ul>	

**Sustainability matters covered in [draft] topical ESRS**

Topic	Sustainability matter: Sub-topic	Sustainability matter: sub-sub topic	Example
	<ul style="list-style-type: none"> <li>Impacts and dependencies on ecosystem services</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>	
Circular economy	<ul style="list-style-type: none"> <li>Resources inflows, including resource use</li> <li>Resource outflows related to products and services</li> <li>Waste</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>	
Own workforce	<ul style="list-style-type: none"> <li>Working conditions</li> </ul>	<ul style="list-style-type: none"> <li>Secure employment</li> <li>Working time</li> <li>Adequate wages</li> <li>Social dialogue</li> <li>Freedom of association, the existence of works councils and the information, consultation and participation rights of workers</li> <li>Collective bargaining, including rate of workers covered by collective agreements</li> <li>Work-life balance</li> <li>Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>Working conditions &gt; Work-life balance</li> <li>Impact materiality</li> </ul> <p>Impacts on People: employee doing a lot of overtime lead to high levels of employee stress and to job dissatisfaction and it can also lead to workforce's long-term sick leave/burnout.</p> <ul style="list-style-type: none"> <li>Financial materiality</li> </ul> <p>Impacts on SME financial position and performance: overtime can translate into poor quality of work and lower level of performance, decrease in productivity, deadlines not being met, higher frequency of mistakes resulting in less revenues and profits. Overtime can also impact SME's workforce retention.</p>

**Sustainability matters covered in [draft] topical ESRS**

Topic	Sustainability matter: Sub-topic	Sustainability matter: sub-sub topic	Example
	<ul style="list-style-type: none"> <li>• <del>Equal treatment and opportunities for all</del></li> </ul>	<ul style="list-style-type: none"> <li>• <del>Gender equality and equal pay for work of equal value</del></li> <li>• <del>Training and skills development</del></li> <li>• <del>Employment and inclusion of persons with disabilities</del></li> <li>• <del>Measures against violence and harassment in the workplace</del></li> <li>• <del>Diversity</del></li> </ul>	
	<ul style="list-style-type: none"> <li>• <del>Other work-related rights</del></li> </ul>	<ul style="list-style-type: none"> <li>• <del>Child labour</del></li> <li>• <del>Forced labour</del></li> <li>• <del>Adequate housing</del></li> <li>• <del>Privacy</del></li> </ul>	

Sustainability matters covered in [draft] topical ESRS

Topic	Sustainability matter: Sub-topic	Sustainability matter: sub-sub topic	Example
Workers in the value chain	<ul style="list-style-type: none"> <li>same as above for own workforce</li> <li>Working conditions</li> </ul>	<ul style="list-style-type: none"> <li>same as above for own workforce</li> <li>Secure employment</li> <li>Working time</li> <li>Adequate wages</li> <li>Social dialogue</li> </ul>	<ul style="list-style-type: none"> <li>Equal treatment and opportunities for all &gt; Training and skills development</li> <li>Impact materiality</li> </ul> <p>Impacts on People: inadequately trained employees are likely to experience poor job performance and the levels of work-related stress increase as employees feel unhappy and undervalued.</p>
		<ul style="list-style-type: none"> <li>Freedom of association, including the existence of work councils</li> <li>Collective bargaining</li> <li>Work-life balance</li> <li>Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>Financial materiality</li> </ul> <p>Impacts on SME financial position and performance: less training and knowledge lead to a lower level of performance, quality issues, higher risks related to the workplace safety and health which can lead to problems of workforce retention in SME's business partners. This can lead to issues on performance, competitiveness, reliability and continuity of the SME's business relationships. All this means SME's exposure to different types of shocks and disruptions.</p>

**Sustainability matters covered in [draft] topical ESRS**

Topic	Sustainability matter: Sub-topic	Sustainability matter: sub-sub topic	Example
Affected communities	<ul style="list-style-type: none"> <li>Communities' economic, social and cultural rights</li> </ul>	<ul style="list-style-type: none"> <li>Adequate housing</li> <li>Adequate food</li> <li>Water and sanitation</li> </ul>	<hr/>
		<ul style="list-style-type: none"> <li>Land-related impacts</li> <li>Security-related impacts</li> </ul>	
	<ul style="list-style-type: none"> <li>Communities' civil and political rights</li> </ul>	<ul style="list-style-type: none"> <li>Freedom of expression</li> <li>Freedom of assembly</li> </ul>	<hr/>
		<ul style="list-style-type: none"> <li>Impacts on human rights defenders</li> </ul>	

**Sustainability matters covered in [draft] topical ESRS**

Topic	Sustainability matter: Sub-topic	Sustainability matter: sub-sub topic	Example
	<ul style="list-style-type: none"> <li>• Rights of indigenous communities</li> </ul>	<ul style="list-style-type: none"> <li>• Free, prior and informed consent</li> <li>• Self-determination</li> <li>• Cultural rights</li> </ul>	<ul style="list-style-type: none"> <li>• Rights of indigenous communities &gt; Training and skills development</li> <li>• Impact materiality</li> </ul> <p>Impacts on People: depending on the country, a process to seek free, prior and informed consent might not be fully in practice by governments. This could lead to business activities being performed in lands traditionally occupied by indigenous peoples without taking into account and ensuring the respect of this right. This would also impact the right to self-determination of indigenous peoples as they would not participate in decisions regarding their economic, social and cultural development (for example, the future of the land they live in and the availability of resources that are part of their livelihood).</p> <ul style="list-style-type: none"> <li>• Financial materiality</li> </ul> <p>Impacts on SME financial position and performance: less training and knowledge lead to a lower level of performance, quality issues, higher risks related to the workplace safety and health which can lead to problems of workforce retention in SME's business partners. This can lead to issues on performance, competitiveness, reliability and continuity of the SME's business relationships. All this means SME's exposure to different types of shocks and disruptions.</p>



**Sustainability matters covered in [draft] topical ESRS**

Topic	Sustainability matter: Sub-topic	Sustainability matter: sub-sub topic	Example
Consumers and end-users	<ul style="list-style-type: none"> <li>Information-related impacts for consumers and/or end-users</li> </ul>	<ul style="list-style-type: none"> <li>Privacy</li> <li>Freedom of expression</li> </ul>	<ul style="list-style-type: none"> <li>Information-related impacts for consumers and/or end-users &gt; Privacy</li> <li>Impact materiality</li> <li>Impacts on People: when personal information is misused or inadequately protected, it can result in identity theft, financial fraud and other crimes to people.</li> </ul>
		<ul style="list-style-type: none"> <li>Access to (quality) information</li> </ul>	<ul style="list-style-type: none"> <li>Financial materiality</li> </ul>
	<ul style="list-style-type: none"> <li>Personal safety of consumers and/or end-users</li> </ul>	<ul style="list-style-type: none"> <li>Health and safety</li> <li>Security of a person</li> </ul>	<p>Impacts on SME financial position and performance: data breaches can cause the SME's consumers and end-users to leave, directly affecting its revenues. SME can also face fines, litigation, reputation loss and even loss of the right to operate the business.</p>
		<ul style="list-style-type: none"> <li>Protection of children</li> </ul>	

**Sustainability matters covered in [draft] topical ESRS**

Topic	Sustainability matter: Sub-topic	Sustainability matter: sub-sub topic	Example
	<ul style="list-style-type: none"> <li>• Social inclusion of consumers and/or end-users</li> </ul>	<ul style="list-style-type: none"> <li>• Non-discrimination</li> <li>• Access to products and services</li> <li>• Responsible marketing practices</li> </ul>	
Business conduct	<ul style="list-style-type: none"> <li>• Corporate culture</li> <li>• Protection of whistle-blowers</li> <li>• Animal welfare</li> <li>• Political engagement</li> <li>• Management of relationships with suppliers including payment practices</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	
	<ul style="list-style-type: none"> <li>• Corruption and bribery</li> </ul>	<ul style="list-style-type: none"> <li>• Prevention and detection including training</li> <li>• Incidents</li> </ul>	