

[Draft] ESRS for listed SMEs

Section 2

STATUS OF THIS DRAFT

Editorial review in progress. Still pending:

- Inclusion of a hyperlink after each requirement referencing to the AR that cover that specific requirement
- Check drafting conventions (italics)
- Final check of internal references to paragraph numbers including references to other sections

Text highlighted in **turquoise** illustrates the changes made after the discussion held at SR TEG on 24 of October.

DISCLAIMER

Section 2 *General disclosures* is set out in paragraphs 1–57. The following appendices of Section 2 have the same authority as the main body of the [draft] Standard:

— *Appendix A: Application Requirements,*

Section 2 *General disclosures* is accompanied by the following illustrative non-authoritative appendices:

— *Appendix B: List of datapoints in cross-cutting and topical sections that derive from other EU legislation*



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LSME General Disclosures

Objective

1. This Section covers governance and strategy areas defined in Section 1 *General requirements* of this [draft] Standard, and it is applicable in conjunction with Section 3 *Policies, actions and targets* and the topical Sections of this [draft] Standard.

1. Basis for preparation

Disclosure Requirement 1 (BP-1) – General basis for preparation of the sustainability statements

~~2. The undertaking shall disclose the general basis for preparation of its sustainability statement.~~

~~3.2.~~ The objective of this Disclosure Requirement is to provide an understanding of how the undertaking prepares its individual **sustainability statement**, under Art. 19a (6) of the Directive 2013/34/EU of the European Parliament and of the Council, including the upstream and downstream **value chain** information and, where relevant, whether the undertaking has used any of the options for omitting information referred to in point (c) in the following paragraph.

~~4.3.~~ The undertaking shall disclose the general basis for preparation of its sustainability statement including the following information:

- (a) the extent to which the sustainability statement covers the undertaking's upstream and downstream value chain, including the extent of coverage of information about its subsidiaries, based on the results of the undertaking's materiality assessment, specifying, ~~where-if~~ applicable, the related reporting scope (see [draft] Section 1 chapter 4.1 *Reporting undertaking and value chain*);
- (b) whether the undertaking has used the option to omit a specific piece of information corresponding to intellectual property, know-how or the results of innovation (see [draft] Section 1 chapter 6.6 *Classified and sensitive information*, and information on intellectual property, know-how or results of innovation; and
- (c) whether the undertaking has used the exemption to not disclose information related to impending developments or matters in the course of negotiation (see [draft] Section 1 chapter 6.7 *Matters in course of negotiation*).

Disclosure Requirement 2 (BP-2) – Disclosures in relation to specific circumstances

~~5. The undertaking shall provide disclosures in relation to specific circumstances.~~

~~6.4.~~ The objective of this Disclosure Requirement is to provide an understanding of the effect that of these specific circumstances, when they occur, had on the preparation of the ~~individual sustainability statement~~.

~~7. The undertaking shall provide disclosures in relation to specific circumstances and it~~ The undertaking may report this information alongside the disclosures to which they refer.

~~8.~~

~~9.5.~~

Time horizons

~~10.6.~~ When it has deviated from the medium- or long-term time horizons defined in [draft] Section 1 chapter 5.4 *Definition of short-, medium- and long-term for reporting purposes*, the undertaking shall describe:

- (a) its definitions of medium- or long-term time horizons and
- (b) the reasons for applying those definitions.

Value chain estimations and outcome uncertainty

~~11.7.~~ The undertaking shall identify the quantitative metrics and monetary amounts it has disclosed that are subject to a high level of measurement uncertainty and disclose information that helps users to understand those uncertainties.

~~12.~~ When **metrics include estimations through indirect sources such as sector-average data or other proxies, include upstream and/or downstream value chain data, including data of the subsidiaries estimated using indirect sources such as sector-average data or other proxies,** the undertaking shall identify those metrics and describe their basis for preparation.

~~13.~~ identify the metrics and

~~14.8.~~ describe the basis for preparation, including how data of the subsidiaries have been considered.

Sources of estimation and outcome uncertainty

~~15.~~ In accordance with [draft] Section 1 chapter 6.2 *Sources of estimation and outcome uncertainty*, the undertaking shall identify the quantitative **metrics** and monetary amounts it has disclosed that are subject to a high level of measurement uncertainty and disclose information to help **users** understand those uncertainties (such as through the description of the sources of uncertainties and the key assumptions made in the measurement). When disclosing forward-looking information, the undertaking may indicate that it considers such information to be uncertain.

Changes in preparation or presentation of sustainability information

~~16.9.~~ When changes in the preparation and presentation of sustainability information occur compared to the previous reporting period(s), (see [draft] Section 1 chapter 6.4 *Changes in preparation or presentation in sustainability information*), the undertaking shall:

(a) explain the changes; and

~~—~~ where possible with a reasonable effort ;

~~(b)~~ provide restated comparative figures ; and

~~(c)~~ (b) where possible with reasonable effort, disclose the difference between the figure disclosed in the preceding period and the revised comparative figure.

Reporting errors in prior periods

- ~~47.10.~~ When prior period material errors exist (see [draft] Section 1 chapter 6.5 *Reporting errors in prior periods*), the undertaking shall disclose:
- (a) the nature of the prior period material error;
 - (b) where possible with reasonable effort, the correction for each prior period included in the **sustainability statement**; and
 - (c) if correction of the error is not possible with reasonable effort, the circumstances that led to the existence of that condition.

Disclosures stemming from local legislations or generally accepted sustainability reporting pronouncements frameworks

- ~~48.11.~~ When the undertaking includes in its ~~individual~~ **sustainability statement** information stemming from other legislation requiring the undertaking to disclose sustainability information or from generally accepted sustainability reporting standards and frameworks (see [draft] Section 1 chapter 7.2 *Content and structure of the sustainability statements*) in addition to the information prescribed by the [draft] Standard, it shall disclose this fact ~~in addition to the information prescribed by the [draft] Standard~~. In case of partial application of other reporting standards or frameworks, the undertaking shall provide a precise reference to the paragraphs of the standard or framework applied.

Incorporation by reference

- ~~12.~~ When the undertaking incorporates information by reference (see [draft] Section 1 chapter 8.1 *Incorporation by reference*), it shall disclose a list of the disclosure requirements of the [draft] Standard or the specific datapoints mandated by a Disclosure Requirement that have been incorporated by reference.

~~19.~~

Use of phase-in provisions in accordance with Appendix C of Section 1

- ~~20.~~ If an undertaking decides to apply phased-in provisions according to Section 1 *Appendix BG* in relation to the topics of biodiversity, **own workforce**, **value chain** workers, **affected communities**, consumers and **end-users**, it shall nevertheless disclose whether the respective sustainability topics have been assessed to be material as a result of the undertaking's **materiality** assessment. In ~~addition, if~~ addition if one or more of these topics has been assessed to be ~~material, for each material topic the~~ material, the undertaking shall for each material topic shall:-

~~13.~~

- (a) disclose the list of matters (i.e. topic, sub-topic or sub-sub-topic) in AR 2248 of Section 1 Appendix B, that are assessed to be material and briefly describe how the undertaking's business model and strategy take account of the impacts of the undertaking related to those matters. The undertaking may identify the matter at the level of topic, sub-topic or sub-sub-topic; may specify disclose the list of matters (i.e., topic, subtopic or sub-sub_topic) related to the above mentioned topics (according to in AR 18 Section 1 Appendix B) A
~~shall describe that are assessed to be material and how the undertaking's business model and strategy take account of the impacts of the undertaking related to those~~

~~topics/matters. The undertaking may identify the matter at the level of topic, subtopic or sub-subtopic;~~

~~(a) where the undertaking has set sustainability-related targets in relation to the matters in question, it shall disclose the progress it has made towards achieving those targets and whether its targets related to biodiversity and ecosystems are based on conclusive scientific evidence;~~

~~(b) if it has policies in place, briefly describe its policies in relation to the topics/matters in question;~~

~~(b)~~

~~(e) if it has implemented actions, briefly describe **actions** it has taken to identify, monitor, prevent, mitigate, remediate or bring an end to actual or potential adverse impacts related to the topics/matters in question; ~~and the result of such actions; and~~~~

~~(c)~~

~~(d) disclose key metrics relevant to the matters in question. ~~disclose metrics relevant to the matters in question.~~~~

2. Governance

~~21.14.~~ The objective of this chapter is to set disclosure requirements that provide an understanding of the governance processes, controls and procedures put in place to monitor, manage and oversee **sustainability** matters.

Disclosure Requirement 3 (GOV-1) – The role of the administrative, management and supervisory bodies

~~22.~~ ~~The undertaking shall disclose the composition of the administrative, management and supervisory bodies, their roles and responsibilities and their access to expertise and skills with regard to sustainability matters.~~

~~23.15.~~ The objective of this Disclosure Requirement is to provide an understanding of:

- (a) the composition and diversity of the **administrative, management and supervisory bodies**;
- (b) the roles and responsibilities of the **administrative, management and supervisory bodies** in exercising oversight of the process for managing material **impacts** and **risks**, including management's role in these processes; and
- (c) the expertise of its administrative, management and supervisory bodies on **sustainability matters** or access to such expertise and skills.

~~24.16.~~ The undertaking shall ~~disclose describe the composition and diversity of the members of its **administrative, management and supervisory bodies**, including:~~

- (a) ~~if applicable~~ the undertaking has such roles in its administrative, management and supervisory bodies, the number of executive and non-executive members, the

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representation of **employees** and other workers, the percentage of **independent¹ board members**; and

- (b) the percentage by gender² and other aspects of diversity that the undertaking considers. The board's gender diversity³ shall be calculated as an average ratio of female to male board members.

~~25.17.~~ The undertaking shall disclose: ~~a description of management's role in the governance processes, controls and procedures used to monitor, manage and oversee **impacts** and **risks**, including:~~

- (a) whether a governance body (**administrative, management or supervisory bodies**) or an individual(s) ~~within such a body have in the undertaking organisation (such as at management level or another type of **employee**) is responsible~~ for oversight of sustainability impacts and risks;
- (b) if ~~a process for oversight of sustainability impacts and risks is in place, applicable,~~ a brief description of ~~the process for oversight of sustainability impacts and risks~~;
- (c) whether there are dedicated controls and procedures applied to the management of impacts and risks and, if so, a brief description of them, including how they are integrated with other internal functions;
- (d) ~~whether, by whom and how frequently a brief description of the process used to inform the administrative, management and supervisory bodies, including their relevant committees, are informed about (i) material impacts and risks and, if applicable, about (ii) the policies, actions, and targets adopted to address them and (iii) the respective results and **metrics** and, in place if such process is in place. This description may include information on how frequently **sustainability matters** are communicated to those bodies and the person in charge of this process; and~~
- (e) ~~if applicable,~~ a brief description of how the administrative, management and supervisory bodies determine whether appropriate skills and expertise are available or whether they will be developed to oversee **sustainability matters**.

¹ This information supports the needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator 'Weighted average percentage of board members who are independent' in section 1 of Annex 2.

~~² This information supports the needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts set out by indicator #13 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosures rules on sustainable investments (respectively, 'Board gender diversity') and benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator 'Weighted average ratio of female to male board members' in Section 1 and 2 of Annex 2.~~

~~³ This information supports the needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts set out by indicator #13 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosures rules on sustainable investments (respectively, 'Board gender diversity') and benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator 'Weighted average ratio of female to male board members' in Section 1 and 2 of Annex 2.~~

Disclosure Requirement 4 (GOV-2) – Due diligence

~~The undertaking shall disclose whether it has adopted a due diligence process with regard to sustainability matters.~~

~~26.18.~~ The objective of this Disclosure Requirement is to facilitate an understanding of the undertaking's due diligence process(es) with regard to **sustainability matters**.

~~27.19.~~ The undertaking shall disclose whether it has adopted due diligence process(es) with regard to sustainability matters or not.⁴

~~28.20.~~ If the undertaking has implemented such processes, it ~~shall~~may briefly describe how ~~and where~~ the due diligence process(es) has informed the undertaking's materiality assessment and where this is are reflected in its **sustainability statements**.

3. Strategy

~~29.21.~~ This chapter sets out disclosure requirements that enable ~~facilitate~~ an understanding of:

- (a) the elements of the undertaking's strategy that relate to or affect **sustainability matters**, its **business model**(s) and its **value chain** and
- (b) the outcome of the undertaking's assessment of material **impacts** and **risks** (and opportunities), including how it informs its strategy and business model(s).

Disclosure Requirement 5 (SBM-1) – Strategy, business model and value chain

~~30.~~ ~~The undertaking shall disclose the elements of its strategy that relate to or impact sustainability matters, its business model and its value chain.~~

~~31.22.~~ The objective of this Disclosure Requirement is to describe the key elements of the undertaking's general strategy that relate to or affect **sustainability matters**, and the key elements of the undertaking's **business model** and **value chain**, in order to provide an understanding of the undertaking's exposure to **impacts** and **risks** and where they originate.

~~32.23.~~ The undertaking shall disclose the key elements of its strategy that relate to or impact sustainability matters, its business model and its value chain including the following information ~~about the key elements of its general strategy that relate to or affect sustainability matters~~:

- (a) a description of:
 - i. significant groups of products and/or services offered, including changes in the reporting period (new or removed products and/or services);
 - ii. significant markets and/or customer groups served, including changes in the reporting period (new or removed markets and/or customer groups);

⁴This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #10 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively, '-Lack of due diligence').

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- ~~iii. headcount of employees by main countries of operation;~~
- ~~iv. main countries of operation of the parent undertaking and of the subsidiaries that are connected with material **impacts** or **risks**; ~~and~~~~
- ~~iii. —~~
- ~~iv.v. if where applicable and material, products and services that are banned in certain markets, in case the undertaking has them.~~
- ~~— headcount of employees by main countries of operation;~~
- (b) ~~a breakdown of total revenue by sectors, the list of significant ESRS sectors where the company or its subsidiaries is or may be connected to material impacts.~~ The list of sectors shall be consistent with the way sectors have been considered by the undertaking when performing its **materiality** assessment (which, as part of the **value chain**, also includes its subsidiaries) and with the way it discloses material sector information⁵;
- (c) ~~if where the undertaking is active in one of the following sectors applicable,~~ a statement indicating, together with the related revenues, whether the undertaking is active in:
 - i. the **fossil fuel** (coal, oil and gas) sector⁶, i.e., whether 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,⁷ including a disaggregation of revenues derived from coal, from oil and from gas, as well as the revenues derived from Taxonomy-aligned economic activities related to fossil gas as required under Article 8(7)(a) of Commission Delegated Regulation 2021/2178;⁸
 - ii. chemicals production,⁹ i.e., whether its activities fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006;

⁵ The undertaking shall report the information starting from the application date specified in a Commission Delegated Act to be adopted pursuant to article 29c, of Directive 2013/34/EU.

⁶ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts set out by indicator #4 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosures rules on sustainable investments (respectively, 'Exposure to companies active in the fossil fuel sector').

⁷ Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p. 1).

⁸ Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation (OJ L 443, 10.12.2021, p. 9).

⁹ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts set out by indicator #9 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosures rules on sustainable investments (respectively, 'Investments in companies producing chemicals').

- iii. controversial weapons¹⁰ (anti-personnel mines, cluster munitions, chemical weapons and biological weapons); and/or
- iv. the cultivation and production of tobacco¹¹; and

~~(d) its sustainability-related goals, if applicable, in terms of significant groups of products and services, customer categories, geographical areas and relationships with **stakeholders**.~~

~~33-24.~~ The undertaking shall disclose a description of its **business model** and **value chain**, including:

- ~~(a) its inputs and its approach to gathering, developing and securing those inputs;~~
- ~~(b) its outputs and outcomes in terms of current and expected benefits for customers, investors and other **stakeholders**;~~
- ~~(c) the main features of its upstream and downstream value chain and the undertaking's position in its value chain; and~~
- ~~(d) if applicable, the subsidiaries that are connected with material impacts and **risks**.~~

-Disclosure Requirement 6 (SBM-2) – Interests and views of stakeholders

~~34.~~ ~~If the undertaking engages with stakeholders, it shall disclose how their interests and views are taken into account by the undertaking's strategy and business model.~~

~~35-25.~~ The objective of this Disclosure Requirement is to understand the extent to which **stakeholders'** interests and views inform the undertaking's strategy and **business model**.

~~36-26.~~ If the undertaking engages with its key **stakeholders**, it shall disclose a summarized description of:

~~(a) (The categories of key stakeholders being considered; its **stakeholder engagement**, including its strategy;~~

~~i. the undertaking's key **stakeholders**;~~

~~ii. whether engagement with them occurs and for which categories of stakeholders; and~~

~~iii. how its outcome is taken into account by the undertaking, where applicable, in amending its strategy and/or its business model; and~~

~~(a) a brief description of the engagement activities by category of key stakeholders; and the undertaking's understanding of the interests and views of its key stakeholders as they relate to the undertaking's strategy and **business model** to the extent that these were~~

¹⁰ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts set out by indicator #14 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosures rules on sustainable investments (respectively, 'Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)').

¹¹ This information supports the needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1818 as set out by paragraph (b) of article 12.1.

analysed during the **materiality** assessment process (see Disclosure Requirement IR-1 of this [draft] Standard).

(b) the outcome of these activities in terms of contribution to identified material impacts and risks; and

~~(b)~~(c) how their interests and views are taken into account by the undertaking's strategy and business model.

Disclosure Requirement 7 (SMBM-3) – Material impacts and risks and their interaction with strategy and business model

~~37.~~ The undertaking shall disclose its material negative impacts and risks and how they interact with its strategy and business model.

~~38-27.~~ The objective of this Disclosure Requirement is to provide an understanding of the material ~~negative~~ **impacts** and **risks (and opportunities)** as they result from the undertaking's **materiality** assessment and how they originate from and trigger the adaptation of the undertaking's strategy and **business model**, including its resources allocation. ~~The information to be disclosed about the management of the undertaking's material negative impacts and risks is prescribed in Section 2 of this [draft] Standard.~~

~~28.~~ The undertaking shall disclose its material ~~negative~~ **impacts** and **risks (and opportunities)** and how they interact with its strategy and business model resulting from its **materiality** assessment and how they interact with its strategy and business model (see Disclosure Requirement IR-1 of this [draft] Standard). As defined in paragraph 8 in section 1, the undertaking may on a voluntary basis disclose positive impacts and opportunities.

~~39.~~ The disclosure shall include ~~a description of the following:~~

(a) the undertaking's material ~~negative~~ impacts, including:

~~i.~~ a brief description of how ~~they~~ its material impacts affect (or, in the case of potential impacts, are likely to affect) people or the environment and how they originate from or are connected to the undertaking's strategy and **business model**;

~~ii.i.~~ how its material impacts originate from or are connected to the undertaking's strategy and **business model**;

~~iii.ii.~~ whether the undertaking is involved with the material impacts through its activities or because of its **business relationships** (including its subsidiaries); and

~~iv.iii.~~ whether the reasonably expected time horizons of the impacts is short, medium or long term;

~~(b)~~ if the undertaking has adjusted or plans to adjust its strategy and/or business model to address a material sustainability matter, it shall describe the current or planned changes to its strategy or business model(s);

~~(e)~~(b) the **current financial effects** of the undertaking's **material risks** on its financial position, financial performance and cash flows and the material risks for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements;

~~(d)~~(c) the **anticipated financial effects** of the undertaking's material risks on its financial position, financial performance and cash flows over the short-, medium- and long-term;

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including the reasonably expected time horizons for those effects. This may include how the undertaking expects its financial position, financial performance and cash flows to change over the short, medium- and long-term, given its strategy to manage risks, taking into consideration:

- i. its investment and disposal plans (for example, capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas and asset retirements), including plans that the undertaking is not contractually committed to; and
- ii. its planned sources of funding to implement its strategy.

~~29. When providing quantitative information on current and anticipated financial effects, the undertaking may disclose single amounts or ranges.~~

~~30. If it is not possible with a reasonable effort to provide quantitative information on anticipated financial effects, the undertaking may limit the information to shall disclose a qualitative description, including the information required by paragraph 28 c).~~

~~ii. The undertaking may include quantitative information on **anticipated financial effects**:~~

~~(e) changes to the material impacts and risks compared to the previous reporting period; and~~

~~(f) specification of those negative impacts and risks that are covered by Disclosure Requirements included in this [draft] Standard as opposed to those covered by the undertaking using an additional entity specific disclosure.~~

~~31. The undertaking may disclose the descriptive information required in paragraph 28 a)35 alongside the disclosures provided under the corresponding topical Sections of this [draft] Standard. If the undertaking decides to do so in that case, it shall still present a statement of its material negative impacts and risks alongside its disclosures prepared under this chapter.~~

Required disclosures on impacts and risks (and opportunities) at topical level

~~40.~~

~~32. When disclosing information on material impacts and risks resulting from its materiality assessment, the undertaking shall apply the topic-specific information in Application Requirements of SBM-3 for the topics that are material and that are listed in the table below. The undertaking shall disclose the information illustrated in the table below, when the corresponding topic is material. These are disclosure requirements stemming from other EU Regulations. In particular, the undertaking:~~

ID	Disclosure Requirement	Sustainability topic	EU related Data Points
1	<u>If Biodiversity is material, the undertaking shall disclose</u> whether or not it has sites located in or near biodiversity-sensitive areas and whether activities related to these sites negatively affect these areas;	Biodiversity	SFDR Tab. 1 KPI 7

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ID	Disclosure Requirement	Sustainability topic	EU related Data Points
2	<p><u>If Biodiversity is material, the undertaking shall disclose</u> whether it has identified material negative impacts with regard to land degradation, desertification or soil sealing;</p>	Biodiversity	SFDR Tab. 2 KPI 10
3	<p><u>If Biodiversity is material, the undertaking may disclose</u> whether it has operations that affect threatened species;</p>	Biodiversity	SFDR Tab. 2 KPI 14.1
4	<p><u>If Own workforce is material and if the undertaking may shall disclose</u> has operations at significant risk of incidents of child labour; forced labour or compulsory labour <u>it shall describe them</u> either in terms of <u>country/geographic area</u> or type of operation (such as manufacturing plant) <u>or countries or geographic areas with operations considered at risk</u>;</p>	Own workforce	SFDR Tab. 3 KPI <u>12 and 13</u>
56	<p><u>If Workers in the value chain is material and if the undertaking may shall disclose</u> its exposure to any geographies (at country level or other levels) or commodities for which there is a significant risk of <u>incidents of child labour</u> or of forced labour or compulsory labour among workers in</p>	Workers in the value chain	SFDR Tab. 3 KPI 12 and 13

ID	Disclosure Requirement	Sustainability topic	EU related Data Points
	the undertaking's value chain it shall describe them in terms of geographies (at country level or other levels) or commodities of country/geographic area and/or type of operation.		

Social

33. When disclosing the information on material **impacts** and **risks** (and opportunities) related to its **own workforce, value chain workers, affected communities or consumers and end-users** the undertaking shall provide a brief description of the specific types of people within the four above-mentioned stakeholder groups that are subject to material impacts by its own operations and/or its upstream or downstream value chain, as the case may be. The following table shows specific groups for each of the four stakeholder groups.

Stakeholder groups	Description
Own workforce	This includes <ul style="list-style-type: none"> i. employees, ii. individual contractors (i.e., self-employed workers), or iii. workers provided by third-party undertakings primarily engaged in employment activities.
Value chain workers	This includes above all groups that are particularly vulnerable to negative impacts, whether due to inherent characteristics or to the particular context, such as <ul style="list-style-type: none"> i. trade unionists, ii. migrant workers, iii. home workers, iv. women workers, v. young workers.
Affected communities	This includes <ul style="list-style-type: none"> i. communities living or working around the undertaking's operating site or more remote

Stakeholder groups	Description
	<p>communities affected by activities of those sites;</p> <p>ii. communities along the undertaking's upstream/downstream value chain;</p> <p>iii. communities at one or both endpoints of the value chain; and</p> <p>iv. communities of indigenous peoples.</p>
Consumers and end-users	<p>This includes</p> <p>i. consumers and/or end-users of products that are inherently harmful to one's health or increase risks of chronic disease;</p> <p>ii. consumers and/or end-users of services with potentially negatively impacts on rights to privacy, personal data protection, freedom of expression or non-discrimination;</p> <p>iii. consumers and/or end-users who depend on accurate and accessible product- or service-related information, such as manuals and product labels, to avoid potentially damaging use of a product or service; and</p> <p>iv. consumers and/or end-users who are particularly vulnerable to negative impacts from marketing and sales strategies, such as children or financially vulnerable individuals.</p>

34. In the case of material negative impacts on any of the above-mentioned stakeholder groups the undertaking shall describe, information on whether they are widespread or systemic in contexts where the undertaking operates, has sourcing or other **business relationships** or sells its products or services, as the case may be, or whether they are related to individual **incidents**. Examples of material negative impacts that are widespread or systemic include **child labour** or **forced/compulsory labour** in specific countries or regions or in specific commodity supply chains, marginalised communities suffering impacts on their health and quality of life in a highly industrialised area, or state surveillance that affects the privacy of consumers and end-users. Examples of material negative impacts related to individual **incidents** include industrial accidents, oil or toxic waste spills that affect a community's access to clean drinking water, a peaceful protest by communities against business operations met with a violent response by the undertaking's security services, defects linked to particular products, or business partners whose marketing inappropriately targets young consumers.

35. If there are material negative impacts on the undertaking's own workforce, value chain workers or affected communities that may arise from **transition plans** for reducing negative

impacts on the environment and achieving greener and climate-neutral operations, on the undertaking shall describe the impacts caused by the undertaking's plans and **actions** for reducing carbon **emissions** in line with international agreements. In the case of affected communities this includes impacts associated with innovation, restructuring, and closure of mines as well as increased mining of minerals needed for the transition to a sustainable economy and solar panel production.

~~41. In particular, some information (summarised in the Table for AR 14 in this Section) is related to Appendix B of the Section List of datapoints in cross-cutting and topical sections that are required by EU law.~~

Voluntary Disclosure 8 (SBM-4) – Positive impacts and material opportunities

36. The objective of this voluntary Disclosure Requirement is to provide an understanding of the material positive impacts and opportunities as they result from the undertaking's materiality assessment.
- ~~42-37.~~ The undertaking may disclose its material sustainability-related positive impacts and/or its material sustainability-related financial opportunities.
- ~~43-38.~~ Regarding opportunities, the undertaking shall not report on those for which the undertaking has not put in place or does not plan to put in place concrete **actions** to pursue them, accompanied by the necessary resources.
- ~~44-39.~~ When disclosing its material positive **impacts** and/or **material opportunities** for environmental, social and business conduct **sustainability matters**, the undertaking ~~may~~ shall include:
- (a) a description of them, how they originate, the sustainability matter to which they are linked and their expected time horizon;
 - (b) how they result in **financial effects** for the undertaking; and
 - (c) the **actions** that the undertaking has put or plans to put in place to pursue the opportunity, including the resources that have been mobilised.
- ~~45-40.~~ Quantitative **financial effects** deriving from **opportunities** may be disclosed only when they meet the qualitative characteristics of information, including reliability, and shall be accompanied by a description of the methodology used for calculation and the main assumptions used.

4. Impact and risk management

- ~~46-41.~~ This chapter sets out disclosure requirements that provide an understanding of:
- (a) the processes for identifying material **impacts** and **risks** (and opportunities) and
 - (b) the information that, as a result of its **materiality assessment**, the undertaking has included in its **sustainability statement**.

4.1 Disclosures on the materiality assessment process

Disclosure Requirement 9 (IR-1) – Processes to identify and assess material impacts and risks

- ~~47. The undertaking shall provide a description of the processes it uses for identifying its impacts and risks and for assessing which ones are material.~~
- ~~48-42.~~ The objective of this Disclosure Requirement is to provide an understanding of the process through which the undertaking identifies **environmental, social and governance-related impacts and risks** and assesses their **materiality** as the basis for determining the disclosures in its sustainability reporting (see **chapter 3 of Section 1** of this [draft] Standard **chapter 3** and ~~its~~ related Application Requirements, ~~which set out requirements and principles regarding the process for identifying and assessing material impacts and risks based on the principle of double materiality~~). If the undertaking discloses on a voluntary basis positive impacts or **opportunities**, it shall disclose the process through which it identifies them and assesses their materiality.
- ~~49-43.~~ The undertaking shall provide a description of the processes it uses for identifying its impacts and risks (opportunities) -and for assessing which ones are material including the following information:
- (a) an overview of the process for identifying, assessing and prioritising the undertaking's actual and potential negative **impacts** in relation to **sustainability matters** (a list of sustainability matters is defined in Section 1 AR 18) based on their relative severity and, for potential impacts, also likelihood (see [draft] Section 1, chapter 3.4 *Impact materiality*);
 - (b) an overview of the process for identifying, assessing and prioritising **risks** that have or may have **financial effects** (see draft Section 1 chapter 3.5 *Financial materiality*);
 - (c) the input parameters it uses (for example, data sources, the scope of covered operations and the details used in assumptions); ~~and~~
 - ~~(d) whether and how the process has changed compared to the prior reporting period, when the process(es) was/were modified for the last time and future revision dates of the materiality assessment.~~
- ~~50. The undertaking shall include the datapoints that derive from other EU legislation set in this Section.~~
- ~~When disclosing information on the processes for identifying and assessing material environmental negative **impacts and risks** (opportunities), the undertaking shall apply may disclose the topic specifications information set out required in Application Requirements IR-1 (paragraphs from AR 27 to AR 44 of Section 2), the Commission Delegated Regulation 2023/2772 of 31 July 2023 for the following topics:~~
- ~~— climate change (see ESRS E1 Disclosure requirement related to ESRS 2 IRO-1 paragraphs 20 and 21 and the related Application Requirements AR 9 to AR 15);~~
 - ~~— pollution (see ESRS E2 Disclosure Requirement related to ESRS 2 IRO-1 paragraph 11 and the related Application Requirements AR 1 to AR 9);~~
 - ~~— water and marine resources (see ESRS E3 Disclosure Requirement related to ESRS 2 IRO-1 paragraph 8 and the related Application Requirements AR 1 to AR 15);~~

- ~~— biodiversity and ecosystem (see ESRS E4 Disclosure Requirement related to ESRS 2 IRO-1 paragraphs 17 to 19 and the related Application Requirements AR 4 to AR 10); and~~
- ~~(a) resource use and circular economy (see ESRS E5 Disclosure Requirement related to ESRS 2 IRO-1 paragraph 11 and the related Application Requirements AR 1 to AR 7).~~
- 51.44. ~~The description of~~ regarding the process for assessing **impacts**; ~~may the undertaking may~~ include an explanation of whether and how the process:
- (a) focusses on specific areas due to heightened risk of adverse impacts;
 - (b) considers the impacts with which the undertaking is involved through its own operations or as a result of its business relationships, including its subsidiaries;
 - (c) includes consultation with affected stakeholders to understand how they may be impacted as well as with external experts; and
 - (d) prioritises negative impacts based on their relative severity and likelihood (see [draft] Section 1 chapter. 3.4 *Impact materiality*) and determines which **sustainability matters** are material for reporting purposes, including the qualitative or quantitative thresholds along with other criteria used as prescribed by Section 1 paragraph 3.4 *Impact materiality*.
- 52.45. ~~The description of the process for assessing~~ Regarding the process for assessing **risks**, ~~(and opportunities)~~ the undertaking may include a description of:
- (a) how the undertaking assesses the likelihood, magnitude and nature of the effects of the identified risk (such as the qualitative or quantitative thresholds and other criteria used as prescribed by Section 1 chapter 3.5 Financial materiality) and of
 - (b) how the undertaking prioritises sustainability-related risks relative to other types of risks, including its use of risk-assessment tools.
46. Whilst the description of the process (as defined in paragraphs 43,44 and 45) applies to Environmental, Social and Governance, for environmental matters as additional requirements~~In addition, the undertaking may disclose one or more of the following items of information required in the Commission Delegated Regulation 2023/2772 of 31 July 2023:~~
- ~~(a) For climate change: ESRS E1 Disclosure requirement related to ESRS 2 IRO-1 paragraphs 20 and 21 and the related Application Requirements AR 9 to AR 15;~~
 - ~~(b) For pollution: ESRS E2 Disclosure Requirement related to ESRS 2 IRO-1 paragraph 11 and the related Application Requirements AR 1 to AR 9;~~
 - ~~(c) For water and marine resources: ESRS E3 Disclosure Requirement related to ESRS 2 IRO-1 paragraph 8 and the related Application Requirements AR 1 to AR 15;~~
 - ~~(d) For biodiversity and ecosystem: ESRS E4 Disclosure Requirement related to ESRS 2 IRO-1 paragraphs 17 to 19 and the related Application Requirements AR 4 to AR 10); and~~
 - ~~(e) For resource use and circular economy: see ESRS E5 Disclosure Requirement related to ESRS 2 IRO-1 paragraph 11 and the related Application Requirements AR 1 to AR 7.~~

~~53-47.~~ The undertaking may address all **sustainability matters** in ~~a single the same~~ location or present the relevant information separately in the topical sections of the **sustainability statement**.

Disclosure Requirement 10 (IR-2) – Disclosure Requirements in ESRS LSME covered by the undertaking’s sustainability statement

~~54.~~ ~~The undertaking shall report on the Disclosure Requirements complied with in its sustainability statement.~~

~~55-48.~~ The objective of this Disclosure Requirement is to provide an understanding of the Disclosure Requirements included in the undertaking’s sustainability reporting and of the topics that have been omitted as not material as a result of the **materiality** assessment.

~~49.~~ The undertaking shall include a list of the Disclosure Requirements complied with in preparing the **sustainability statement** following the outcome of its **materiality** assessment (see Section 1 of this [draft] Standard, chapter 3 *Double materiality as the basis for sustainability disclosures*), including the page numbers and/or paragraphs where the related disclosures are located in the sustainability statement. This list may be presented as a content index and it may also be prepared in conjunction with the other (mandatory EU datapoints) content index defined in paragraph 50 of this section.

~~56-50.~~ The undertaking shall also include a table featuring all the datapoints that derive from other EU legislation as listed in *Appendix B* of this section, indicating where they can be found in the sustainability statement, and including those that the undertaking has assessed as not material or not applicable or not disclosed because voluntary, in which case the undertaking shall indicate this as ‘not material’ or ‘not applicable’ or ‘not disclosed because voluntary’ in the table in accordance with Section 1 paragraph 4337.

~~57-51.~~ If the undertaking concludes that climate change is not material and therefore omits all disclosure requirements set out in ESRS E1 *Climate change*, it shall disclose a detailed explanation of the conclusions of its **materiality** assessment with regard to climate change (see Section 1 paragraph 394), including a forward-looking analysis of the conditions that could lead the undertaking to conclude that climate change is material in the future.

~~58-52.~~ If the undertaking concludes that a topic other than climate change is not material and therefore omits all the Disclosure Requirements in the Sections 3, 4, 5 and 6 of these [draft] Standard, it may provide a brief explanation of the conclusions of its **materiality** assessment for that topic.

~~59-53.~~ The undertaking shall provide an explanation of the process applied for identifying how it has determined the material information to be disclosed (defined in the the disclosure requirements included in this [draft] Standard) in relation to materialthe impacts and risks (and opportunities). it has assessed to be material, including. This explanation includes the use of thresholds, and/or how the undertakingit has implemented the criteria in Section 1 chapter 3.2 *Material matters and materiality of information*.

Appendix A: Application Requirements – Section 2 General disclosures

1. Basis for preparation

Disclosure Requirement 1 (BP-1) – General basis for preparation of the sustainability statements

Guidance on how to structure the narrative disclosure on coverage of value chain information

- AR 1. When describing to what extent the **sustainability statement** covers the undertaking's upstream and downstream **value chain** (see [draft] Section 1 section 4.1 *Reporting undertaking and value chain*), the undertaking may distinguish between:
- (a) the extent to which its materiality assessment of impacts and risks (and opportunities) extends to its upstream and/or downstream value chain, with separate identification of how subsidiaries are treated;
 - ~~(b)~~ the extent to which its policies and actions extend to its value chain, with separate identification of how subsidiaries are treated; ~~and~~
 - ~~(b)~~(c) If the undertaking has set targets, the extent to which they extend to its value chain, with separate identification of how subsidiaries are treated; and
 - ~~(e)~~(d) the extent to which it includes upstream and/or downstream value chain data in disclosing on metrics, with separate identification of how subsidiaries are treated (see example in Section 1 AR 25 and 26).

Disclosure Requirement 2 (BP-2) – Disclosures in relation to specific circumstances

- AR 2. The undertaking may disclose whether it relies on any European standards approved by the European Standardisation System (ISO/IEC or CEN/CENELEC standards) as well as the extent to which data and processes that are used for sustainability reporting purposes have been verified by an external assurance provider and found to conform to the corresponding ISO/IEC or CEN/CENELEC standard.

2. Governance

~~Disclosure Requirement 3 (GOV-1) – The role of the administrative, management and supervisory bodies~~

- ~~AR 3. For undertakings with a unitary board, the percentage of independent board members corresponds to the percentage of independent non-executive board members; and for undertakings with a dual board, it corresponds to the percentage of independent members of the supervisory body.~~
- ~~AR 4. In describing the roles and responsibilities of the administrative, management and supervisory bodies with regard to sustainability matters, the undertaking may specify:~~
- ~~(a) the aspects of sustainability where oversight is exercised with regard to environmental, social and governance matters that the undertaking may be facing, including:~~

- ~~i. any assessment of and changes to sustainability-related aspects of the undertaking's strategy and **business model**;~~
 - ~~ii. the identification and assessment of **material risks** and **impacts**;~~
 - ~~iii. related **policies** (and **targets**), action plans and dedicated resources; and~~
 - ~~iv. sustainability reporting;~~
- ~~(b) the form that such oversight takes for each of the above aspects: i.e., information, consultation and decision-making; and~~
- ~~(c) the way such oversight is organised and formalised, i.e., with processes through which the administrative, management and supervisory bodies engage with these aspects of sustainability.~~
- ~~AR 5. The description of the level of expertise or access to expertise of the **administrative, management and supervisory bodies** may be substantiated by illustrating the composition of the bodies, including the members on whom these bodies rely for expertise to oversee **sustainability matters**, and how they **leverage** that expertise as a body. In the description, the undertaking shall consider how the expertise and skills are relevant to the undertaking's material **impacts, risks** and **opportunities** and whether the bodies and/or its members have access to other sources of expertise such as specific experts, **training**, or other educational initiatives to update and develop sustainability-related expertise within these bodies.~~

Disclosure Requirement 4 (GOV-2) – Due diligence

- ~~AR 6-AR 3.~~ This disclosure requirement does not mandate any specific behavioural requirements with regard to due diligence **actions** and does not extend to or modify the role of **administrative, management and supervisory bodies** as mandated by other legislation or regulation.

3. Strategy

Disclosure Requirement 5 (SBM-1) – Strategy, business model and value chain

- ~~In disclosing the list of sectors required in par. 22 b) the undertaking may use NACE codes or the ESRS sector classification~~
- ~~AR 4. For the purposes of disclosures required in paragraph 23 a) and c)39, a group of products and/or services offered, a group of markets and/or customer groups served, or a sector / an ESRS sector is significant for the undertaking if it meets one or both of the following criteria:~~
- ~~(a) it accounts for more than 10 per cent of the undertaking's revenue and/or~~
 - ~~(b) it is connected with the undertaking's material actual **impacts** or material potential negative impacts.~~
- ~~AR 5. To provide the information on sectors required by paragraph 30, the undertaking shall map its significant activities in accordance with ESRS sectors. If a code for a subsector does not exist, the caption 'others' shall be used to indicate this. To provide the information on sectors required by paragraph 23 c), the undertaking may:~~

- ~~(a) incorporate information by reference to the section of its financial statements with information on revenues by sectors. (i.e. Undertakings applying IFRS 8 may refer to the information on its “operating segments”);~~
- ~~(b) map its significant activities in accordance with ESRS sectors for large companies. If a code for a subsector does not exist, the caption ‘others’ shall be used to indicate this; or~~
- ~~(c) .Alternatively, the undertaking may disclose NACE codes corresponding to the sector/s in which it is active.~~

~~AR 7.~~

~~AR 8. For the purposes of disclosures required in paragraph 30, a group of products and/or services offered, a group of markets and/or customer groups served, or an ESRS sector is significant for the undertaking if it meets one or both of the following criteria:~~

- ~~(a) it accounts for more than 10 per cent of the undertaking’s revenue and/or~~
- ~~(b) it is connected with the undertaking’s material actual **impacts** or material potential negative impacts.~~

~~AR 9. In preparing disclosures related to its **business model** and **value chain**, the undertaking shall consider:~~

- ~~(a) its key **business relationships**, including with its customers, and their key characteristics, its key activities, key **suppliers**, key resources, key distribution channels, and key customer segments;~~
- ~~(b) the cost structure and revenue of its business segments, in line with IFRS 8 requirements adopted in the preparation of its financial statements, where applicable; and~~
- ~~(c) the potential **impacts** on and **risks** in its significant sector(s) and their possible relationship to its own business model(s) or value chain.~~

~~AR 10-AR 6.~~ Contextual information may be particularly relevant for users of the undertaking’s sustainability statement in order to understand the extent to which the reported disclosures include upstream and/or downstream value chain information. The description of the main features of the upstream and/or downstream value chain and, where applicable, the identification of key value chains should support an understanding of how the undertaking applies the requirements of [draft] Section 1 chapter 4 and the materiality assessment performed by the undertaking in line with [draft] Section 1 chapter 3. The description may provide a high-level overview of the key features of value chain entities, indicating their relative contribution to the undertaking’s performance and positions, and explaining how they contribute to the value creation of the undertaking.

~~**Disclosure Requirement 6 (SBM-2) – Interests and views of stakeholders**~~

~~AR 11. If the undertaking engages with **stakeholders**, their views and interests expressed as part of the undertaking’s engagement activities as well as through its due diligence process (if the undertaking has adopted one) may be relevant to one or more aspects of its strategy or **business model and**. As such, they may affect the undertaking’s its decisions regarding the future direction of the strategy or business model.~~

Disclosure Requirement 7 (SMBM-3) – Material impacts and risks and their interaction with strategy and business model

~~AR 12-AR 7.~~ When describing where in its upstream and/or downstream **value chain** (including subsidiaries ~~included~~) material **impacts** and **risks** (and opportunities) are concentrated, the undertaking shall consider geographical areas, facilities or types of assets, inputs, outputs and distribution channels.

~~AR 13-AR 8.~~ This disclosure may be expressed in terms of a single impact or risk (or opportunity) or by aggregating groups of material **impacts** and **risks** (and opportunities) when this provides more relevant information and does not obscure material information.

~~AR 14.~~ When disclosing the information required under paragraph 37 of this Section on its material **impacts** and **risks**, the undertaking shall disclose the topic-specific information noted in the table below, specifying

ID	Disclosure Requirement	Sustainability topic	EU related Data Points
1	whether or not it has sites located in or near biodiversity-sensitive areas and whether activities related to these sites negatively affect these areas;	Biodiversity	SFDR Tab. 4 KPI 7
2	whether it has identified material negative impacts with regard to land degradation, desertification or soil sealing;	Biodiversity	SFDR Tab. 2 KPI 10
3	whether it has operations that affect threatened species;	Biodiversity	SFDR Tab. 2 KPI 14.1
4	operations at significant risk of incidents of forced labour or compulsory labour either in terms of type of operation (such as manufacturing plant)	Own workforce	SFDR Tab. 3 KPI 13

ID	Application Requirement	Sustainability topic	EU related Data Points
	or countries or geographic areas with operations considered at risk;		
5	operations at significant risk of incidents of child labour either in terms of type of operation (such as manufacturing plant) or countries or geographic areas with operations considered at risk; and	Own workforce	SFDR Tab. 3 KPI 12
6	any geographies (at country level or other levels) or commodities for which there is a significant risk of child labour or of forced labour or compulsory labour among workers in the undertaking's value chain.	Workers in the value chain	SFDR Tab. 3 KPI 12 and 13

AR 15. ~~W~~In addition, when disclosing its material **impacts** and **risks** the undertaking shall disclose additional topic-specific information defined in the following paragraphs.

Environment

~~Climate change~~

AR 16. ~~When disclosing the information on material impacts and risks related to climate change, the undertaking may~~shall explain for each climate-related risk it has identified whether it considers the risk to be a ~~climate-related physical risk~~ or ~~climate-related transition risk~~.

AR 17. The undertaking shall describe the resilience of its strategy and **business model** in relation to climate change. This description may include:

[Draft] ESRS for listed SMEs Section 2

- ~~(a) the scope of the resilience analysis~~
- ~~(b) how and when the resilience analysis has been conducted, including whether **climate scenario analysis** was used as referenced in the Disclosure Requirement related to IR-1 and the related application requirement paragraphs; and~~
- ~~(c) the results of the resilience analysis, including the results from the use of scenario analysis.~~

Social

Own workforce

~~AR 18. When disclosing the information on material **impacts** and **risks** related to its **own workforce, value chain workers, affected communities or consumers and end-users** the undertaking shall provide the following information: a~~

~~-brief description of the specific types of people within the four above-mentioned stakeholder groups that are **own workers** subject to material impacts by its own operations and/or its upstream or downstream value chain, as the case may be. The following table shows specific groups for each of the four stakeholder groups.~~

[Draft] ESRS for listed SMEs Section 2

<p><u>Own workforce</u></p>	<p><u>This includes</u> <u>employees;</u> <u>individual contractors (i.e., self-employed workers); or</u> <u>workers provided by third-party undertakings primarily engaged in employment activities.</u></p>
<p><u>Value chain workers</u></p>	<p><u>This includes above all groups that are particularly vulnerable to negative impacts, whether due to inherent characteristics or to the particular context, such as</u> <u>trade unionists;</u> <u>migrant workers;</u> <u>home workers;</u> <u>women workers;</u> <u>young workers.</u></p>
<p><u>Affected communities</u></p>	<p><u>This includes</u> <u>communities living or working around the undertaking's operating site or more remote communities affected by activities of those sites;</u> <u>communities along the undertaking's upstream/downstream value chain;</u> <u>communities at one or both endpoints of the value chain;</u> <u>and</u> <u>communities of indigenous peoples.</u></p>

<p><u>Consumers and end-users</u></p>	<p><u>This includes</u></p> <p><u>consumers and/or end-users of products that are inherently harmful to one's health or increase risks of chronic disease;</u></p> <p><u>consumers and/or end-users of services with potentially negatively impacts on rights to privacy, personal data protection, freedom of expression or non-discrimination;</u></p> <p><u>consumers and/or end-users who depend on accurate and accessible product- or service-related information, such as manuals and product labels, to avoid potentially damaging use of a product or service; and</u></p> <p><u>consumers and/or end-users who are particularly vulnerable to negative impacts from marketing and sales strategies, such as children or financially vulnerable individuals.</u></p>
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(a) ~~and of whether they are **employees**, individual contractors (i.e., self-employed workers) or workers provided by third-party undertakings primarily engaged in employment activities;~~

~~(b) in the case of material negative impacts on any of the above-mentioned stakeholder groups the undertaking shall describe, information on whether they are widespread or systemic in contexts where the undertaking operates, has sourcing or other **business relationships** or sells its products or services, as the case may be, (for example, **child labour** or **forced** or compulsory labour in specific countries or regions) or whether they are related to individual **incidents**, (for example, an industrial accident or an oil spill); Examples of material negative impacts that are widespread or systemic include child labour or forced/compulsory labour in specific countries or regions or in specific commodity supply chains, marginalised communities suffering impacts on their health and quality of life in a highly industrialised area, or state surveillance that affects the privacy of consumers and end-users. Examples of material negative impacts related to individual **incidents** include industrial accidents, oil or toxic waste spills that affect a community's access to clean drinking water, a peaceful protest by communities against business operations met with a violent response by the undertaking's security services, defects linked to particular products, or business partners whose marketing inappropriately targets young consumers.~~

(d) ~~any **material risks** for the undertaking arising from impacts and **dependencies** on its own workers; and~~

~~(c) — If there are any material negative impacts on its the undertaking's own workforce, value chain workers or affected communities that may arise from **transition plans** for reducing negative impacts on the environment and achieving greener and climate-neutral operations, including information on the undertaking shall describe the impacts on own workforce caused by the undertaking's plans and **actions** for reducing carbon **emissions** in line with international agreements. In the case of affected communities this includes impacts associated with innovation, restructuring, and closure of mines as well as increased mining of minerals needed for the transition to a sustainable economy and solar panel production~~

~~AR 19. In describing the main types of people in its **own workforce** who are or could be negatively affected based on the **materiality** assessment, the undertaking shall disclose whether and how it has developed an understanding of how people with particular characteristics, those working in particular contexts or those undertaking particular activities may be at greater risk of harm.~~

~~AR 20. The undertaking may shall disclose which, if any, of its **material risks** arising from **impacts** and **dependencies** on people in its **own workforce** relate to specific groups of people (for example, to particular age groups or people working in a particular factory or country) rather than to all of its own workforce (for example, a general **pay** cut or **training** offered to all people in its own workforce).~~

~~Workers in the value chain~~

~~AR 21. When disclosing the information on material **impacts** and **risks** related to workers in the **value chain**, the undertaking shall provide the following information:~~

~~(a) — whether and how actual and potential negative impacts on **value chain workers** originate from or are connected to the undertaking's strategy and **business models** and whether and how they inform and contribute to adapting the undertaking's strategy and business model;~~

~~(b) — the relationship between its **material risks** arising from impacts and **dependencies** on **value chain workers** and its strategy and **business model**,~~

~~(c) — a brief description of the types of value chain workers subject to material negative impacts by its own operations or through its upstream and downstream value chain, including those that are particularly vulnerable to negative impacts whether due to inherent characteristics or to the particular context, such as trade unionists, migrant workers, home workers, women or young workers; and,~~

~~(d) — in the case of material negative impacts, whether they are either (i) widespread or systemic in contexts where the undertaking operates or has sourcing or other **business relationships** (e.g., **child labour** or **forced labour**, in particular commodity **supply chains** in specific countries or regions) or (ii) related to individual **incidents** (e.g., an industrial accident or an oil spill) or to specific business relationships. This includes consideration of impacts on **value chain workers** that may arise from the transition to greener and climate-neutral operations.~~

~~AR 22. any material risks for the undertaking arising from impacts and **dependencies** on **value chain workers**.~~

~~AR 1. In describing the main types of workers in the **value chain** who are or could be negatively affected based on the **materiality** assessment, the undertaking shall disclose whether and how it has developed an understanding of how people with particular characteristics, those working in particular contexts or those undertaking particular activities may be at greater risk of harm.~~

~~AR 23. The undertaking may shall disclose which, if any, of its **material risks** arising from **impacts** and **dependencies** on its **value chain** workers relate to specific groups of value chain workers (for example, to particular age groups, workers in a particular factory or country) rather than to all of the value chain workers.~~

~~*Affected communities*~~

~~AR 24. When disclosing the information on material **impacts** and **risks** related to **affected communities**, the undertaking shall provide the following information:~~

~~(a) whether and how actual and potential negative impacts on affected communities originate from or are connected to the undertaking's strategy and **business models** and whether and how they inform and contribute to adapting the undertaking's strategy and business model;~~

~~(b) the types of communities. Examples of the types of communities below that the undertaking may consider for material impacts, which are:~~

- ~~i. communities living or working around the undertaking's operating **site** or more remote communities affected by activities of those sites;~~
- ~~ii. communities along the undertaking's upstream/downstream **value chain**;~~
- ~~iii. communities at one or both endpoints of the value chain; and~~
- ~~iv. communities of **indigenous peoples**;~~

~~AR 25. In the case of material negative impacts, whether they are widespread or systemic in contexts where the undertaking operates or has sourcing or other business relationships (for example, marginalised populations suffering impacts on their health and quality of life in a highly industrialised area), or whether they are related to individual incidents (e.g., a toxic waste spill affecting a community's access to clean drinking water) or to specific business relationships (e.g., a peaceful protest by communities against business operations met with a violent response from the undertaking's security services). This includes consideration of impacts on affected communities that may arise from the transition to greener and climate-neutral operations. Potential impacts include impacts associated with innovation, restructuring, and closure of mines as well as increased mining of minerals needed for the transition to a sustainable economy and solar panel production.; and~~

~~(a) any material risks for the business arising from impacts and **dependencies** on affected communities.; and~~

~~(b) in describing the main types of communities who are or could be negatively affected based on the **materiality assessment**, whether and how it has developed an understanding of how affected communities with particular characteristics, those living in particular contexts, or those undertaking particular activities may be at greater risk of harm.~~

~~AR 26. The undertaking may shall disclose which, if any, of its **material risks** arising from **impacts** and **dependencies on affected communities** relate to specific groups of affected communities rather than to all affected communities.~~

Consumers and/or end-users

~~AR 27. When disclosing the information on material **impacts** and **risks** related to **consumers** and/or **end-users**, the undertaking shall provide the following information:~~

~~(a) whether and how actual and potential negative impacts on consumers and/or end-users originate from or are connected to the undertaking's strategy and business model and whether and how they inform and contribute to adapting the undertaking's strategy and business model;~~

~~(b) the types of consumers and/or end-users. Examples below for types of consumers and/or end-users that the undertaking may consider for material impacts, which are:~~

~~i. consumers and/or end-users of products that are inherently harmful to people and/or that increase risks for chronic disease;~~

~~ii. consumers and/or end-users of services with potentially negatively impacts on rights to privacy, personal data protection, freedom of expression and **non-discrimination**;~~

~~iii. consumers and/or end-users who are dependent on accurate and accessible product or service-related information, such as manuals and product labels, to avoid potentially damaging use of a product or service; and~~

~~iv. consumers and/or end-users who are particularly vulnerable to health, privacy negative impacts or negative impacts from marketing and sales strategies, such as children or financially vulnerable individuals;~~

~~(c) in the case of material negative impacts, whether they are widespread or systemic in contexts where the undertaking operates or sells or provides its products or services (for example, state surveillance that affects the privacy of service users), or whether they are related to individual incidents (for example, a defect linked to a particular product) or to specific business relationships (for example, if a business partner uses marketing that inappropriately targets young consumers);~~

~~(e) any material risks for the business arising from impacts and dependencies on consumers and end-users; and~~

~~(f) in describing the main types of consumers and end-users who are or could be negatively affected based on the materiality assessment, the undertaking shall disclose whether and how it has developed an understanding of how consumers and end-users with~~

~~particular characteristics, or those using particular products or services, may be at greater risk of harm.~~

~~AR 28. The undertaking may shall disclose which, if any, of its **material risks** arising from **impacts** and **dependencies** on **consumers** and/or **end-users** relate to specific groups of consumers and/or end-users (for example, to particular age groups) rather than to all consumers and/or end-users.~~

4. Impact and risk management

Disclosure Requirement 9 (IR-1) – Description of the processes to identify and assess material impacts and risks

~~AR 29. With reference to paragraph 48 on the processes to identify and assess material **impacts** and **risks**, the undertaking shall disclose for material impacts and risks additional topic-specific information defined in the following paragraphs.~~

Environment

Climate change

~~AR 30. When describing the process to identify and assess climate-related **impacts** and **risks** the undertaking may shall cover the following:~~

- ~~(a) impacts on climate change, in particular the undertaking's GHG emissions (as required by [draft] Section 4, Disclosure Requirement E1-3);~~
- ~~(a) climate-related physical risks (as required by [draft] Section 4, Disclosure Requirement E-1-4); and~~
- ~~(b) climate-related transition risks (as required by [draft] Section 4, Disclosure Requirement E-1-4).~~

~~AR 31. When disclosing the information on the processes to identify and assess climate impacts as required under AR 26 (a), the undertaking may shall explain how it has:~~

- ~~(a) screened its activities and plans in order to identify actual and potential future GHG emission sources and, if applicable, drivers for other climate-related impacts (e.g., **emissions** of black carbon or tropospheric ozone or **land-use change**) in own operations and along the **value chain**; and~~
- ~~(b) assessed its actual and potential impacts on climate change (i.e., its total GHG emissions) as material in line with the CSRD and SFDR requirements.~~

~~AR 32. When disclosing the information on the processes to identify and assess **physical risks** as required under AR 29 (b), the undertaking may shall explain whether and how:~~

- ~~(a) it has identified climate-related hazards (see table below) over the short-, medium- and long-term and determined whether its assets and business activities may be exposed to these hazards;~~
- ~~(b) it has defined short-, medium- and long-term time horizons and how these definitions are linked to the expected lifetime of its assets, strategic planning horizons and capital allocation plans;~~
- ~~(c) it has assessed the extent to which its assets and business activities may be exposed and are sensitive to the identified climate-related hazards, taking into consideration the likelihood, magnitude and duration of the hazards as well as the geospatial coordinates (such as Nomenclature of Territorial Units of Statistics – NUTS for the EU territory) specific to the undertaking's locations and **supply chains**; and~~
- ~~(d) whether and how the identified climate-related hazards and assessed exposure and sensitivity are informed by high **emissions** climate **scenarios**. This may, for example, be based on IPCC SSP5-8.5, relevant regional climate projections based on these emission scenarios, or NGFS (Network for Greening the Financial System) climate scenarios with~~

high physical risk, such as ‘Hot house world’ or ‘Too little, too late’. For general requirements regarding climate-related **scenario analysis**, see AR 22 and AR 23.

Classification of climate-related hazards (Source: Commission delegated regulation (EU) 2021/2139)				
	Temperature-related	Wind-related	Water-related	Solid mass-related
Chronic	Changing temperature (air, freshwater, marine water)	Changing wind patterns	Changing precipitation patterns and types (rain, hail, snow/ice)	Coastal erosion
	Heat stress		Precipitation or hydrological variability	Soil degradation
	Temperature variability		Ocean acidification	Soil erosion
	Permafrost thawing		Saline intrusion	Solifluction
			Sea level rise	
			Water stress	
Acute	Heat wave	Cyclones, hurricanes, typhoons	Drought	Avalanche
	Cold wave/frost	Storms (including blizzards, dust, and sandstorms)	Heavy precipitation (rain, hail, snow/ice)	Landslide
	Wildfire	Tornado	Flood (coastal, fluvial, pluvial, ground water)	Subsidence
			Glacial lake outburst	

AR 33. When disclosing the information on the processes to identify climate-related transition risks, as required by AR 29 (c), the undertaking ~~may~~ shall explain whether and how it has:

- ~~(a) identified transition events (see the table with examples below) over the short-, medium- and long-term and screened whether its assets and business activities may be exposed to these events. In case of transition risks, what is considered long-term may cover more than ten years and may be aligned with climate-related public **policy** goals;~~
- ~~(a) assessed the extent to which its assets and business activities may be exposed and are sensitive to the identified transition events, taking into consideration the likelihood, magnitude and duration of the transition events;~~
- ~~(b) informed the identification of transition events and the assessment of exposure by climate-related **scenario analysis**, considering at least a **scenario** consistent with the Paris Agreement and limiting climate change to 1.5°C, for example, based on scenarios of the International Energy Agency (Net zero Emissions Emissions by 2050, Sustainable Development Scenario, etc.) or NGFS (Network for Greening the Financial System)~~

climate scenarios. For the general requirements concerning climate-related scenario analysis, see paragraphs AR 22 and AR 23; and

- (c) identified assets and business activities that are incompatible with or need significant efforts to be compatible with a transition to a climate-neutral economy (for example, due to significant **locked-in GHG emissions** or incompatibility with the requirements for Taxonomy alignment under Commission Delegated Regulation (EU) 2021/2139).

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

Climate-related scenario analysis

AR 25. When disclosing the information required under AR 29 and AR 31, the undertaking shall explain if and how it has used climate-related **scenario analysis** that is commensurate with its circumstances to inform the identification and assessment of **physical** and **transition risks** over the short-, medium- and long-term, including:

- (a) which **scenarios** were used, their sources and alignment with state-of-the-art science;
- (b) narratives, time horizons and endpoints used with a discussion of why it believes the range of scenarios used covers its plausible **risks** and uncertainties;
- (c) key forces and drivers taken into consideration in each scenario and why these are relevant to the undertaking, for example, **policy** assumptions, macroeconomic trends, energy usage and mix, and technology assumptions; and
- (d) key inputs and constraints of the scenarios, including their level of detail (e.g., whether the analysis of physical-related risks is based on geospatial coordinates specific to the undertaking's locations or national- or regional-level broad data).

AR 26. When conducting **scenario analysis**, the undertaking may consider the following guidance: TCFD Technical Supplement on 'The Use of Scenario Analysis in Disclosure of Climate Related Risks and Opportunities' (2017); TCFD 'Guidance on Scenario Analysis for Non-Financial Companies' (2020); ISO 14091: 2021 'Adaptation to climate change — Guidelines

on vulnerability ~~impacts~~ and risk assessment'; any other recognized industry standards such as NGFS (Network for Greening the Financial System); and EU, national, regional and local regulations.

AR 27. The undertaking ~~may~~ shall briefly explain how the ~~climate scenarios~~ used are compatible with the critical climate-related assumptions made in the financial statements.

~~Pollution, water and marine resources, biodiversity, resource use and circular economy~~

AR 28. The undertaking shall ~~may~~ describe the process to identify and assess ~~impacts~~ and ~~risks~~ related to ~~pollution~~ and water and ~~marine resources~~, including:

- (a) ~~methodologies, assumptions and tools used to screen its site locations and business activities in order to identify its actual and potential impacts and risks related to pollution, water and marine resources, and resource use and circular economy, and,~~
- (b) ~~if applicable, the processes for the undertaking's consultations, particularly with affected communities.~~

AR 29. The undertaking ~~may~~ shall describe its process to identify material ~~impacts~~ and ~~risks~~ related to biodiversity. The description of the process shall ~~may~~ include whether and how the undertaking:

- (a) ~~identified and assessed actual and potential impacts on biodiversity and ecosystems at own site locations and in the upstream and downstream value chain, including the assessment criteria applied;~~
- (b) ~~identified and assessed dependencies on biodiversity and ecosystems and their services at own site locations and in the upstream and downstream value chain, including the assessment criteria applied, and whether this assessment includes ecosystem services that are disrupted or likely to be disrupted;~~
- (c) ~~identified and assessed transition and physical risks;~~
- (d) ~~considered systemic risks; and~~
- (e) ~~conducted consultations with affected communities.~~

AR 30. The undertaking ~~may~~ shall specifically disclose whether or not it has ~~sites~~ located in or near ~~biodiversity-sensitive areas~~ and whether activities related to these sites negatively affect these areas.

AR 31. The undertaking ~~may~~ shall describe its process to identify material ~~impacts~~ and ~~risks~~ related to Resource use and ~~circular economy~~ (E5), including:

- (a) ~~methodologies, assumptions and tools used to screen its assets and activities in order to identify its actual and potential impacts and risks; and~~
- (b) ~~the process for conducting consultations, particularly with affected communities.~~

LEAP Approach

~~AR 32.~~ AR 25. When conducting a **materiality** assessment on environmental subtopics other than climate change, the undertaking may consider the four phases below, also known as the LEAP approach:

- (a) Phase 1: locate where in the own operations and its upstream and downstream **value chain** the interface with nature takes place;
- (b) Phase 2: evaluate the environmental-related **dependencies** and **impacts**;
- (c) Phase 3: assess the **material risks**; and
- (d) Phase 4: prepare and report the results of the materiality assessment.

~~AR 33~~AR 26. The **materiality** assessment for such matters corresponds to the first three phases of this LEAP approach, while the fourth phase addresses the outcome of the process.

Disclosure Requirement 10 (IR-2) – Topics covered by the undertaking’s sustainability statements

~~AR 34~~AR 27. Notwithstanding the basis for the presentation of the information about **sustainability matters** included in the [draft] Standard Section 1 chapter 8 *Structure of sustainability statements*, the undertaking may disclose the list of the Disclosure Requirements complied with in preparing the **sustainability statement** (see paragraph 49 of this section)⁵² in the general information part or in other parts of the sustainability statement as it deems appropriate. The undertaking may use a content index (as defined in paragraph 49 of this section), i.e., a tabular list of the Disclosure Requirements included in the sustainability statement indicating where they are located (page/paragraphs).

Appendix B: List of datapoints in cross-cutting and topical sections that derive from other EU legislation

This appendix is an integral part of Section 2 and of the [draft] LSME Standard. The table below illustrates the datapoints that derive from other EU legislation.

Disclosure requirement and related datapoint	SFDR ¹² reference	Pillar 3 ¹³ reference	Benchmark regulation ¹⁴ reference	EU climate law ¹⁵ reference
Section 2 GOV-1 Board's gender diversity paragraph 20(c)	Indicator number 13 of Table #1 of Annex 1		Commission Delegated Regulation (EU) 2020/1816 ¹⁶ , Annex II	
Section 2 GOV-1 Percentage of board members who are independent paragraph 20(d)			Delegated Regulation (EU) 2020/1816, Annex II	
Section 2 GOV-2 Statement on due diligence paragraph 24	Indicator number 10 Table #3 of Annex 1			
Section 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 30(c) i	Indicators number 4 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 ¹⁷ Table 1:	Delegated Regulation (EU) 2020/1816, Annex II	

¹² Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosures Regulation) (OJ L 317, 9.12.2019, p. 1).

¹³ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Capital Requirements Regulation "CRR") (OJ L 176, 27.6.2013, p. 1).

¹⁴ Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016, p. 1).

¹⁵ Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') (OJ L 243, 9.7.2021, p. 1).

¹⁶ Commission Delegated Regulation (EU) 2020/1816 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published (OJ L 406, 3.12.2020, p. 1).

¹⁷ Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 as regards the disclosure of environmental, social and governance risks (OJ L 324, 19.12.2022, p.1.).

[Draft] ESRS for listed SMEs Section 2

Disclosure requirement and related datapoint	SFDR ¹² reference	Pillar 3 ¹³ reference	Benchmark regulation ¹⁴ reference	EU climate law ¹⁵ reference
		Qualitative information on Environmental risk and Table 2: Qualitative information on Social risk		
Section 2 SBM-1 Involvement in activities related to chemical production paragraph 30(c) ii	Indicator number 9 Table #2 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II	
Section 2 SBM-1 Involvement in activities related to chemical production paragraph 30(c) iii	Indicator number 14 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1818 ¹⁸ , Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II	
climaSection 2 SBM-1 Involvement in activities related to chemical production paragraph 30(c) iv			Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II	
Section 3 AR 6 ID 19 Transition plan to reach climate neutrality by 2050				Regulation (EU) 2021/1119, Article 2(1)
Section 3 AR 6 ID 20 Undertakings excluded from Paris-aligned Benchmarks		Article 449a Regulation (EU) No 575/2013; Commission Implementing	Delegated Regulation (EU) 2020/1818, Article 12.1 (d) to	

¹⁸ Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks (OJ L 406, 3.12.2020, p. 17).

[Draft] ESRS for listed SMEs Section 2

Disclosure requirement and related datapoint	SFDR ¹² reference	Pillar 3 ¹³ reference	Benchmark regulation ¹⁴ reference	EU climate law ¹⁵ reference
		Regulation (EU) 2022/2453 Template 1: Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	(g), and Article 12.2	
Section 3 AR 67 ID 1 GHG emission reduction targets	Indicator number 4 Table #2 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 6	
Section 4 E1-1 Energy consumption from fossil sources paragraph 7a)	Indicator number 5 Table #1 and Indicator n. 5 Table #2 of Annex 1			
Section 4 E1-1 Disaggregated and separated non-renewable energy production and renewable energy production in MWh paragraph 7d)	Indicator number 5 Table #1 of Annex 1			

[Draft] ESRS for listed SMEs Section 2

Disclosure requirement and related datapoint	SFDR ¹² reference	Pillar 3 ¹³ reference	Benchmark regulation ¹⁴ reference	EU climate law ¹⁵ reference
Section 4 E1-1 Energy intensity associated with activities in high climate impact sectors paragraphs 8 to 10	Indicator number 6 Table #1 of Annex 1			
Section 4 E1-2 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 11	Indicators number 1 and 2 Table #1 of Annex 1	Article 449a; Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 5(1), 6 and 8(1)	
Section 4 E1-2 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 20 and 21	Indicators number 3 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 8(1)	

[Draft] ESRS for listed SMEs Section 2

Disclosure requirement and related datapoint	SFDR ¹² reference	Pillar 3 ¹³ reference	Benchmark regulation ¹⁴ reference	EU climate law ¹⁵ reference
Section 4 E1-3 GHG removals and carbon credits paragraph 22				Regulation (EU) 2021/1119, Article 2(1)
Section 4 E1-4 Exposure of the benchmark portfolio to climate-related physical risks paragraph 29			Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II	
Section 4 E1-4 Disaggregation of Monetary amounts by acute and chronic physical risk paragraph 29(a) Section 4 E1-4 Location of significant assets at material physical risk paragraph 29(c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.		
Section 4 E1-4 Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 30(c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Paragraph 34; Template 2: Banking book -Climate		

[Draft] ESRS for listed SMEs Section 2

Disclosure requirement and related datapoint	SFDR ¹² reference	Pillar 3 ¹³ reference	Benchmark regulation ¹⁴ reference	EU climate law ¹⁵ reference
		change transition risk: Loans collateralised by immovable property -Energy efficiency of the collateral		
Section 4 E1-4 Degree of exposure of the portfolio to climate-related opportunities paragraph 33			Delegated Regulation (EU) 2020/1818, Annex II	
Section 4 E2-1 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 36(a)	Indicator number 8 Table #1 of Annex 1 Indicator number 2 Table #2 of Annex 1 Indicator number 1 Table #2 of Annex 1 Indicator number 3 Table #2 of Annex 1			
Section 3 AR 6 ID 3 Water and marine resources	Indicator number 7 Table #2 of Annex 1			
Section 3 AR 6 ID 4 Water and marine resources	Indicator number 8 Table 2 of Annex 1			
Section 3 AR 6 ID 8 Sustainable oceans and seas	Indicator number 12 Table #2 of Annex 1			

[Draft] ESRS for listed SMEs Section 2

Disclosure requirement and related datapoint	SFDR ¹² reference	Pillar 3 ¹³ reference	Benchmark regulation ¹⁴ reference	EU climate law ¹⁵ reference
Section 4 E3-1 Total water recycled and reused paragraph 44(c).	Indicator number 6.2 Table #2 of Annex 1			
Section 4 E3-1 Total water consumption in m3 per net revenue on own operations paragraph 45	Indicator number 6.1 Table #2 of Annex 1			
Section 2 AR 28 ID 1 sites located in or near biodiversity-sensitive areas and activities related to these sites negatively affect these areas	Indicator number 7 Table #1 of Annex 1			
Section 2 AR 28 ID 2 negative impacts with regards to land degradation, desertification or soil sealing	Indicator number 10 Table #2 of Annex 1			
Section 2 AR 28 ID 3 operations affecting threatened species	Indicator number 14 Table #2 of Annex 1			
Section 3 AR 6 ID 5 Sustainable land / agriculture practices or policies	Indicator number 11 Table #2 of Annex 1			
Section 3 AR 6 ID 8 Sustainable oceans/ seas practices or policies	Indicator number 12 Table #2 of Annex 1			
Section 3 AR 6 ID 7 Policies to address deforestation	Indicator number 15 Table #2 of Annex 1			
Section 4 E5-2 Non-recycled waste paragraph 62	Indicator number 13 Table #2 of Annex 1			

[Draft] ESRS for listed SMEs Section 2

Disclosure requirement and related datapoint	SFDR ¹² reference	Pillar 3 ¹³ reference	Benchmark regulation ¹⁴ reference	EU climate law ¹⁵ reference
Section 4 E5-2 Hazardous waste and radioactive waste paragraph 64	Indicator number 9 Table #1 of Annex 1			
Section 2 AR 17 ID 1 Risk of incidents of forced labour	Indicator number 13 Table #3 of Annex I			
Section 2 AR 17 ID 2 Risk of incidents of child labour	Indicator number 12 Table #3 of Annex I			
Section 3 AR 6 ID 16 Human rights policy commitments	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I			
Section 3 AR 6 ID 11 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8,			Delegated Regulation (EU) 2020/1816, Annex II	
Section 3 AR 6 ID 15 Processes and measures for preventing trafficking in human beings	Indicator number 11 Table #3 of Annex I			
Section 3 AR 6 ID 10 Workplace accident prevention policy or management system	Indicator number 1 Table #3 of Annex I			
Section 3 AR 6 ID 9 grievance/complaints handling mechanisms	Indicator number 5 Table #3 of Annex I			
Section 5 S1-7 Number of fatalities and number and rate of work-related accidents	Indicator number 2 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II	

[Draft] ESRS for listed SMEs Section 2

Disclosure requirement and related datapoint	SFDR ¹² reference	Pillar 3 ¹³ reference	Benchmark regulation ¹⁴ reference	EU climate law ¹⁵ reference
Paragraph 35(a) and 35(b)				
Section 5 S1-7 Number of days lost to injuries, accidents, fatalities or illness paragraph 35(c)	Indicator number 3 Table #3 of Annex I			
Section 5 S1-8 Unadjusted gender pay gap Paragraph 39(a)	Indicator number 12 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II	
Section 5 S1-8 Excessive CEO pay ratio paragraph Paragraph 39 (b)	Indicator number 8 Table #3 of Annex I			
Section 5 S1-9 Incidents of discrimination Paragraph 45 (a)	Indicator number 7 Table #3 of Annex I			
Section 3 AR 6 ID 2 and ID 13 Non-respect of UNGPs on Business and Human Rights and OECD	Indicator number 10 Table #1 and Indicator n. 14 Table #3 of Annex		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818 Art 12 (1)	
Section 2 AR 17 ID 3 Significant risk of child labour or forced labour in the value chain	Indicators number 12 and n. 13 Table #3 of Annex I			
Section 3 AR 6 ID 1 and 16 Human rights policy commitments	Indicator number 9 Table #3 and Indicator n. 11 Table #1 of Annex 1			
Section 3 AR 6 ID 14 and ID 15 Policies related to value chain workers	Indicator number 11 and n. 4 Table #3 of Annex 1			

[Draft] ESRS for listed SMEs Section 2

Disclosure requirement and related datapoint	SFDR¹² reference	Pillar 3¹³ reference	Benchmark regulation¹⁴ reference	EU climate law¹⁵ reference
Section 3 AR 6 ID 2 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12(1)	
Section 3 AR 6 ID 12 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8			Delegated Regulation (EU) 2020/1816, Annex II	
Section 3 AR 6 ID 13 Human rights issues and incidents connected to its upstream and downstream value chain	Indicator number 14 Table #3 of Annex 1			
Section 3 AR 6 ID 1 and ID 16 Human rights policy commitments	Indicator number 9 Table #3 of Annex 1 and Indicator number 11 Table #1 of Annex 1			
Section 3 AR 6 ID 2 Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines	Indicator number 10 Table #1 Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12(1)	
Section 3 AR 6 ID 13 Human rights issues and incidents	Indicator number 14			

[Draft] ESRS for listed SMEs Section 2

Disclosure requirement and related datapoint	SFDR ¹² reference	Pillar 3 ¹³ reference	Benchmark regulation ¹⁴ reference	EU climate law ¹⁵ reference
	Table #3 of Annex 1			
Section 3 AR 6 ID 1 and ID 16 Policies related to consumers and end-users	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex 1			
Section 3 AR 6 ID 2 Non-respect of UNGPs on Business and Human Rights and OECD guidelines	Indicator number 10 Table #1 of Annex 1			
Section 3 AR 6 ID 3 Human rights issues and incidents	Indicator number 14 Table #3 of Annex 1			
Section 3 AR 6 ID 18 United Nations Convention against corruption	Indicator number 15 Table #3 of Annex 1			
Section 3 AR 6 ID 17 Protection of whistle-blowers	Indicator number 6 Table #3 of Annex 1			
Section 6 G1-2 Fines for violation of anti-corruption and anti-bribery laws Paragraph 9(a)	Indicator number 17 Table #3 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II)	
Section 6 G1-2 Standards of anti-corruption and anti-bribery Paragraph 9(b)	Indicator number 16 Table #3 of Annex 1			

Appendix C: Application Requirements for Section 2 related disclosures

This appendix is an integral part of the [draft] Section 2 – General Disclosures and has the same authority as the other parts of this [draft] Standard. It relates to Section 5 Social Metrics and supports the application of the requirements in Section 2 SBM-2 *Interests and views of stakeholders* and Section 2 SBM-3 *Material impacts and risks and their interaction with strategy and business model*. This appendix does not provide definitions of the terms mentioned below. All defined terms can be found in the Acronyms and Glossary of Terms.

<u>Social and human rights matters</u>	<u>Non-exhaustive list of factors to consider in Materiality Assessment</u>
<u>Secure employment</u>	<u>% of employees with temporary contracts, ratio of non-employees to employees, social protection</u>
<u>Working time</u>	<u>% of employees with part time or zero-hour contracts, employee satisfaction with working time</u>
<u>Adequate wages</u>	<u>EU, national or local legal definitions of adequate wages, fair wages, and minimum wages</u>
<u>Social dialogue / existence of work councils / information, consultation and participation rights of workers</u>	<u>Extent of workplace, cross-border and board-level representation through trade unions and/or works councils</u>
<u>Freedom of association/Collective bargaining including the rate of workers covered by collective agreements</u>	<u>% of own workforce covered by collective bargaining agreements, work stoppages</u>
<u>Work-life balance</u>	<u>Family-related leave, flexible working hours, access to childcare</u>
<u>Health and safety</u>	<u>Coverage by H&S system, rate of fatalities, non-fatal accidents, work days lost</u>
<u>Gender equality and equal pay for work of equal value</u>	<u>% of women in top management and workforce, male-female wage gap</u>
<u>Training and skills development</u>	<u>Amount and distribution of training</u>
<u>The employment and inclusion of people with disabilities</u>	<u>% employment and accessibility measures for employees with disabilities</u>
<u>Measures against violence and harassment in the workplace</u>	<u>Prevalence of violence and harassment</u>
<u>Diversity</u>	<u>Representation of women and /or ethnic groups or minorities in own workforce. Age distribution in own workforce. Percentage of persons with disabilities within the own workforce.</u>

[Draft] ESRS for listed SMEs Section 2

<u>Child labour</u>	<u>Type of operations and geographical areas at risk of child labour</u>
<u>Forced labour</u>	<u>Type of operations and geographical areas at risk of forced labour</u>