

[Draft] ESRS for listed SMEs

Section 3

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 3 *Policies, actions and targets* is set out in paragraphs 1–30. The following appendices of Section 3 have the same authority as the main body of the [draft] Standard:

- *Appendix A: Application Requirements*.

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Section 3- Policies, Actions and Targets

Objective

1. This [draft] Section sets disclosure requirements for companies that have in place policies, actions, targets, processes for engaging or processes to remediate impacts, to enable an understanding of the undertaking's; out the information required:
 - (a) ~~in relation to~~ policies, actions and targets to prevent, mitigate and remediate actual and potential material negative **impacts** and to address **material risks** (collectively, to 'manage material **sustainability matters**') for a material matter. This includes minimum disclosures to be included when reporting on policies, actions and targets; , either as required by Disclosure Requirements in the topical Sections of this Standard or on an entity-specific basis;
 - (b) ~~about the undertaking's~~ processes for engaging with **own workers**, workers in the **value chain**, **affected** communities, **consumers** and **end-users**, and their representatives on impacts if the undertaking has those processes in place; ~~and~~
 - (c) ~~about the undertaking's~~ processes to remediate negative impacts and channels for **own workforce**, value chain workers, affected communities, consumers and end-users and to raise concerns if the undertaking has those processes in place; ~~and~~.
 - (e)(d) policies, targets, actions in relation to positive impacts and opportunities, when they are reported on a voluntary basis.
2. The undertaking shall apply the requirements in this Section when it concludes that the corresponding topic is material (according to chapter 3.3 *Double materiality*, 3.4 *Impact materiality* and 3.5 *Financial materiality* of Section 1). In determining which information in this section should be included, the undertaking shall apply:
 2. ~~the provisions in paragraph 41 of Section 1 for policies, actions and targets; and Following the undertaking's assessment of the materiality of the information according to paragraph 36 of Section 1, the sustainability statement shall include those disclosures prescribed in this Section that are assessed to be material and applicable (i.e. because the undertaking has not adopted the respective policies or implemented the respective actions or set the respective targets).~~
 - (a)
 - (b) the provisions in paragraph 38 of Section 1, which support also the determination of the details of narrative disclosure to be reported.
3. This [draft] Section covers ~~impact and risk management and~~ policies, actions and targets ~~areas as~~ defined in Section 1 *General requirements* of this [draft] Standard, and it is applicable in conjunction with Section 2 *General disclosures* and the topical Sections of this [draft] Standard.
4. ~~The undertaking shall apply the requirements in this Section when it concludes that the corresponding topic is material (according to chapter 3.3 *Double materiality*, 3.4 *Impact materiality* and 3.5 *Financial materiality* of Section 1). Following the undertaking's assessment of the **materiality** of the information according to paragraph 36 of Section 1, the **sustainability statement** shall include those disclosures prescribed in this Section that are assessed to be material.~~

~~The requirements in this Section shall be considered when the undertaking reports on a voluntary basis on material positive **impacts** and/or **opportunities**.~~

~~5.4. Disclosures Requirements additional information related to an undertaking's own workforce, workers in the value chain, affected communities and consumers and end-users are located in Section 2, Disclosure Requirement SBM-3 and corresponding Application Requirements and in the Disclosure Requirements IR-3 and IR-4 and their corresponding Application Requirements in Appendix A of this Section. They concern policies, actions and targets that the undertaking shall or may disclose on with regard to impacts or risks connected with the undertaking's own operations and upstream and downstream value chain, including through its products and services, as well as through its business relationships. And policies, actions and targets that arise from risks of the undertaking, if its operations lead to material impacts on one or more of these stakeholder groups, if its relationships with and dependencies on one or more of them create material risks for the undertaking or if material impacts and risks arise through the undertaking's business relationships in its upstream and/or downstream value chain. Sustainability matters that relate to an undertaking's workers in the value chain, affected communities and consumers and end-users are listed in Section 1 General Requirements, Appendix A, AR 2318 of this standard. In the cases of workers in the value chain, affected communities and end-users, s~~

Disclosure Requirement 11 (IR-3) – Policies and actions in relation to sustainability matters

~~6. If the undertaking has set **policies or actions** in relation to a material sustainability matter, the undertaking shall disclose information on its adopted policies and the actions taken or planned to be taken to manage material sustainability matters.~~

~~7.5. The objective of this Disclosure Requirement is to set the information that shall be provided when disclosing this information reporting on **policies and actions** in relation to a material matter.~~

Requirement to disclose policies or actions on material sustainability matters

~~8.6. When the undertaking has in place policies or actions in place, for each material sustainability matter (i.e. topic, sub-topic and/or sub-sub-topic) that it considers material, the undertaking it shall disclose:~~

(a) policies that it has in place to prevent, mitigate and remediate actual and potential impacts and to address risks; and

~~(b) key **actions** taken or planned to address material impacts and risks and, where applicable, to achieve the objectives of related **policies**. Key actions are those actions that materially contribute to achieving the undertaking's objectives in addressing material impacts and risks. For reasons of understandability, key actions may be aggregated where appropriate.~~

~~(b)~~

~~The disclosure should reflect the content of the relevant policies and actions, e.g. when the undertaking has a policy at topical level, the disclosure should may cover more than one sub-topic in the same policy.~~

~~7. Where the implementation of an action plan requires significant operational expenditures (Opex) and/or capital expenditures (Capex), the undertaking shall:~~

~~(c) describe the type of current and future financial and other resources allocated to the action plan, including, if the action plan has been financed with sustainable finance instruments such as green bonds, social bonds and green loans, the relevant terms of those instruments~~

~~(d) provide the amount of current financial resources; and~~

~~(e)~~ (e) provide the amount of future financial resources.

Required information when reporting on policies and actions

~~9.8.~~ When providing disclosures on **policies**, including on an entity-specific basis, the undertaking shall include the following minimum set of information:

- (a) a description of the key contents of the **policy**, including its general objectives, and of which material **impacts** or **risks** the policy relates to;
- (b) a description of the scope of the policy (in terms of activities, **value chain**, including relevant subsidiaries, geographies and, if relevant, affected **stakeholder groups**);
- (c) the most senior level in the undertaking's organisation that is accountable for the implementation of the policy;
- (d) a reference; ~~if the policy is including irrelevant~~, to ~~the any~~ third-party standards or initiatives ~~that to which~~ the undertaking ~~may have committed itself to respect~~ through the implementation of the policy;
- (e) if the undertaking in defining a policy has considered stakeholders' views and interests relevant, a description of the consideration given to the interest of these key **stakeholders** in setting ~~this~~ policy; and
- (f) if the policy is made available to potentially affected stakeholders and to stakeholders who need to help implement it relevant, whether and how the undertaking makes ~~this~~ policy available to ~~potentially affected stakeholders and to stakeholders who need to help implement it those groups of stakeholders~~.

~~10.9.~~ When providing disclosures on **actions**, including on an entity-specific basis, the undertaking shall disclose the following minimum set of information:

- (a) the list of key actions taken in the reporting year and planned for the future as well as their expected outcomes;
- (b) the scope of the key actions (i.e., coverage in terms of activities, **value chain**, geographies and, ~~where if~~ applicable, affected **stakeholder groups**);
- (c) the time horizons under which the undertaking intends to complete each key action;
- (d) if the undertaking has implemented them applicable, a description of the key actions taken (along with results) to provide for, cooperate in or support the provision of **remedy** for those harmed by actual material impacts; and,
- (e) if the undertaking has a process in place to monitor progress of its actions or action plans disclosed in prior periods applicable, quantitative and qualitative information regarding the progress of those actions or action plans ~~actions or action plans disclosed in prior periods~~.

~~11.10.~~ If the undertaking cannot disclose the information on policies and actions, because it has not adopted policies and/or actions with reference to a material sustainability matter, it shall state this to be the case. It may also disclose the timeline for implementing them if it has such plans.

Required disclosures on policies and actions at topical level

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

- ~~12. describe the type of current and future financial and other resources allocated to the action plan, including, if the action plan has been financed with sustainable finance instruments such as green bonds, social bonds and green loans applicable, the relevant terms of sustainable finance those instruments such as green bonds, social bonds and green loans, the environmental or social objectives, and whether the ability to implement the **actions** or action plan depends on specific preconditions, e.g., granting of financial support or public **policy** and market developments;~~
- ~~13. provide the amount of current financial resources and explain how they relate to the most relevant amounts presented in the financial statements; and~~
- ~~14. provide the amount of future financial resources.~~
- ~~15. The undertaking shall disclose the information illustrated in the table below, when the corresponding topic is material. The corresponding disclosures related to **policies** and **actions** shall be located alongside disclosures prescribed by the relevant topical sections. When a single policy or the same actions address several interconnected **sustainability matters**, the undertaking may disclose the required information in its reporting under one topical section and cross-reference it in its reporting under other topical sections.~~
- ~~16. When disclosing information on **policies** and **actions** in relation to a material sustainability matter, subject to paragraphs 33, and 34 and 36 of Section 1 of this [draft] Standard These are disclosure the undertaking shall apply the additional topical requirements are included set in the following table. Additional information and guidance are provided in the Application Requirements IR-3 (AR 1 to AR 116 and in the non-authoritative guidance document) issued together with this [draft] Standard.~~
- ~~17. In particular, the table below, for **policies** and **actions** are defined defines disclosure requirements, stemming from other EU Regulations, in relation to policies and actions pertaining to certain pertaining to a material matters (the list of sustainability topics, sub-topics and sub-sub-topics is provided in AR 23 of Section 1), the undertaking. The corresponding disclosure :shall be prepared following paragraphs 9/ to 11 of this Section. _shall include the datapoints derived from EU legislation (summarised in Table of AR 6).~~

~~[TO BE DISCUSSED IN THE TABLE BELOW WHETHER TABLE 2 AND 3 INDICATORS ARE MAY OR SHALL]~~

11.

Policies				
Environment				
ID	Application Disclosure requirement	Sustainability topic	Policies – P Actions – A	EU-related data points
1	<p>a) If Climate change is material (AR 16 Section 1), the undertaking shall disclose its transition plan for climate change mitigation, if there is one in place.</p> <p>—</p> <p>—</p> <p>If the undertaking has adopted a transition plan for climate change mitigation, it shall provide information about it, including an</p>	<u>Climate change</u>	A	<u>Climate Law Benchmark Reg.</u>

Policies				
Environment				
<u>ID</u>	<u>Application Disclosure requirement</u>	<u>Sustainability topic</u>	<u>Policies – P Actions – A</u>	<u>EU-related data points</u>
	<p><u>explanation of how its GHG emission reduction targets are compatible with the limiting of global warming to 1.5°C. In disclosing this information, the undertaking shall consider ESRS Set 1 E1-1 AR 1.</u></p> <p>b) <u>If the undertaking has significant CapEx amounts invested during the reporting period related to coal, oil and gas-related economic activities¹, it shall disclose the amounts of those investments.</u></p>			
2	<u>Additionally, if the undertaking has set a transition plan, it shall disclose whether or not the undertaking is excluded from the EU Paris-aligned Benchmarks.</u>	<u>Climate change</u>	<u>A</u>	<u>EBA Pillar 3 Benchmark Reg.</u>
3	<p><u>If the If Wwater and marine resources is material (AR 16 Section 1) the undertaking has in place policies to manage this topic, it mayshall disclose those policies in place to manage this topic, including if it has a site(s) located in an area of high-water stress.</u></p> <p><u>In disclosing this information, the undertaking shall consider ESRS Set 1 E3 par. 9, 12, 13, and 14 and AR 17.</u></p>	<u>Water and marine resources</u>	<u>P</u>	<u>SFDR Tab. 2 KPI 7, KPI 8 and KPI 12</u>
4	<u>If the undertaking has in place policies to manage this topic in place, if biodiversity and ecosystems is material (AR 16 Section 1) the it undertaking</u>	<u>Biodiversity and ecosystems</u>	<u>P</u>	<u>SFDR Tab. 2 KPI 11, KPI 12 and KPI 15</u>

¹ The CapEx amounts considered are related to the following NACE codes:
(a) B.05 Mining of coal and lignite, B.06 Extraction of crude petroleum and natural gas (limited to crude petroleum), B.09.1 Support activities for petroleum and natural gas extraction (limited to crude petroleum),
(b) C.19 Manufacture of coke and refined petroleum products,
(c) D.35.1 - Electric power generation, transmission and distribution,
(d) D.35.3 - Steam and air conditioning supply (limited to coal-fired and oil-fired power and/or heat generation),
(e) G.46.71 Wholesale of solid, liquid and gaseous fuels and related products (limited to solid and liquid fuels).

Policies				
<u>Environment</u>				
<u>ID</u>	<u>Application Disclosure requirement</u>	<u>Sustainability topic</u>	<u>Policies – P</u> <u>Actions – A</u>	<u>EU-related data points</u>
	<p>may shall disclose such policies or practices, including in place to manage this topic. This may include whether they are related to sustainable land/agriculture practices or policies, sustainable oceans and seas practices or policies, and policies to address <u>deforestation</u>.</p> <p>In disclosing this information, the undertaking shall consider ESRS Set 1 E4 23, 24 and AR 4 par. 23 and 24.</p>			
<u>5</u>	<p>If biodiversity and ecosystems is material to the undertaking has policies to manage this topic in place. may shall disclose whether it has adopted a biodiversity and ecosystem protection policy covering operational sites owned, leased, or managed in or near a biodiversity sensitive area.</p> <p>In disclosing this information In this case, the undertaking may shall consider ESRS Set 1 E4 par. 23, 24 and AR 4.</p>	<u>Biodiversity and ecosystems</u>	<u>P</u>	<u>SFDR Tab. 2 KPI 14.2</u>
<u>1</u>	<p>For own workforce, value chain workers, affected communities and consumers and end-users, the undertaking shall describe those processes and mechanisms to monitor compliance with the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational enterprises.</p>	<u>Own workforce</u> <u>Workers in the value chain</u> <u>Affected communities</u> <u>Consumers and end-users</u>		<u>SFDR Tab. 1 KPI 11</u>
<u>2</u>	<p>For affected communities and consumers and end-users, the undertaking shall disclose whether and how its policies are aligned with relevant internationally recognised instruments, including United Nations (UN) Guiding</p>	<u>Affected communities</u> <u>Consumers and end-users</u>		<u>SFDR Tab. 1 KPI 10</u> <u>Benchmark Reg. Sections 1</u>

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Policies				
Environment				
ID	Application Disclosure requirement	Sustainability topic	Policies – P Actions – A	EU-related data points
	Principles on Business and Human Rights. The undertaking shall also disclose the extent to which cases of non-respect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises that involve affected communities and consumers and end-users have been reported in its downstream value chain and, if applicable, an indication of the nature of such cases.			and 2 of Annex 2

	<p style="text-align: center;"><u>3</u></p> <p>SocialIf water and marine resources is material (AR 16 Section 1) the undertaking may disclose policies in place to manage this topic including whether if it has a site(s) located in an area of high-water stress. In this case, the undertaking shall consider ESRS Set 1 E3 par. 9, 12, 13 and 14.</p> <p style="text-align: center;"><u>Water and marine resources</u></p> <p style="text-align: center;"><u>SFDR Tab. 2 KPI 7, KPI 8 and KPI 12</u></p>		
<p><u>ID8</u></p>	<p>DisclosureApplication requirementIf biodiversity and ecosystems is material (AR 16 Section 1) the undertaking may disclose policies or practices in place to manage this topic. This may include whether they are related to sustainable land/agriculture practices or policies sustainable oceans and seas and deforestation. In this case, the undertaking shall consider ESRS Set 1 E4 par. 23 and 24.</p> <p style="text-align: center;"><u>Sustainability topicBiodiversity and ecosystems</u></p>	<p style="text-align: center;"><u>Policies - P</u></p> <p style="text-align: center;"><u>Actions - A</u></p> <p style="text-align: center;"><u>EU-related data pointsSFDR Tab. 2 KPI 11, KPI 12 and KPI 15</u></p>	
<p><u>839</u></p>	<p>If Own workforce is material, tThe undertaking shall disclose:</p> <p style="padding-left: 20px;">a) the undertaking may disclose whether or not it has a grievance/complaints handling mechanism related to employee matters.²</p> <p style="padding-left: 20px;">b) whether it has a workplace accident prevention policy or management system.</p> <p>In this case, the undertaking shall consider ESRS Set 1 S1 par. 23 (for workplace accident prevention policy) and 32 (grievance/complaints mechanism)</p>	<p style="text-align: center;"><u>Own workforce</u></p>	<p style="text-align: center;"><u>P</u></p> <p style="text-align: center;"><u>SFDR Tab. 3 KPI 5</u></p> <p style="text-align: center;"><u>SFDR Tab. 3 KPI 1</u></p>

² The information regarding Processes to remediate negative impacts and channels for own workforce to raise concerns has to be reported only once by the undertaking.

		<u>3</u>		
		<u>Social</u> <u>If water and marine resources is material (AR 16 Section 1) the undertaking may disclose policies in place to manage this topic including whether if it has a site(s) located in an area of high-water stress. In this case, the undertaking shall consider ESRS Set 1 E3 par. 9, 12, 13 and 14.</u>		
		<u>Water and marine resources</u>		
		<u>SFDR Tab. 2 KPI 7, KPI 8 and KPI 12</u>		
<u>ID</u>	<u>Disclosure Application requirement</u> <u>If biodiversity and ecosystems is material (AR 16 Section 1) the undertaking may disclose policies or practices in place to manage this topic. This may include whether they are related to sustainable land/agriculture practices or policies sustainable oceans and seas and deforestation. In this case, the undertaking shall consider ESRS Set 1 E4 par. 23 and 24.</u>	<u>Sustainability topic</u> <u>Biodiversity and ecosystems</u>	<u>Policies - P</u> <u>Actions - A</u>	<u>EU-related data points</u> <u>SFDR Tab. 2 KPI 11, KPI 12 and KPI 15</u>
<u>10</u>	<u>The undertaking shall state whether it has a workplace accident prevention policy or management system.</u>	<u>Own workforce</u>		<u>SFDR Tab. 3-KPI 1</u>
<u>911</u>	<u>If Own workforce is material, The undertaking shall disclose whether and how its policies with regard to its own workforce are aligned with relevant internationally recognised instruments, including the UN Guiding Principles on Business and Human Rights.</u>	<u>Own workforce</u>	<u>P</u>	<u>Benchmark Reg. section 1 and 2 of Annex 2</u>
<u>1012</u>	<u>If Workers in the value chain is material, The undertaking shall disclose whether and how its policies with regard to value chain workers are aligned with internationally recognised instruments relevant to value chain workers, including the United Nations (UN) Guiding Principles on Business and Human Rights. The undertaking shall also disclose the extent to which cases of</u>	<u>Workers in the value chain</u>	<u>P</u>	<u>SFDR Tab. 1 KPI 10</u> <u>Benchmark Reg. section 1 and 2 of Annex 2</u>

		<u>3</u>		
		<u>SocialIf water and marine resources is material (AR 16 Section 1) the undertaking may disclose policies in place to manage this topic including whether if it has a site(s) located in an area of high-water stress. In this case, the undertaking shall consider ESRS Set 1 E3 par. 9, 12, 13 and 14.</u>		
		<u>Water and marine resources</u>		
		<u>SFDR Tab. 2 KPI 7, KPI 8 and KPI 12</u>		
<u>ID</u>	<u>DisclosureApplication requirementIf biodiversity and ecosystems is material (AR 16 Section 1) the undertaking may disclose policies or practices in place to manage this topic. This may include whether they are related to sustainable land/agriculture practices or policies sustainable oceans and seas and deforestation. In this case, the undertaking shall consider ESRS Set 1 E4 par. 23 and 24.</u>	<u>Sustainability topicBiodiversity and ecosystems</u>	<u>Policies - P</u> <u>Actions - A</u>	<u>EU-related data pointsSFDR Tab. 2 KPI 11, KPI 12 and KPI 15</u>
	<u>non-respect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises that involve value chain workers have been reported in its upstream and downstream value chain and, if applicable, an indication ofdescribe the nature of suchthese cases.</u>			
<u>1114</u>	<u>If Workers in the value chain is material, TtThe undertaking shall also state whether it has a supplier code of conduct.</u> <u>In this case, the undertaking shall consider ESRS Set 1 S2 par. 18 and AR 15.</u>	<u>Workers in the value chain</u>	<u>P</u>	<u>SFDR Tab. 3 KPI 4</u>
<u>1215</u>	<u>If Own workforce/workforce and / or Workers in the value chain is material, TtThe undertaking shall —state</u>	<u>Own workforce</u>	<u>P</u>	<u>SFDR Tab. 3 KPI 11</u>

		<u>3</u>		
		<u>Socially water and marine resources is material (AR 16 Section 1) the undertaking may disclose policies in place to manage this topic including whether if it has a site(s) located in an area of high-water stress. In this case, the undertaking shall consider ESRS Set 1 E3 par. 9, 12, 13 and 14.</u>		
		<u>Water and marine resources</u>		
		<u>SFDR Tab. 2 KPI 7, KPI 8 and KPI 12</u>		
<u>ID</u>	<u>Disclosure Application requirement</u>	<u>Sustainability topic</u>	<u>Policies - P</u> <u>Actions - A</u>	<u>EU-related data points</u>
	<p><u>If biodiversity and ecosystems is material (AR 16 Section 1) the undertaking may disclose policies or practices in place to manage this topic. This may include whether they are related to sustainable land/agriculture practices or policies sustainable oceans and seas and deforestation. In this case, the undertaking shall consider ESRS Set 1 E4 par. 23 and 24.</u></p>	<u>Biodiversity and ecosystems</u>		<u>SFDR Tab. 2 KPI 11, KPI 12 and KPI 15</u>
	<p><u>whether its policies in relation to own workforce and value chain workers those topics explicitly address trafficking in human beings, forced labour or compulsory labour and child labour.</u></p> <p><u>In this case, the undertaking shall consider ESRS Set 1 in S1 par. 22 and AR 13 and in S2 par. 18 and AR 15.</u></p>	<u>Workers in the value chain</u>		
<u>1316</u>	<p><u>If own workforce and/or workers in the value chain and/or, affected communities and/or consumers and end-users is material, the undertaking shall describe its human rights policy commitments.</u></p> <p><u>In disclosing this information, the undertaking shall consider ESRS Set 1 in S1 par. 20 and AR 12, in S2 par. 17 and AR 14, in S3 par. 16 and AR 10, in S4 par. 16 and AR 11.</u></p>	<u>Own workforce</u> <u>Workers in the value chain</u> <u>Affected communities</u> <u>Consumers and end-users</u>	<u>P</u>	<u>SFDR Tab. 3 KPI 9</u>

	<p style="text-align: center;"><u>3</u></p> <p>SocialIf water and marine resources is material (AR 16 Section 1) the undertaking may disclose policies in place to manage this topic including whether if it has a site(s) located in an area of high-water stress. In this case, the undertaking shall consider ESRS Set 1 E3 par. 9, 12, 13 and 14.</p> <p style="text-align: center;"><u>Water and marine resources</u></p> <p style="text-align: center;"><u>SFDR Tab. 2 KPI 7, KPI 8 and KPI 12</u></p>			
<p><u>ID8</u></p>	<p>DisclosureApplication requirementIf biodiversity and ecosystems is material (AR 16 Section 1) the undertaking may disclose policies or practices in place to manage this topic. This may include whether they are related to sustainable land/agriculture practices or policies sustainable oceans and seas and deforestation. In this case, the undertaking shall consider ESRS Set 1 E4 par. 23 and 24.</p>	<p style="text-align: center;"><u>Sustainability topicBiodiversity and ecosystems</u></p>	<p><u>Policies - P</u></p> <p><u>Actions - A</u></p>	<p><u>EU-related data pointsSFDR Tab. 2 KPI 11, KPI 12 and KPI 15</u></p>
<p><u>14</u></p>	<p>Tf Workers in the value chain and/or affected communities and/or consumers and end-users is material, the undertaking shall disclose whether severe human rights issues and incidents connected to its upstream and downstream value chain have been reported and, if applicable, disclose these.</p> <p>In disclosing this informationIn this case, the undertaking shall consider ESRS Set 1 in S2 par. 36, in S3 par. 36, and in S4 par. 35.</p>	<p><u>Workers in the value chain</u></p> <p><u>Affected communities</u></p> <p><u>Consumers and end-users</u></p>	<p><u>A</u></p>	<p><u>SFDR Tab. 3, KPI 14</u></p>

Business conduct

<u>ID</u>	<u>DisclosureApplication requirement</u>	<u>Sustainability topic</u>	<u>Policies – P</u> <u>Actions – A</u>	<u>EU-related data points</u>
<u>15</u>	If business conduct is material, and if the Where the undertaking has no policies on the protection of whistle-blowers, it mayshall shall state that it does not have such policies. It is and may state whether it has plans to implement them and the timetable for implementation. In this case, the undertaking shall consider ESRS Set 1 in G1 par. 10d) and 11.	<u>Business conduct</u>	<u>P</u>	<u>SFDR Tab. 3 KPI 6</u>
<u>16</u>	If business conduct is material, and if Where the undertaking has no policies on anti-corruption or anti-bribery consistent with the United Nations Convention against Corruption, it mayshall shall state this. It and may state whether it has plans to implement them and the timetable for implementation.In this case, the undertaking shall consider ESRS Set 1 in G1 par. 10.	<u>Business conduct</u>	<u>P</u>	<u>SFDR Tab. 3 KPI 15</u>
<u>17</u>	If business conduct is material, tThe undertaking shall disclose any actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery.	<u>Business conduct</u>	<u>A</u>	<u>SFDR Tab. 3 KPI 16</u>

12. In addition to the information above, depending on the specific circumstances of the undertaking, one or more of the following aspects could be relevant.

Policies and actions for climate change

13. In disclosing its climate change policies related to climate change mitigation, the undertaking shall specify the aspects of those policies that address the management of the undertaking's GHG emissions, GHG removals and transition risks over different time horizons in its own operations and/or in the upstream and downstream value chain (including relevant subsidiaries).

14. In disclosing its climate change policies related to climate change adaptation, the undertaking shall explain how the policies address the management of the undertaking's physical climate risks and climate change adaptation-related transition risks.

15. In disclosing its key actions taken in the reporting year and planned for the future, the undertaking shall present the climate change mitigation actions by decarbonisation lever

including the nature-based solutions (i.e., energy efficiency, electrification, fuel switching, use of renewable energy, products change, and supply-chain decarbonisation).

16. When describing the outcome of the actions for climate change mitigation, the undertaking shall include the achieved and expected GHG emission reductions.

Policies and actions for pollution

17. In disclosing its pollution-related **policies**, and depending on the undertaking's sector, it shall specify whether and how the content of the policy relates the following areas where material:

(f) mitigating negative impacts related to pollution of air, water and soil, including prevention and control;

(g) substituting and minimising the use of substances of concern and phasing out substances of very high concern, in particular for non-essential societal use and in consumer products; and

(h) avoiding incidents and emergency situations and, if and when they occur, controlling and limiting their impact on people and the environment.

Policies and actions for water and marine resources

18. In disclosing its **policies** related to water and **marine resources**, and depending on the undertaking's sector, it shall specify whether and how the content of the policy relates the following areas where material:

(i) water management, including:

i. the use and sourcing of water and marine resources in its own operations;

ii. water treatment as a step towards more sustainable sourcing of water; and

iii. the prevention and abatement of water pollution resulting from its activities;

(j) product and service design in view of addressing water-related issues and the preservation of marine resources; and

(k) the commitment to reduce material **water consumption** in **areas at water risk** in its own operations along the upstream and downstream **value chain**.

Policies and actions for biodiversity and ecosystems

19. In disclosing its **policies** related to **biodiversity** and **ecosystems**, and depending on the undertaking's sector, it shall specify whether and how the content of the policy relates the following areas where material:

(a) avoid its negative impacts on biodiversity and ecosystems in its own operations and related upstream and downstream value chain;

(b) reduce and minimise its negative impacts that cannot be avoided on biodiversity and ecosystems in its operations and throughout the upstream and downstream value chain;

(c) restore and rehabilitate degraded ecosystems or restore cleared ecosystems following exposure to impacts that cannot be completely avoided and/or minimised;

(d) mitigate its material biodiversity loss drivers; and

(e) adapt its strategy and business model in line with relevant aspects of the EU Biodiversity Strategy for 2030, the Kunming Montreal Global Biodiversity Framework, Directive 2009/147/EC of the European Parliament and of the Council and Council Directive 92/43/EEC (EU Birds and Habitats Directives) and/or Directive 2008/56/EC

of the European Parliament and of the Council (Marine Strategy Framework Directive).

Policies and actions for resource use and circular economy

20. In disclosing its **policies** related to resource use and **circular economy**, and depending on the undertaking's sector, it shall specify whether and how the content of the policy relates the following areas where material:

- (a) transitioning away from use of virgin resources, including relative increases in use of secondary (recycled) resources; and
- (b) sustainable sourcing and use of renewable resources.
- (c) the waste hierarchy: (i) prevention; (ii) preparation for re-use; (iii) recycling; (iv) other recovery, e.g., energy recovery; and (v) disposal. In this context, waste treatment cannot be considered as recovery; and
- (d) the prioritisation of the avoidance or minimisation of waste (be it through re-using, repairing, refurbishing, remanufacturing and repurposing) over waste treatment strategies (recycling). The concepts of eco-design,³ waste as a resource and post-consumer waste (at the end of a consumer-product lifecycle) should also be taken in consideration.

Policies and actions for business conduct

21. If the undertaking has adopted policies with respect to supplier relationships, it shall specify:

- (e) whether this includes a practice/procedure to monitor late payments; and
- (f) whether this includes purchasing practice / procedure and whether this purchasing practice/procedure also considers ESG criteria.

22. If "Corruption and bribery" is material and if the undertaking has implemented policies / actions to manage this topic, it shall include details about the risk assessments and/or mapping as well as monitoring programmes and/or internal control procedures performed by the undertaking to detect corruption and bribery. This may include training or refer to whistleblowing systems.

~~— Additional information and guidance on policies and actions implemented in relation to a material sustainability matter are provided in the Application Requirements IR-3 and in the non-authoritative guidance document issued together with this [draft] Standard.~~

~~18. If the undertaking cannot disclose the information on policies and actions, because it the undertaking has not adopted **policies** and/or **actions** with reference to the specific material **sustainability matter** concerned, it shall state this to be the case. It may also disclose the timeline for implementing them if it has such plans.~~

³ As established by the Directive 2009/125/EC.

Disclosure Requirement 12 (IR-4) – Targets in relation to sustainability matters

~~19.~~ If the undertaking has set measurable, time-bound and outcome-oriented **targets** to monitor progresses overtime and track effectiveness of its **actions** in relation to material sustainability **impacts and risks (and opportunities)**, ~~if the undertaking has set sustainability-related targets, it shall disclose information about these targets.~~

~~20-23.~~ ~~The objective of this Disclosure Requirement is to provide an understanding of~~ ~~how the undertaking has set measurable time-oriented targets to monitor progresses overtime and track effectiveness of its actions in relation to material sustainability impacts and risks if such targets have been implemented such targets.~~

~~24.~~ If the undertaking has implemented targets, ~~with regard to each each material sustainability matter, including on an entity-specific basis,~~ it shall disclose the following information:

- ~~(a)(c)~~ ~~(a)~~ the relationship of the target to the relevant **policy** objectives;
- ~~(b)(d)~~ the defined level of ambition (quantitative and/or qualitative, depending on the nature of the target) to be achieved, including, ~~where if applicable,~~ whether the target is absolute or relative and in which unit it is measured;
- ~~(e)(e)~~ the scope of the target (operations, upstream and/or downstream value chain, subsidiaries, geographical boundaries or activities);
- ~~(d)(f)~~ ~~if the undertaking has set applicable,~~ the baseline value and base year from which progress is measured, the related information;
- ~~(e)(g)~~ the timeframe to achieve the target;
- ~~(f)(h)~~ the methodologies and significant assumptions used to define targets, including, ~~where if the undertaking has used them applicable,~~ the selected scenario, data sources, alignment with science-based methodologies, and national, EU or international policy goals;
- ~~(g)~~ ~~any changes in targets or underlying methodologies and assumptions adopted within the defined time horizon, together with an explanation of the rationale for those changes and their effect on comparability; and~~
- ~~(h)(i)~~ the overall progress towards the defined target.

~~22-25.~~ When disclosing information according to paragraph ~~16~~~~7~~, the undertaking shall consider publicly claimed **targets** or targets communicated to investors or lenders.

~~23-26.~~ The **targets** may cover the undertaking's own operations and/or **value chain (including relevant subsidiaries)**.

Required disclosures on targets at topical level

~~27.~~ ~~When disclosing information on targets that the undertaking has implemented in relation to a material sustainability matter (the list of sustainability topics, sub-topics and sub-sub-topics is provided in AR 23xx of Section 1) subject to paragraphs 33, 34 and 36 of Section 1 of this [draft] Standard additional topical requirements are included in the following table. 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. The corresponding disclosure shall be prepared following paragraphs 14/17 of this Section.~~

~~In particular, the table below defines disclosure requirements stemming from other EU Regulations in relation to policies and actions pertaining to certain material matters (the list of~~

~~sustainability topics, sub-topics and sub-sub-topics is provided in AR 23 of Section 1 the undertaking shall consider the additional topical requirement set in the following table which stems from EU Regulations. Additional information and guidance are provided in the Application Requirements IR-4 and in the non-authoritative guidance document issued together with this [draft] Standard.~~



<u>ID</u>	<u>Application requirement</u>	<u>Sustainability topic</u>	<u>Targets – I</u>	<u>EU data points</u>
<u>1</u>	<u>If Climate change is material and the undertaking has targets on GHG emission reduction, it shall disclose its GHG emission reduction targets for scope 1, 2 and 3.</u>	<u>Climate change</u>	<u>I</u>	<u>SFDR Tab. 2 KPI 4</u> <u>Climate benchmark regulation, Art. 6</u> <u>Pillar 3</u>

~~24.28.~~ In addition to the information above, depending on the specific circumstances of the undertaking, one or more of the following aspects could be relevant.

Targets for climate change

~~25.29.~~ If the undertaking has set GHG emission reduction targets for Scope 1, 2, and 3, it shall disclose:

- ~~(e)(g)~~ GHG emission reduction targets in absolute value (either in tonnes of CO₂eq or as a percentage of the emissions of a base year) and, where relevant, in intensity value;
- ~~(f)(h)~~ GHG emission reduction targets for Scope 1, 2, and 3 GHG emissions, either separately or combined. The undertaking shall specify, in case of combined GHG emission reduction targets, which GHG emission Scopes (1, 2 and/or 3) are covered by the target;
- ~~(g)(i)~~ the current base year and baseline value of the target, and from 2030 onwards, an update of the base year for its GHG emission reduction targets after every five-year period thereafter; and
- ~~(h)(j)~~ whether the GHG emission reduction targets are science-based and compatible with limiting global warming to 1.5°C, including information on which framework or methodology has been used to determine these targets – such as whether they are derived using a sectoral decarbonisation pathway – what the underlying climate and policy scenarios are and whether they have been externally assured.

~~and in the non-authoritative guidance document issued together with this [draft] Standard.~~

~~When disclosing the information required by paragraph 17, the undertaking shall apply the requirements set out in the topic-specific Application Requirements IR 4. Additional information and guidance on targets implemented in relation to a material sustainability matter~~

[Draft] ESRS for listed SMEs Section 3

are provided in the Application Requirements IR-4, ~~and in the non-authoritative guidance document issued together with this [draft] Standard.~~

~~26. In particular, the undertaking shall include the datapoints derived from EU legislation specified in AR 117.~~

~~27-30.~~

Appendix A: Application Requirements – Section 3 Policies, Actions and Targets

Disclosure Requirement 11 (IR-3) – Policies and actions in relation to sustainability matters

This section provides clarification on how to report on non-formalised policies, actions and targets.

AR 1. If the undertaking has not formalised a policy but has implemented actions or defined targets through which the undertaking seeks to address material impacts and risks, it may disclose them as actions and/or targets, despite the fact that they are not formalised.

AR 2. As an illustration, consider the following:

a) if the undertaking has implemented actions in relation to its employees (i.e., to ensure **equal treatment** or a health and safety management system) but has not formalised a policy, it describes the actions undertaken to address the related material impacts and risks. Furthermore, the undertaking, if applicable, discloses which organisational level has been assigned responsibility for implementing these actions or action plans (i.e., department, management, top management, etc.), and

b) if the undertaking has defined targets in relation to material impacts or risks (i.e., to reduce emissions, **water consumption**, etc.) but has not formalised a policy, it describes these targets and, if applicable, the department or person in charge of measuring and reporting on the progress achieved towards these targets.

This section provides guidance on how the disclosure on policies and actions could be structured in order to reflect the specificities of the undertaking.

AR 3. When disclosing policies and actions at topical level, the undertaking may cover more than one sub-topic in the policy/action it discloses. For instance, if the undertaking has a policy at topical level, the disclosure may cover more than one sub-topic in the same policy.

~~AR 4.~~ AR 4. In disclosing information on policies and actions, the undertaking may include such a disclosure in a centralised section or in one topical section of its sustainability statement and cross-referencing to the other topical sections (specially if a single policy or the same actions address several interconnected sustainability matters) or divide and present the relevant disclosure in each sustainability topical section of the sustainability statement.

~~AR 5.~~ AR 5. A single policy may apply to several material sustainability matters, including matters addressed by more than one topical section of this [draft] Standard. For example, if a single policy covers both an environmental matter and a social matter, the undertaking may report on the policy in the environmental section of its sustainability statement. In this case, in the social section it ~~may~~ cross-reference the environmental section where the policy is reported. Equally, a policy may be reported in the social section by cross-referencing the environmental section.

~~AR 6.~~ AR 6. SMEs and undertakings with less resources may have few (or no) policies formalised in written documents, but this does not necessarily mean they do not have policies to report on.

~~AR 1. If the undertaking has not formalised a policy but has implemented actions or defined targets through which the undertaking seeks to address material impacts and risks, it ~~may~~ disclose them as actions and/or targets.~~

~~AR 2.— As an illustration, consider the following:~~

- ~~(i) if the undertaking has implemented actions in relation to its employees for **employee** management's sake (i.e., to ensure **equal treatment** or a health and safety management system) but has not formalised a policy, it describes the actions undertaken to address the related material impacts and risks. Furthermore, the undertaking, if applicable, discloses which organisational level has been assigned responsibility for implementing these actions or action plans (i.e., department, management, top management, etc.), and~~
- ~~(j) if the undertaking has defined targets in relation to material impacts or risks (i.e., to reduce emissions, **water consumption**, etc.) but has not formalised a policy, it describes these targets and, if applicable, the department or person in charge of measuring and reporting on the progress achieved towards these targets.~~

~~AR 4.— Key **actions** are those actions that materially contribute to achieving the undertaking's objectives in addressing material **impacts** and **risks**. For reasons of understandability, key actions may be aggregated where appropriate.~~

~~AR 5.~~ AR 7. Information on resource allocation to implement actions may be presented in the form of a table and broken down, across the relevant time horizons, by capital expenditure and operating expenditure, by resources applied in the current reporting year, and by the planned allocation of resources over specific time horizons.

~~AR 6.— When disclosing the information required under paragraphs 3 and 4 of this Section on a material sustainability topic, as a result of its **materiality** assessment the undertaking shall disclose additional topic-specific information, as reported in the table below.~~

~~AR 7.~~ AR 8. With reference to paragraph 13 of this Section, additional information and guidance on policies and actions implemented in relation to a material sustainability matter are provided in the following Application Requirements. ~~and in addition to the information required by the table of AR 6, as a result of its **materiality** assessment the undertaking shall in connection to a material sustainability topic disclose additional topic-specific information as defined in the following paragraphs.~~

ENVIRONMENT

Policies and actions for climate change

~~AR 8.— The undertaking shall indicate whether and how its **policies** address the following areas:~~

- ~~(a) climate change mitigation;~~
- ~~(b) climate change adaptation;~~
- ~~(c) energy efficiency;~~
- ~~(d) **renewable energy** deployment; and/or~~
- ~~(e) other areas.~~

~~AR 9.— Guidance / Additional information for Policies on Climate change~~

~~AR 10.— The undertaking may explain how the **Policies** related to **climate change mitigation** address the management of the undertaking's **GHG emissions**, **GHG removals** and **transition risks** over different time horizons in its own operations and/or in the upstream and downstream **value chain** (including relevant subsidiaries).~~

~~AR 11. The undertaking may explain how the **Policies** related to **climate change adaptation** address the management of the undertaking's physical climate **risks** and climate change adaptation-related **transition risks**.~~

~~AR 12. Actions for climate change~~

~~AR 13. When listing **key actions** taken in the reporting year and planned for the future, the undertaking shall present the **climate change mitigation** actions by decarbonisation lever including the nature-based solutions (i.e., energy efficiency, electrification, fuel switching, use of **renewable energy**, products change, and supply-chain decarbonisation).~~

~~AR 14. When describing the outcome of the **actions** for **climate change mitigation**, the undertaking may include the achieved and expected **GHG emission reductions**.~~

~~AR 3. When disclosing its climate change adaptation and mitigation actions and if the undertaking is subject to the disclosures pursuant to Article 8 of Regulation (EU) 2020/852, the undertaking it shall relatediscloseconnect significant monetary amounts of CapEx and OpEx that are required to implement the actions to:~~

~~AR 15-AR 9. the relevant line items or notes in the financial statements;~~

- ~~(a) the key performance indicators required under Commission Delegated Regulation (EU) 2020/852; and,~~
- ~~(b) if applicable, to the CapEx plan required by Commission Delegated regulation (EU) 2021/2178.~~

~~In doing so, the undertaking shall consider ESRS E1 AR 20 and AR 22.~~

~~AR 16. When disclosing its transition plan (as defined in ID 1 of paragraph 12), the undertaking is expected to provide a high-level explanation of how it will adjust its strategy and business model to ensure compatibility with the transition to a sustainable economy and with the limiting of global warming to 1.5°C in line with the Paris Agreement (or an updated internationalinternational agreement on climate change) and the objective of achieving climate neutrality by 2050 with no or limited overshoot as established in Regulation (EU) 2021/4119 (European Climate Law), and where applicable, how it will adjust its exposure to coal, and oil and gas-related activities. When disclosing information on resources, if applicable, the undertaking mayshall only disclose the significant OpEx and CapEx amounts required for the implementation of the **actions** related to climate change, as the purpose of this information is to demonstrate the credibility of its actions rather than to reconcile the disclosed amounts to the financial statements. The disclosed CapEx and OpEx amounts mayshall be the additions made to both tangible and intangible assets during the current financial year as well as the planned additions for future periods when the implementation of the actions is expected. The disclosed amounts mayshall only be the incremental financial investments directly contributing to the achievement of the undertaking's **targets**.~~

~~AR 4. The amounts of OpEx and CapEx required for the implementation of the **actions** related to climate change mayshall be consistent with the key performance indicators (CapEx and OpEx being the key performance indicators) and, if applicable, the CapEx plan required by Commission Delegated Regulation (EU) 2021/2178. The undertaking mayshall account for any potential discrepancies between the significant OpEx and CapEx amounts disclosed under this Standard and the key performance indicators disclosed under Commission Delegated Regulation (EU) 2021/2178 due to, for instance, the disclosure of non-eligible economic activities as defined in that delegated regulation. The undertaking may structure its actions by economic activity to compare its OpEx and CapEx and, if applicable, its OpEx and/or CapEx plans, to its Taxonomy-aligned key performance indicators.~~

~~AR 5. If the undertaking that operates in high climate impact sectors has adopted a transition plan for climate change mitigation, it shall provide information about it, including an explanation of how its GHG emission reduction targets are compatible with the limiting of global warming to 1.5°C;~~

~~AR 17. For undertakings with economic activities that are covered by delegated regulations on climate adaptation or mitigation under the Taxonomy Regulation, the undertaking shall may include an explanation of any objective or plans (CapEX, CapEx plans, OpEx) that the undertaking has for aligning its economic activities (revenues, CapEx, OpEx) with the criteria established in those delegated regulations; and~~

~~if applicable, a disclosure of significant CapEx amounts invested during the reporting period related to coal, oil and gas-related economic activities.~~

~~AR 18-AR 10. In case the undertaking operates in high climate impact sectors and does not have a transition plan for climate change mitigation in place, it may indicate whether and, if so, when it will adopt such a transition plan.~~

~~AR 19-AR 11. When disclosing the information required under paragraph 12 ID2 and if the undertaking has set a transition plan, it shall state whether or not it is excluded from the EU Paris-aligned Benchmarks in accordance with the exclusion criteria stated in Articles 12.1 (d) to (g) and 12.2 of Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Standards Regulation).~~

Policies and actions for pollution

~~AR 20. When describing its policies on **pollution**, the undertaking may shall indicate whether and how its **policies** address the following areas where material:~~

- ~~(b) mitigating negative impacts related to pollution of air, water and soil, including prevention and control;~~
- ~~(c) substituting and minimising the use of substances of concern and phasing out substances of very high concern, in particular for non-essential societal use and in consumer products; and~~
- ~~(d) avoiding incidents and emergency situations and, if and when they occur, controlling and limiting their impact on people and the environment.~~

~~AR 21-AR 12. When describing its **policies** on **pollution**, the undertaking may shall consider including information on the **pollutant(s)** or **substance(s)** covered.~~

~~AR 22. Guidance / Additional information for Policies on Pollution~~

~~AR 23-AR 13. When disclosing information on policies related to **pollution**, the undertaking may include contextual information on the relation between its implemented policies and how they may contribute to the EU Action Plan 'Towards a Zero Pollution for Air, Water and Soil' with, for instance, elements on:~~

- ~~(a) how it is or may be affected by the targets and measures of the EU Action Plan and the revision of existing directives (e.g., the Industrial Emissions Directive); and~~
- ~~(b) how it intends to reduce its pollution footprint to contribute to these targets.~~

Policies and actions for water and marine resources

~~AR 24. When disclosing the information on **policies** related to water and **marine resources**, the undertaking may shall indicate, where material, whether and how its **policies** address:~~

- ~~(c) water management, including;~~
- ~~(d) the use and sourcing of water and marine resources in its own operations;~~
- ~~(e) water treatment as a step towards more sustainable sourcing of water; and~~
- ~~(f) the prevention and abatement of water **pollution** resulting from its activities;~~
- ~~(g) product and service design in view of addressing water-related issues and the preservation of marine resources; and~~
- ~~(h) the commitment to reduce material **water consumption** in **areas at water risk** in its own operations along the upstream and downstream **value chain**.~~

~~AR 25.—~~

~~AR 26.— Actions for water and marine resources~~

~~AR 27-AR 14.~~ When disclosing information on **actions** related to water and **marine resources**, the undertaking ~~may~~**shall** specify actions and resources in relation to **areas at water risk**, including **areas of high-water stress**.

~~AR 28.— Guidance / Additional information for Actions on Water and marine resources~~

~~AR 29-AR 15.~~ In the case of collective action or action plans involving other **stakeholders**, the undertaking may provide information on those specific collective **actions** and the related involved parties.

Policies and actions for biodiversity and ecosystems

~~AR 30.— Guidance / Additional information for Policies on Biodiversity and ecosystems~~

~~AR 31.— When disclosing the information on **policies** related to **biodiversity** and **ecosystems**, the undertaking may disclose whether the policy allows the undertaking to:~~

- ~~(i) avoid its negative impacts on biodiversity and ecosystems in its own operations and related upstream and downstream value chain;~~
- ~~(j) reduce and minimise its negative impacts that cannot be avoided on biodiversity and ecosystems in its operations and throughout the upstream and downstream value chain;~~
- ~~(k) restore and rehabilitate degraded ecosystems or restore cleared ecosystems following exposure to impacts that cannot be completely avoided and/or minimised; and~~
- ~~mitigate its material biodiversity loss drivers; and~~
- ~~(l) adapt its strategy and business model in line with relevant aspects of the EU Biodiversity Strategy for 2030, the Kunming Montreal Global Biodiversity Framework, Directive 2009/147/EC of the European Parliament and of the Council and Council Directive 92/43/EEC (EU Birds and Habitats Directives) and/or Directive 2008/56/EC of the European Parliament and of the Council (Marine Strategy Framework Directive).~~

~~AR 32-AR 16.~~ When disclosing **policies** related to social consequences of **biodiversity** and **ecosystems**, the undertaking may notably refer to the Nagoya Protocol on Access and Benefit-sharing and to the Convention for Biological Diversity (CBD).

~~AR 33. Actions for biodiversity and ecosystems~~

~~AR 34-AR 17.~~ When disclosing the information on **actions** related to **biodiversity** and **ecosystems**, the undertaking:

~~(m)(c) may~~ shall disclose whether it used biodiversity offsets in its action plans and, if so, provide a description of the offsets used, including area, type, the quality criteria applied and the standards that the biodiversity offsets comply with; and

~~(n)(d) may~~ shall describe whether and how it has incorporated nature-based solutions into biodiversity and ecosystems-related actions.;

~~AR 35. Guidance / Additional information for Actions on Biodiversity and ecosystems~~

~~AR 36-AR 18.~~ In addition, when disclosing the information on **actions** related to biodiversity and **ecosystems**, the undertaking may disclose how it has applied the mitigation hierarchy with regard to its actions (avoidance, minimisation, restoration/rehabilitation, and compensation or offsets).

~~AR 37-AR 19.~~ The undertaking may disclose whether it considers an “avoidance” action plan. An avoidance action plan prevents damages before they take place. An example of avoidance is altering the **biodiversity** and ecosystem footprint of a project to avoid destruction of natural **habitat** on the **site** and/or establishing set-asides where priority biodiversity values are present and will be conserved.

Policies and actions for resource use and circular economy

~~AR 38. Policies for resource use and circular economy~~

~~AR 39.~~ When disclosing the information on **policies** related to resource use and **circular economy**, the undertaking ~~may~~ shall indicate, where material, whether and how its policies address the following matters:

~~(e) transitioning away from use of virgin resources, including relative increases in use of secondary (recycled) resources; and~~

~~(p) sustainable sourcing and use of renewable resources.~~

~~AR 40. Guidance / Additional information for Policies on Resource use and circular economy~~

~~AR 41.~~ When disclosing the information on **policies** related to resource use and **circular economy**, the undertaking shall ~~consider~~ may disclose whether and how its policies address:

~~(q) the waste hierarchy: (i) prevention; (ii) preparation for re-use; (iii) recycling; (iv) other recovery, e.g., energy recovery; and (v) disposal. In this context, waste treatment cannot be considered as recovery; and~~

~~(r) the prioritisation of the avoidance or minimisation of waste (be it through re-using, repairing, refurbishing, remanufacturing and repurposing) over waste treatment strategies (recycling). The concepts of eco-design, waste as a resource and post-consumer waste (at the end of a consumer product lifecycle) should also be taken in consideration.~~

~~— Guidance / Additional information for Actions on Resource use and circular economy~~

~~AR 6.~~ When disclosing the information on **actions** related to **resource use** and **circular economy**, the undertaking may specify whether and how the actions and resources cover specific circular design and business practices, as well as the use of recyclates and the prevention and optimisation of waste.;

~~AR 42. higher levels of resource efficiency in use of technical and biological materials and water, particularly in relation to critical raw materials and rare earths as listed in the Raw Materials Information System;~~

~~AR 43. higher rates of use of secondary raw materials (recyclates);~~

~~AR 44. the application of circular design, leading to increased product durability and optimization of use as well as higher rates of reuse, repair, refurbishing, remanufacturing, repurposing and recycling;~~

~~AR 45. the application of circular business practices such as (i) value retention actions (maintenance, repair, refurbishing, remanufacturing, component harvesting, upgrading and reverse logistics, closed loop systems, and second-hand retailing), (ii) value maximisation actions (product service systems, collaborative and sharing economy business models), (iii) end-of-life actions (recycling, upcycling, extended producer responsibility), and (iv) systems efficiency actions (industrial symbiosis);~~

~~AR 46. actions taken to prevent waste generation in the undertaking's upstream and downstream value chain; and~~

~~AR 47. AR 20. In addition to ESRS 2 MDR-A, the undertaking may specify whether and how an action and resources cover the optimisation of waste management in line with the waste hierarchy.~~

SOCIAL

Policies related to an undertaking's own workforce, value chain workers, affected communities or consumers and end-users

~~AR 48. AR 21. When it describes its policies on concerning either its own workforce, value chain workers, affected communities or consumers and end-users for those matters that are material the undertaking shall disclose whether it engages with them. It shall further apply the following Application Requirements: its general approach to:~~

- ~~(a) engagement with people in AR 323 and to AR 34 for its own workforce; (refer to AR 33 to AR 34) and~~
- ~~(b) AR 34a55 and to AR 356 for value chain workers; measures to provide and/or enable remedy for human rights impacts (refer to AR 42 to AR 44).~~
- ~~(c) AR 374 to AR 4176 for affected communities;~~
- ~~(b)(d) AR 4297 and to AR 4498 for consumers and end-users.~~

~~AR 49. AR 22. If the undertaking has adopted an specific policies aimed at the elimination of anti-discrimination policy for its own workforce, it shall disclose this. In addition, it may also disclose which grounds/forms for of discrimination are covered (racial and ethnic origin, colour, sex, sexual orientation, gender identity, disability, age, religion, political opinion, national extraction or social origin or other forms of discrimination covered by EU regulation and/or national laws).~~

Processes for engaging on impacts with an undertaking's own workforce and workers' representatives, value chain workers, affected communities or consumers and end-users on impacts

~~AR 7. If the undertaking engages with its own workforce, value chain workers, affected communities or consumers and end-users, when disclosing information under AR 30(a) the undertaking it shall disclose:~~

AR 50.(e) ~~its general processes for engaging, where relevant, with the stakeholder group in question people in its own workforce and/or~~ their representatives on actual and potential material **impacts** on them; and

AR 51. ~~whether and how the perspectives of its own workforce inform its decisions or activities aimed at for managing the actual and potential material impacts on them. This shall include, where relevant, an explanation of:~~

~~(f) whether it engages—occurs—directly with the undertaking's own workforce stakeholder(s) in question or~~ **workers' their representatives.**

AR 52. ~~If the undertaking engages with its own workforce it may further disclose:~~

~~(e) the stage(s) at which engagement occurs as well as the type of engagement and frequency of the engagement; and,~~

~~where applicable, any agreements that the undertaking has with workers' representatives, especially national, European or international trade unions or works councils, related to about the respect of human rights of its own workforce;~~

~~(d)(g) how it engages with people in its workforce and workers' representatives on the impacts on its own workforce that may arise from reducing carbon emissions and transitioning to greener and climate neutral operations, in particular restructuring, employment loss or creation, training and upskilling/reskilling, gender and social equity, and health and safety.~~

AR 23. ~~If the undertaking does not have cannot disclose the above required information because it has not adopted a general processes to for engaging with its own workforce the above-mentioned stakeholders, it may disclose a timeframe in which by when it aims to have such a process in place intends to introduce them one.~~

~~Processes for engaging with value chain workers on impacts~~

~~AR xx AR 34a If the undertaking engages with value chain workers and their representatives it shall disclose:~~

~~its general processes for engaging, where relevant, with workers in the value chain and their representatives on actual and potential material impacts on them; and~~

~~AR35 whether engagement occurs with value chain workers or their legitimate representatives directly or with credible proxies that have insight into their situation.~~

~~If the undertaking engages with value chain workers and their representatives it may further disclose:~~

~~(a) the stage(s) at which engagement occurs and the type of engagement and frequency of the engagement; and,~~

~~(h) (b) any agreements it has with global union federations about the human rights of workers in the value chain, including their right to bargain collectively.~~

AR 24. ~~If the undertaking does not have a general process for engaging with value chain workers, it may disclose whether and by when it intends to introduce one.~~

~~Processes for engaging with affected communities on impacts~~

~~If the undertaking engages with affected communities and their representatives it shall disclose:~~

~~its general processes for engaging, where relevant, with affected communities and their representatives on actual and potential material impacts on them; and~~

~~whether engagement occurs with affected communities, their **legitimate representatives** directly or with **credible proxies** that have insight into their situation. The undertaking shall disclose any **policies** for preventing and addressing **impacts on indigenous peoples**.~~

~~Where **affected communities** are **indigenous peoples**, the undertaking shall disclose how it takes into account and ensures respect of their rights in its **stakeholder engagement** approach, including their right to **free, prior and informed consent** with regard to their cultural, intellectual, religious and spiritual property, activities affecting their lands, and territories and resources they customarily own, occupy or otherwise use, and legislative or administrative measures that affect them. ~~It shall also disclose whether and how **indigenous peoples** have been consulted on the engagement modalities, such as the agenda, nature and timing of engagement.~~~~

~~AR 25. If the undertaking does not have a general process for engaging with affected communities, it may disclose by when it intends to introduce one.~~

~~Processes for engaging with consumers and end-users on impacts~~

~~If the undertaking engages with **consumers and end-users**, it shall disclose:~~

~~its general processes for engaging, where relevant, with consumers and end-users and their representatives on actual and potential material **impacts** on them; and~~

~~whether engagement occurs with affected consumers and end-users or their **legitimate representatives** directly or with **credible proxies** that have insight into their situation.~~

~~If the undertaking engages with **consumers and end-users** and their representatives it may further disclose the stage(s) at which engagement occurs and the type and frequency of engagement.~~

~~AR 26. If the undertaking does not have a general process for engaging with **consumers and end-users**, it may disclose whether and by when it intends to introduce one.~~

~~Guidance on 'processes for engaging with an undertaking's own workforce and workers' representatives, value chain workers, affected communities or consumers and end-users on impacts (AR 33–AR 45)'~~

~~AR 8.—When preparing the disclosures described in AR 33(b), the following may be considered:~~

~~(a) examples of 'stages at which engagement occurs, which are (i) determining the approach to mitigation and (ii) evaluating the effectiveness of mitigation;~~

~~(b) for 'type of engagement, these could be participation, consultation and/or information; and~~

~~(c) for the 'frequency of the engagement, information may be provided on whether engagement occurs on a regular basis or at certain points in a project or business process (for example, when a new harvest season begins or a new production line is opened), whether it occurs in response to legal requirements and/or in response to stakeholder requests and whether the result of the engagement is being integrated into the undertaking's decision-making processes.~~

~~AR 9.—To illustrate how the perspectives of its **own workforce** have informed specific decisions or activities, the undertaking may provide examples from the current reporting period.~~

~~If the undertaking has agreements with national, European or international trade unions or with works councils related to the rights of people in its **own workforce**, this can be disclosed to illustrate how the agreement enables the undertaking to gain insight into the perspectives of such people.~~

~~AR 10.—— The undertaking may provide examples from the reporting period to illustrate how the perspectives of its **own workforce** and **workers' representatives** have informed specific decisions or activities of the undertaking.~~

~~(AR 33—AR 35)If the undertaking engages with its own workforce on actual and potential material impacts on them, The undertakingit may disclose shall consider the following aspects when fulfilling this Disclosure Requirement:~~

~~(a) the type of engagement (for example, information, consultation or participation) and its frequency (for example, ongoing, quarterly, annually);~~

~~(b) how feedback is recorded and integrated into decision-making and how people in the workforce are informed of the way in which their feedback has influenced decisions;~~

~~(c) whether engagement activities take place at the organisational level or at a lower level, such as at the site or project level, and in the latter case how information from engagement activities is centralised;~~

~~(d) the resources (for example, financial or human resources) allocated to engagement; and~~

~~(e) how it engages with people in its workforce and workers' representatives on the impacts on its own workforce that may arise from reducing carbon emissions and transitioning to greener and climate-neutral operations, in particular restructuring, employment loss or creation, training and upskilling/reskilling, gender and social equity, and health and safety.~~

~~AR 11.—— The undertaking may also disclose the following information in relation to paragraph AR 3212 on diversity:~~

~~(a) how it engages with at-risk persons or persons in vulnerable situations (for example, whether it takes specific approaches and gives special attention to potential barriers);~~

~~(b) how it takes into account potential barriers to engagement with people in its workforce (for example, language and cultural differences, gender and power imbalances, or divisions within a community or group);~~

~~(c) how it provides people in its workforce with information that is understandable and accessible through appropriate communication channels;~~

~~(d) any conflicting interests that have arisen among its workforce and how the undertaking has resolved these conflicting interests; and~~

~~(e) how it seeks to respect the human rights of all stakeholders engaged, for example, their rights to privacy, freedom of expression and peaceful assembly and protest.~~

~~The undertaking may also report information about the effectiveness of processes for engaging with its **own workforce** from previous reporting periods. This applies in cases where the undertaking has assessed the effectiveness of these processes or derived lessons during the current reporting period. Processes used to track such effectiveness can include internal or external auditing or verification, impact assessments, measurement systems, **stakeholder** feedback, **grievance mechanisms**, external performance ratings~~

~~and benchmarking. Specific guidance for the disclosures about processes for engaging with affected communities~~

~~The undertaking may disclose the engagement with affected indigenous peoples to obtain their free, prior and informed consent if the undertaking's operations affect the lands, territories or resources that indigenous peoples customarily own, occupy or otherwise use, or if it relocates them from land or territories subject to traditional ownership or under customary use or occupation; or if it affects or exploits their cultural, intellectual, religious or spiritual property.~~

~~(AR 43—AR 45)~~

Processes for remediating negative impacts and channels for an undertaking's own workforce, value chain workers, affected communities or consumers and end-usersown workforce to raise concerns

~~AR 12. If the undertaking has in place processes to provide for or cooperate in the remediating of negative impacts on people in either its own workforce, value chain workers, affected communities or consumers and end-users that the undertaking is connected with, as well as channels available for its own workforce to raise concerns and have them addressed, when disclosing information under AR 31(b) it shall disclose:~~

~~(i) its approach to and processes for providing or contributing to remedy where it has caused or contributed to afor material negative impacts on any of the aforementioned stakeholders people in its own workforce it has caused or contributed to, including whether and how the undertakingit assesses the provided remedy to be effectiveness of remedial measures, and.~~

~~AR 53. If the undertaking has channels for either its own workforce, value chain workers, affected communities or consumers and end-users to raise their concerns and have them addressed it shall disclose them.; and~~

~~(e)(i) any channels it has in place for its own workforceany of the aforementioned stakeholders to raise their concerns or needs and have them addressed.~~

~~AR 54. The undertaking may disclose whether and how it assesses that people in its own workforce are aware of and trust these structures or processes as a way of raising their concerns or needs and have them addressed. In addition, tThe undertaking shall disclose whether the undertakingit has policies in place for the protecting of individuals that use the channels or processes mentioned in AR 42m against retaliation.~~

~~AR 55-AR 27. If the undertaking cannot disclose the above required information because it has not implemented thosedoes not have such processes or channels, it may disclose whether and a timeframe in which it aims to put such processes in placeby when it intends to introduce them.~~

Guidance on 'processes for remediating negative impacts and channels for own workforce to raise concerns' (AR 52—AR 53)

~~AR 13. In fulfilling the requirements set out in AR 2142 through AR 3244 the undertaking may be guided by the content of the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct focused on remediation and grievance mechanisms.~~

~~AR 14. Channels for raising concerns or needs include grievance mechanisms, hotlines, trade unions (where people in the workforce are unionised), works councils, dialogue processes or other means through which the undertaking's own workforce or workers' representatives can raise concerns about impacts or explain needs that they would like the undertaking to~~

~~address. This could include both channels provided by the undertaking directly and channels provided by the entities where their own workforce is working in addition to any other mechanisms an undertaking may use to gain insight into the management of impacts on its own workforce, **value chain workers**, **affected communities**, consumers and **end-users**, such as compliance audits. Where the undertaking is relying solely on information about the existence of such channels provided by its **business relationships** to answer this requirement, it may state that.~~

~~AR 15. These channels could be provided by an industry-wide initiative in which the undertaking takes part of or by other third-party mechanisms such as the ones operated by the government or NGOs. The undertaking may disclose whether these are accessible to all of its **own workforce** or **workers' representatives** (or, in their absence, individuals or organisations acting on their behalf or who are otherwise in a position to be aware of negative **impacts**).~~

~~AR 16. The undertaking may disclose the processes through which it supports or requires the availability of such channels in the workplace of its **own workforce**.~~

~~AR 17. In explaining whether and how the undertaking knows that people in its **own workforce** are aware of and trust any of these channels, the undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of the people concerned. Examples of such sources of information include surveys of people in the undertaking's workforce that have used such channels and their levels of satisfaction with the process and outcomes. To illustrate the usage level of such channels, the undertaking may disclose the number of complaints received from consumers and/or **end-users** during the reporting period.~~

~~AR 18. The undertaking may disclose how it tracks and monitors the issues that are raised and addressed and how it ensures the effectiveness of the channels, including through the involvement of **stakeholders** who are intended **users**.~~

~~AR 19. In describing the effectiveness of channels for its **own workforce** and **workers' representatives** to raise concerns, the undertaking may be guided by the following questions based on the 'effectiveness criteria for non-judicial **grievance mechanisms**' as laid out in the UN Guiding Principles on Business and Human Rights, in particular principle 31. The considerations below may be applied to individual channels or to a collective system of channels.~~

~~(f) Do the channels have legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust?~~

~~(g) Are the channels known and accessible to stakeholders?~~

~~(h) Do the channels have clear and known procedures with indicative timeframes?~~

~~(i) Do the channels ensure reasonable access for stakeholders to sources of information, advice and expertise?~~

~~(j) Do the channels offer transparency by providing sufficient information to complainants and, where applicable, to meet any public interest?~~

~~(k) Do outcomes achieved through the channels accord with internationally recognised human rights?~~

~~(l) Does the undertaking identify insights in the channels that support continuous learning for both improving the channels and preventing future impacts?~~

~~(m) Does the undertaking focus on engaging in dialogue with complainants as a means to reaching agreed solutions rather than seeking to unilaterally determine the outcome?~~

~~— The undertaking shall consider whether and how people in its own workforce that may be affected and their **workers' representatives** are able to access channels~~

~~at the level of the undertaking they are employed in, or contracted to work for, in relation to each material impact. Relevant channels may include hotlines, trade unions (where people in the workforce are unionised), works councils or other **grievance mechanisms** operated by the relevant undertaking or by a third party. ems.~~

~~**Actions on material impacts on an undertaking's own workforce, value chain workers, affected communities or consumers and end-users**~~

~~AR 20. When disclosing information on **actions** for material **impacts** related to either its **own workforce, value chain workers, affected communities or consumers and end-users** the undertaking shall describe:~~

- ~~(a) actions taken, planned or underway to prevent or mitigate material negative impacts, on its own workforce and~~
- ~~(b) processes through which it identifies what **actions** are needed and appropriate in response to a particular actual or potential negative **impact** on its own workforce.~~

~~*Additional guidance for actions on own workforce*~~

~~The undertaking may disclose whether and how it ensures that its own practices do not cause or contribute to material negative **impacts** on **own workforce**, including, where relevant, its practices in relation to procurement, sales and data use. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures. may shall mayshallmayshall~~

~~*Guidance / Additional information for Policies related to value chain workers*~~

~~AR 21. When describing its **policies** on **value chain workers**, the undertaking shall consider focusing on those matters that are material in relation to, as well as its general approach to:~~

- ~~(a) engagement with value chain workers (refer to AR 55 and AR 56) and~~
- ~~(b) measures to provide and/or enable **remedy** for human rights **impacts** (refer to AR 59 to AR 61).~~

~~*Processes for engaging with value chain workers on impacts*~~

~~AR 22. If the undertaking engages with **value chain workers** and their representatives, when disclosing information under AR 54(a) the undertaking it shall disclose:~~

- ~~(a) its general processes for engaging, where relevant, with workers in the **value chain** and their representatives on actual and potential material **impacts** on them; and~~

~~AR 23. whether and how the perspectives of **value chain workers** inform its decisions or activities aimed at ~~for~~ managing the actual and potential material impacts on them. This shall include, where relevant, an explanation of~~

- ~~i. whether engagement occurs with value chain workers or their **legitimate representatives** directly or with **credible proxies** that have insight into their situation;~~
- ~~ii. the stage(s) at which engagement occurs and the type of engagement and frequency of the engagement; and,~~

~~iii. where applicable, any agreements that the undertaking has with global union federations related to about the respect of human rights of workers in the value chain, including their right to bargain collectively.~~

~~AR 24. If the undertaking cannot disclose the above required information because it has does not have adopted a general process to engage with **value chain workers**, it may disclose a timeframe in which it aims to have such a process in place by when it intends to introduce them.~~

Guidance on 'processes for engaging with value chain workers on impacts'

~~AR 25. When preparing the disclosures described in **AR 55(b)**, the following illustrations may be considered:~~

- ~~(a) examples of stages at which engagement occurs, which are (i) determining the approach to mitigation and (ii) evaluating the effectiveness of mitigation;~~
- ~~(b) for the type of engagement, these could be participation, consultation and/or information; and~~
- ~~(c) for the frequency of the engagement, information may be provided on whether engagement occurs on a regular basis at certain points in a project or business process (for example, when a new harvest season begins or a new production line is opened), whether it occurs in response to legal requirements and/or in response to **stakeholder** requests and whether the result of the engagement is being integrated into the undertaking's decision-making processes.~~

~~AR 26. To illustrate how the perspectives of **value chain workers** have informed specific decisions or activities, the undertaking may provide examples from the current reporting period.~~

Processes for remediating negative impacts and channels for value chain workers to raise concerns

~~AR 27. If the undertaking has in place processes to provide for or cooperate in the **remediating on** of negative **impacts on value chain workers** that the undertaking is connected with as well as channels available to value chain workers to raise concerns and have them addressed, when disclosing information under AR 54(b) it shall report disclose:~~

- ~~(n) its approach to and processes for providing or contributing to **remedy** where where it has caused or contributed to a for material negative impacts on **value chain workers** it has caused or contributed to, including whether and how the undertaking it assesses the remedy provided to be effectiveness of remedial measures; and~~
- ~~(o) any channels it has in place for **value chain workers** to raise their concerns or needs and have them addressed.~~

~~AR 28. The undertaking may disclose whether and how it assesses that **value chain workers** are aware of and trust these structures or processes as a way of raising their concerns or needs and have them addressed. In addition, the undertaking shall disclose whether the undertaking it has policies in place regarding the to protection of individuals that use the channels or processes mentioned in **AR 59m** against retaliation.~~

~~AR 29. If the undertaking cannot disclose the above required information because it has not implemented those does not have such processes, it may disclose a timeframe in which it aims to have such processes in place by when it intends to introduce them.~~

~~Guidance on 'processes for remediating negative impacts and channels for value chain workers to raise concerns'~~

~~AR 30. In fulfilling the requirements set out in **AR 59 to AR 61**, the undertaking may be guided by the content of the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct focused on **remediation and grievance mechanisms**.~~

~~AR 31. Channels for raising concerns or needs include **grievance mechanisms**, hotlines, trade unions (where workers are unionised), dialogue processes or other means through which the **value chain workers** or their **legitimate representatives** can raise concerns about **impacts** or explain the needs that they would like the undertaking to address. This could include both channels provided by the undertaking directly and channels provided by the entities where value chain workers are working in addition to any other mechanisms an undertaking may use to gain insight into the management of impacts on workers, such as compliance audits. Where the undertaking is relying solely on information about the existence of such channels provided by its **business relationships** to answer this requirement, it may state that.~~

~~AR 32. These channels could be provided by an industry-wide initiative in which the undertaking takes part or by other third-party mechanisms, such as the ones operated by the government or NGOs. The undertaking may disclose whether these are accessible to all workers who may be potentially or actually materially impacted by the undertaking, to individuals or organisations acting on their behalf or who are otherwise in the position to be aware of negative **impacts**.~~

~~AR 33. The undertaking may disclose its processes through which it supports or requires the availability of such channels in the workplace of **value chain workers**.~~

~~AR 34. In disclosing whether and how the undertaking knows that **value chain workers** are aware of and trust any of these channels, ~~t~~he undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of the people concerned. Examples of such sources of information are surveys of value chain workers that have used such channels and their levels of satisfaction with their respective process and outcomes.~~

~~AR 35. The undertaking may disclose how it tracks and monitors the issues that are raised and addressed and how it ensures the effectiveness of the channels, including through the involvement of **stakeholders** who are intended **users**.~~

~~AR 36. In describing the effectiveness of channels for **value chain workers** to raise concerns, the undertaking may be guided by the following questions, based on the 'effectiveness criteria for non-judicial **grievance mechanisms**' as laid out in the UN Guiding Principles on Business and Human Rights, in particular principle 31. The considerations below may be applied to individual channels or to a collective system of channels.~~

~~(p) Do the channels have legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust?~~

~~(q) Are the channels known and accessible to **stakeholders**?~~

~~(r) Do the channels have clear and known procedures with indicative timeframes?~~

~~(s) Do the channels ensure reasonable access for stakeholders to sources of information, advice and expertise?~~

~~(t) Do the channels offer transparency by providing sufficient information to complainants and, where applicable, to meet any public interest?~~

- ~~(u) Do the outcomes achieved through the channels accord with internationally recognised human rights?~~
- ~~(v) Does the undertaking identify insights in the channels that support continuous learning in both improving the channels and preventing future **impacts**?~~
- ~~(w) Does the undertaking focus on engaging in dialogue with complainants as a means to reaching agreed solutions rather than seeking to unilaterally determine the outcome?~~

~~AR 37. To provide greater insight into the information covered in this Disclosure Requirement regarding workers in the **value chain**, (The undertaking may explain whether and how **value chain workers** that may be affected are able to access channels at the level of the undertaking they are employed by or contracted to work for in relation to each material impact, and what it does to support or require the availability of such channels in the workplace).~~

~~AR 68. In relation to the protection of individuals that use mechanisms against retaliation, the undertaking may describe whether it treats grievances confidentially and with respect for the rights of privacy and data protection and whether the mechanisms can be used anonymously (for example, through representation by a third party).~~

~~**Actions on material impacts on value chain workers**~~

~~AR 70. When disclosing information on **actions** on material **impacts** related to **value chain workers**, the undertaking shall describe:~~

- ~~(a) the actions taken, planned or underway to prevent or mitigate material negative **impacts** on **value chain workers** and~~
- ~~(b) the processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on **value chain workers**.~~

~~AR 71. The undertaking shall disclose whether and how it takes action to avoid causing or contributing to material negative **impacts** on **value chain workers** through its own practices, including, where relevant, in relation to procurement, sales and data use. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.~~

~~**Policies related to affected communities**~~

~~AR 72. The undertaking shall disclose any particular **policy** provisions for preventing and addressing **impacts** on **indigenous peoples**.~~

~~*Guidance / Additional information for Policies related to affected communities*~~

~~AR 73. When describing its **policies** on **affected communities**, the undertaking shall consider focusing on those matters that are material in relation to, as well as its general approach to:~~

- ~~(a) engagement with affected communities (refer to AR 74 to AR 80) and~~
- ~~(b) measures for providing and/or enabling **remedy** for human rights **impacts** (refer to AR 79 through AR 81).~~

~~*Processes for engaging with affected communities on impacts*~~

AR 74. ~~If the undertaking engages with **affected communities** and their representatives, when disclosing information under AR 70(a) the undertaking it shall disclose:~~

~~(a) its general processes for engaging, where relevant, with affected communities and their representatives on actual and potential material **impacts** on them; and~~

~~AR 75. whether and how the perspectives of affected communities inform its decisions or activities aimed at for managing the actual and potential material impacts on them. This shall include, where relevant, an explanation of:~~

- ~~i. whether engagement occurs with affected communities, their **legitimate representatives** directly or with **credible proxies** that have insight into their situation; and~~
- ~~ii. the stage(s) at which engagement occurs, the type of engagement and frequency of the engagement.~~

~~AR 76. Where **affected communities** are **indigenous peoples**, the undertaking shall also disclose how it takes into account and ensures respect of their particular rights in its **stakeholder engagement** approach, including their right to **free, prior and informed consent** with regard to their cultural, intellectual, religious and spiritual property; activities affecting their lands and territories; and legislative or administrative measures that affect them. In particular, where engagement occurs with indigenous peoples the undertaking it shall also disclose whether and how **indigenous peoples** have been consulted on the mode and parameters of the engagement (for example, in designing the agenda, nature and timeliness of the engagement).~~

~~AR 77. If the undertaking cannot disclose the above required information because it has not adopted does not have a general process to engage with **affected communities**, it may disclose a timeframe in which it aims to have such a process in place by when it intends to introduce one.~~

Guidance on 'processes for engaging with affected communities on impacts'

~~AR 78. When preparing the disclosures described in AR 74(b), the following may be considered:~~

~~(a) examples of stages in which engagement occurs, which are (i) determining the approach to mitigation and (ii) evaluating the effectiveness of mitigation;~~

~~(b) for type of engagement, these could be participation, consultation and/or information; and~~

~~(c) for the frequency of the engagement, information may be provided on whether engagement occurs on a regular basis at certain points in a project or business process (for example, when a new harvest season begins or a new production line is opened), whether it occurs in response to legal requirements and/or in response to **stakeholder** requests and whether the result of the engagement is being integrated into the undertaking's decision-making processes.~~

~~AR 79. To illustrate how the perspectives of **affected communities** have informed specific decisions or activities, the undertaking may provide examples from the current reporting period.~~

~~AR 80. The undertaking shall consider how the engagement includes a good faith negotiation with affected **indigenous peoples** to obtain their **free, prior and informed consent** where the undertaking affects the lands, territories or resources that indigenous peoples customarily own, occupy or otherwise use; relocates them from land or territories subject to traditional ownership or under customary use or occupation; or affects or exploits their cultural, intellectual, religious or spiritual property.~~

~~AR 81. Explanations of how the undertaking takes into account and ensures respect of the particular right of **indigenous peoples to free, prior and informed consent** may include~~

~~information about processes for consulting with indigenous peoples to obtain their free, prior and informed consent.~~

~~*Processes for remediating negative impacts and channels for affected communities to raise concerns*~~

~~AR 82. If the undertaking has in place processes to provide for or cooperate in the **remediating** of negative **impacts** on **affected communities** that the undertaking is connected with as well as channels available to them to raise concerns and have them addressed, when disclosing information under AR 70(b) it shall disclose:~~

~~(x) its approach to and processes for providing or contributing to **remedy** where it has caused or contributed to a material negative **impact** on affected communities it has caused or contributed to, including whether and how the undertaking assesses the provided remedy to be effectiveness of remedial measures; and~~

~~(y) any channels it has in place for affected communities to raise their concerns or voice their needs and have them addressed.~~

~~AR 83. The undertaking may disclose whether and how it assesses that **affected communities** are aware of and trust these structures or processes as a way of raising their concerns or needs and have them addressed. In addition, the undertaking shall disclose whether the undertaking it has policies in place for the protection of individuals that use the channels or processes mentioned in AR 80 against retaliation.~~

~~AR 84. If the undertaking cannot disclose the above required information because it has not implemented those does not have such processes, it may disclose a timeframe in which it aims to have such processes in place by when it intends to introduce them.~~

~~*Guidance on 'processes for remediating negative impacts and channels for affected communities to raise concerns'*~~

~~AR 85. In fulfilling the requirements set out in AR 81 to AR 83, the undertaking may be guided by the content of the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct focused on **remediation** and **grievance mechanisms**.~~

~~AR 86. Channels for raising concerns or needs include **grievance mechanisms**, hotlines, dialogue processes or other means through which **affected communities** or their legitimate representatives can raise concerns about **impacts** or explain needs that they would like the undertaking to address. This could include both channels provided by the undertaking directly in addition to any other mechanisms an undertaking may use to gain insight into the management of impacts on communities, such as compliance audits. Where the undertaking is relying solely on information about the existence of such channels provided by its **business relationships** to answer this requirement, it may state that.~~

~~AR 87. To provide greater insight into the information covered in this Disclosure Requirement regarding **affected communities**, the undertaking may provide insight into describe whether and how potentially affected communities that may be affected are able to access to channels at the level of the undertaking they are affected by in relation to each material impact. Relevant insights This includes information about whether affected communities can access channels in a language they understand, and whether they have~~

~~been consulted in the designing of such channels them or what the undertaking does to support the provision of those channels by its business partners.~~

~~AR 88. Channels could be provided by an industry-wide initiative in which the undertaking takes part or by other third-party mechanisms such as the ones operated by the government or NGOs. The undertaking may disclose whether these are accessible to all **affected communities** who may be potentially or actually materially impacted by the undertaking, to individuals or organisations acting on their behalf, or who are otherwise in a position to be aware of negative **impacts**.~~

~~AR 89. The undertaking may disclose the processes through which it supports the availability of such channels by its business relationships.~~

~~AR 90. In relation to the protection of individuals that use the mechanisms against retaliation, the undertaking may describe whether it treats grievances confidentially and with respect for the rights of privacy and data protection and whether the mechanisms can be used anonymously (for example, through representation by a third party).~~

~~AR 91. When disclosing processes related to providing and enabling **remedy for indigenous peoples**, relevant information includes whether and how the undertaking has considered their customs, traditions, rules and legal systems.~~

~~AR 92. In disclosing whether and how the undertaking knows that **affected communities** are aware of and trust any of these channels, the undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of the people concerned. Examples of such sources of information are surveys of community members that have used such channels and their levels of satisfaction with the process and outcomes.~~

~~AR 93. The undertaking may disclose how it tracks and monitors the issues that are raised and addressed and how it ensures the effectiveness of the channels, including through the involvement of **stakeholders** who are intended **users** of those channels.~~

~~AR 94. In describing the effectiveness of channels for **affected communities** to raise concerns, the undertaking may be guided by the following questions based on the 'effectiveness criteria for non-judicial **grievance mechanisms**' as laid out in the UN Guiding Principles on Business and Human Rights, in particular principle 31. The considerations below may be applied to individual channels or to a collective system of channels.~~

~~(z) Do the channels have legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust?~~

~~(aa) Are the channels known and accessible to **stakeholders**?~~

~~(bb) Do the channels have clear and known procedures with indicative timeframes?~~

~~(cc) Do the channels ensure reasonable access for stakeholders to sources of information, advice and expertise?~~

~~(dd) Do the channels offer transparency by providing sufficient information to complainants and, where applicable, to meet any public interest?~~

~~(ee) Do outcomes achieved through the channels accord with internationally recognised human rights?~~

~~(ff) Does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future **impacts**?~~

~~Does the undertaking focus on engaging in dialogue with complainants as a means to reaching agreed solutions rather than seeking to unilaterally determine the outcome?~~

~~Actions on material impacts on affected communities~~

~~AR 95. When disclosing information on **actions** on material impacts related to **affected communities**, the undertaking shall describe:~~

- ~~(a) the actions taken, planned or underway to prevent or mitigate material negative **impacts** on affected communities and~~
- ~~(b) the processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on affected communities.~~

~~AR 96. The undertaking shall disclose whether and how it takes action to avoid causing or contributing to material negative **impacts** on **affected communities** through its own practices, including, where relevant, in relation to planning, land acquisition and exploitation, finance, extraction or production of **raw materials**, use of **natural resources** and management of environmental impacts. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.~~

~~Guidance / Additional information for Policies related to consumers and end-users~~

~~AR 97. When describing its **policies** on **consumers** and **end-users**, the undertaking shall consider focusing on those matters that are material in relation to, as well as its general approach to:~~

- ~~(a) engagement with consumers and/or end-users (refer to AR 97 and AR 98) and~~
- ~~(b) measures to provide and/or enable **remedy** for human rights impacts (refer to AR 102 through AR 104).~~

~~Processes for engaging with consumers and end-users on impacts~~

~~AR 98. If the undertaking engages with **consumers** and **end-users**, when disclosing information under AR 95(a) the undertaking it shall disclose:~~

- ~~(a) its general processes for engaging, where relevant, with consumers and end-users and their representatives on actual and potential material **impacts** on them; and~~

~~AR 99. whether and how the perspectives of its consumers and end-users inform its decisions or activities aimed at for managing the actual and potential material impacts on them. This shall include, where relevant, an explanation of:~~

- ~~i. whether engagement occurs with affected consumers and end-users or their **legitimate representatives** directly or with **credible proxies** that have insight into their situation; and~~
- ~~ii. the stage(s) at which engagement occurs and the type of engagement and frequency of the engagement.~~

~~AR 100. If the undertaking cannot disclose the above required information because it has not adopted does not have a general process to engage with consumers and **end-users**, it may disclose a timeframe in which it aims to have such a process in place by when it intends to introduce one.~~

~~Guidance on 'processes for engaging with consumers and end-users on impacts'~~

~~AR 101. When preparing the disclosures described in AR 96(b), the following may be considered:~~

~~(gg) examples of stages in which engagement occurs, which are (i) determining the approach to mitigation and (ii) evaluating the effectiveness of mitigation;~~

~~(hh) for the type of engagement, these could be participation, consultation and/or information; and~~

~~(ii) for the frequency of the engagement, information may be provided on whether engagement occurs on a regular basis at certain points in a project or business process (for example, when a new harvest season begins or a new production line is opened), whether it occurs in response to legal requirements and/or in response to **stakeholder** requests and whether the result of the engagement is being integrated into the undertaking's decision-making processes.~~

~~AR 102. To illustrate how the perspectives of **consumers** and **end-users** have informed specific decisions or activities, the undertaking may provide examples from the current reporting period.~~

~~AR 103. **Credible proxies** who have knowledge of the interests, experiences or perspectives of **consumers** and **end-users** could include national consumer protection bodies for some consumers.~~

~~Processes for remediating negative impacts and channels for consumers and end-users to raise concerns~~

~~AR 104. If the undertaking has in place processes to provide for or cooperate in the **remediating** of negative **impacts** on **consumers** and **end-users** that the undertaking is connected with as well as channels available to them to raise concerns and have them addressed, when disclosing information under AR 95(b) it shall disclose:~~

~~(jj) its approach to and processes for providing or contributing to **remedy** where where it has caused or contributed to a for material negative impact on consumers and **end-users** it has caused or contributed to, including whether and how the undertaking it assesses the provided remedy to be effectiveness of remedial measures; and~~

~~(kk) any channels it has in place for consumers **and end-users** to raise their concerns or needs and have them addressed.~~

~~AR 105. The undertaking may disclose whether and how it assesses that **consumers** and/or **end-users** are aware of and trust these structures or processes as a way of raising their concerns or needs and have them addressed. In addition, ~~t~~The undertaking shall disclose whether the undertaking it has policies in place for the to protection of individuals that use the channels or processes mentioned in AR 102 against retaliation.~~

~~AR 106. If the undertaking cannot disclose the above required information because it has not implemented those does not have such processes, it may disclose a timeframe in which it aims to have such processes in place by when it intends to introduce them.~~

~~Guidance on 'processes for remediating negative impacts and channels for consumers and end-users to raise concerns'~~

~~AR 107. In fulfilling the requirements set out in **AR 102 to AR 104**, the undertaking may be guided by the content of the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct focused on **remediation and grievance mechanisms**.~~

~~AR 108. Channels for raising concerns or needs include **grievance mechanisms**, hotlines, dialogue processes or other means through which **consumers** and **end-users** or their legitimate representatives can raise concerns about **impacts** or explain needs that they~~

would like the undertaking to address. This could include channels provided by the undertaking directly and is to be disclosed in addition to any other mechanisms an undertaking may use to gain insight into its management of impacts on consumers and/or end-users, such as compliance audits. Where the undertaking is relying solely on information about the existence of such channels provided by its **business relationships** to answer this requirement, it may state that:

AR 109. These channels could be provided by an industry-wide initiative in which the undertaking takes part of or by other third-party mechanisms such as the ones operated by the government or NGOs. The undertaking may disclose whether these are accessible to all **consumers** and/or **end-users** who may be potentially or actually materially impacted by the undertaking or individuals, to organisations acting on their behalf, or who are otherwise in a position to be aware of negative **impacts**.

AR 110. The undertaking may disclose the processes through which it supports or requires the availability of such channels by its business relationships for **consumers** and **end-users**.

AR 111. In disclosing whether and how the undertaking knows that **consumers** and/or **end-users** are aware of and trust any of these channels, ~~t~~The undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of the people concerned. Examples of such sources of information are, ~~such as~~ surveys ~~of~~ for consumers and/or end-users that ~~who~~ have used such channels along with their levels of satisfaction with the process and outcomes. To illustrate the usage level of such channels, the undertaking may disclose the number of complaints received from consumers and/or end-users during the reporting period.

AR 112. The undertaking may disclose how it tracks and monitors the issues that are raised and addressed and how it ensures the effectiveness of the channels, including through the involvement of **stakeholders** who are intended **users**.

AR 113. In describing the effectiveness of channels for **consumers** and/or **end-users** to raise concerns, the undertaking may be guided by the following questions based on the 'effectiveness criteria for non-judicial **grievance mechanisms**' as laid out in the UN Guiding Principles on Business and Human Rights, in particular principle 31. The considerations below may be applied to individual channels or to a collective system of channels.

- (ll) Do the channels have legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust?
- (mm) Are the channels known and accessible to **stakeholders**?
- (nn) Do the channels have clear and known procedures with indicative timeframes?
- (oo) Do the channels ensure reasonable access for stakeholders to sources of information, advice and expertise?
- (pp) Do the channels offer transparency by providing sufficient information to complainants and, where applicable, to meet any public interest?
- (qq) Do outcomes achieved through the channels accord with internationally recognised human rights?
- (rr) Does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future **impacts**?
- (ss) Does the undertaking focus on engaging in dialogue with complainants as a means to reaching agreed solutions rather than seeking to unilaterally determine the outcome?

~~AR 114. To provide greater insight into the information covered in this Disclosure Requirement regarding **consumers** and **end-users**, the undertaking may provide insight into describe whether and how consumers and/or end-users that may be affected are able to access channels at the level of the undertaking they are affected by in relation to each material impact and what it does to support the provision of such channels by its business partners.~~

~~AR 112. In relation to the protection of individuals that use the mechanisms against retaliation, the undertaking may describe whether it treats grievances confidentially and with respect for the rights of privacy and data protection and whether the mechanisms can be used anonymously (for example, through representation by a third party).~~

Actions on material impacts on consumers and end-users

~~AR 114. When disclosing information on **actions** on material **impacts** related to consumers and **end-users**, the undertaking shall describe:~~

- ~~(a) the actions taken, planned or underway to prevent, mitigate or remediate material negative impacts on **consumers** and/or end-users and~~
- ~~(b) the processes through which it identifies what action is needed and appropriate in response to a particular actual or potential negative impact on consumers and/or end-users.~~

~~AR 115. The undertaking shall disclose whether and how it takes action to avoid causing or contributing to material negative **impacts** on **consumers** and/or **end-users** through its own practices, including, where relevant, marketing practices, sales and data use. This may include disclosing what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.~~

BUSINESS CONDUCT

~~Policies for business conduct~~

~~AR 116. When disclosing information on policies related to business conduct, the undertaking shall disclose:~~

~~(tt) the role of the administrative, management and supervisory bodies in business conduct;~~

~~(uu) the expertise of the administrative, management and supervisory bodies in business conduct matters;~~

~~(vv) whether it has policies on anti-corruption or anti-bribery;~~

~~(ww) if the undertaking has no policies on anti-corruption or anti-bribery, it shall state this and whether it has plans to implement them along with the timetable for implementation;~~

~~(xx) whether it has policies on the protection of whistle-blowers; and~~

~~-where applicable, whether the undertaking has in place policies for animal welfare.~~

~~Undertakings that are subject to legal requirements under national law transposing Directive (EU) 2019/1937, or to equivalent legal requirements with regard to the protection of whistle-blowers, may comply with the disclosure specified in AR 116 (e) by stating that they are subject to those legal requirements.~~

~~— Policies and actions for supplier relationships~~

~~— AR 117. With respect to supplier relationships, tThe undertaking shall disclose whether it has established a practice/procedure to monitor late payments. shall disclose:~~

~~— (a) Information about the management of its relationship with its suppliers as well as the management of its impacts on its supply chain.~~

~~— (b) whether it has established a practice / procedure to monitor late payments, specifically to SME's.~~

~~— Furthermore, with respect to supplier relationships, tAR 118. The undertaking may disclose information on its purchasing practice / procedure and whether it also considers ESG criteria.~~

~~AR 28. The content of the EU Law Table stemming from other EU Regulations, particularly the one related to Social disclosures and ID 11 in Section 3 IR 3 may be relevant for business conduct in the context of AR 68117 to AR 69118 as the undertaking has to state whether it has a supplier code of conduct.~~

~~— These requirements should be read in conjunction with Section 3 IR 3, where the undertaking shall state whether it has a supplier code of conduct.~~

~~AR 119 : the undertaking shall disclose whether it has a system in place to prevent and detect, investigate, and respond to allegations or incidents relating to corruption and bribery including the related training, and, if applicable, to describe it.~~

Policies and actions for anti-corruption and anti-bribery

~~AR 56. If the topic “Corruption and bribery” is material and the undertaking has implemented policies / actions to manage this topic, Disclosures it may include details about the risk assessments and/or mapping as well as monitoring programmes and/or internal control procedures performed by the undertaking to detect corruption and bribery. This Such procedures may include training or refer to whistleblowing systems.~~

~~The undertaking may present information about training on its anti-bribery and anti-corruption policies using the following table:~~

Anti-corruption and anti-bribery training illustrative example

During the 20XY financial year ABC provided training to its at-risk own workers in terms of its policy (see note x).. Details of its training during the year is as follows:

	<u>Managers</u>	<u>Other employees</u>
<u>Training coverage</u>		
<u>Total</u>	<u>5</u>	<u>50</u>
<u>Total receiving training</u>	<u>3</u>	<u>42</u>
<u>Total hours of training</u>	<u>6</u>	<u>84</u>
<u>Frequency</u>		
<u>How often training is required</u>	<u>Annually</u>	<u>Annually</u>

Disclosure Requirement 12 (IR-4) – Targets in relation to sustainability matters

AR 117. If the undertaking has ~~targets on GHG emission reduction~~, it shall disclose, if material, the information reported in the table below:

ID	Application requirement	Sustainability topic	Targets	EU data points
1	The undertaking shall disclose its GHG emission reduction targets for scope 1, 2 and 3.	Climate change	T	SFDR Table 2-KPI 4 Climate benchmark regulation Art. 6

~~AR 57-AR 29.~~ When disclosing **targets** related to the prevention or mitigation of environmental **impacts**, the undertaking may prioritise targets related to the reduction of the impacts in absolute terms rather than in relative terms. When targets address the prevention or mitigation of social impacts, they may be specified in terms of their effects on human rights, welfare or positive outcomes for affected **stakeholders**.

~~AR 58-AR 30.~~ The information on progress made towards achieving the **targets** may be presented in a comprehensive table, including information on the baseline and target value, milestones and achieved performance over the prior periods.

~~AR 59-AR 31.~~ When disclosing **targets** related to environmental matters, the undertaking shall identify those that are science-based.

~~AR 60-AR 32.~~ If the undertaking has **targets**, it may disclose additional topic specific information defined in the following paragraphs.

ENVIRONMENT

Guidance / Additional information for Targets on Climate change

~~AR 61-AR 33.~~ Regarding **GHG emission reduction targets** for Scope 1, 2, and 3, the undertaking may also disclose the expected decarbonisation levers and their overall quantitative contributions towards achieving the GHG emission reduction targets (e.g., energy or material efficiency and consumption reduction, fuel switching, use of renewable energy, phase out or substitution of product and process).

~~(a) GHG emission reduction targets in absolute value (either in tonnes of CO₂eq or as a percentage of the emissions of a base year) and, where relevant, in intensity value;~~

~~(b) GHG emission reduction targets for **Scope 1, 2, and 3 GHG emissions**, either separately or combined. The undertaking shall specify, in case of combined GHG emission reduction targets, which GHG emission Scopes (1, 2 and/or 3) are covered by the target;~~

- ~~(e) the current base year and baseline value of the target, and from 2030 onwards, an update of the base year for its GHG emission reduction targets after every five-year period thereafter;~~
- ~~(d) whether the GHG emission reduction targets are science-based and compatible with limiting global warming to 1.5°C, including information on which framework or methodology has been used to determine these targets — such as whether they are derived using a sectoral decarbonisation pathway — what the underlying climate and **policy scenarios** are and whether they have been externally assured; and~~
- ~~(e) the expected **decarbonisation levers** and their overall quantitative contributions towards achieving the GHG emission reduction targets (e.g., energy or material efficiency and consumption reduction, fuel switching, use of **renewable energy**, phase out or substitution of product and process);~~

~~AR-62-AR 34.~~ When setting climate change science-based **targets** or disclosing them, the undertaking may consider indications contained in resources like the Science Based Targets initiative (SBTi) for Small and Medium-Sized Enterprises (SMEs) by CDP, the United Nations Global Compact, the World Resources Institute, the WWF's publications issued by the WWF and BCG (2020) and Beyond Science-Based Targets: A Blueprint for Corporate Action on Climate and Nature.

~~AR-63-AR 35.~~ When disclosing information related to **GHG emission reduction targets**, the undertaking may specify the share of the target related to each respective **GHG emission Scope (1, 2 or 3)**. The undertaking may specify the method used to calculate **Scope 2 GHG emissions** included in the target (i.e., either the location-based or market-based method). If the boundary of the **GHG emission reduction target** diverges from that of the **GHG emissions**, the undertaking may disclose the respective percentages of Scope 1, 2, 3 and total GHG emissions covered by the target.

~~AR-64.~~ ~~When disclosing information on base year and baseline value:~~

- ~~(f) the undertaking may briefly explain how it has ensured that the baseline value against which the progress towards the target is measured is representative of the activities covered and the influences exerted by external factors (e.g., temperature anomalies in a certain year influencing the amount of energy consumption and the related GHG emissions). This can be done by the normalisation of the baseline value, e.g., by using a baseline value that is derived from a three-year average if this increases the representativeness and allows for a more faithful representation;~~
- ~~(g) the baseline value and base year shall not be changed unless significant changes in either the target or reporting boundary occur. In such a case, the undertaking may explain how the new baseline value affects the new target, its achievement and presentation of progress over time. To foster comparability, when setting new targets the undertaking may select a recent base year that does not precede the first reporting year of the new target period by more than three years. For example, with the target year set to 2030 and the target period to between 2025 and 2030, the base year shall be selected from the period between 2022 and 2025; and~~
- ~~(h) the undertaking may disclose the progress made in meeting these targets before its current base year when presenting climate-related targets;~~

~~AR-65.~~ The undertaking may present information during the target period with reference to a sector-specific **emission** pathway if available or else a cross-sector emission pathway compatible with limiting global warming to 1.5°C. For these purposes, the undertaking may calculate a 1.5°C aligned reference target value for Scope 1 and 2 (and, if applicable, a

separate one for Scope 3) against which its own **GHG emission reduction targets** or interim **targets** in the respective Scopes can be compared.

~~AR 66.~~ The reference target value may be calculated by multiplying the **GHG emissions** in the base year with either a sector-specific (sectorial decarbonisation methodology) or cross-sector (contraction methodology) **emission reduction** factor. These emission reduction factors can be derived from different sources. The undertaking should ensure that the source used is based on an emission reduction pathway compatible with limiting global warming to 1.5°C.

~~AR 118.~~ The **emission reduction** factors are subject to further development. Consequently, undertakings are encouraged to only use updated publicly available information.

~~AR 67.~~

	2030	2050
Cross-sector (ACA) reductions pathway based on the year 2020 as the reference year	42%	90%

~~Source: based on Pathways to Net-zero — SBTi Technical Summary (Version 1.0, October 2021).~~

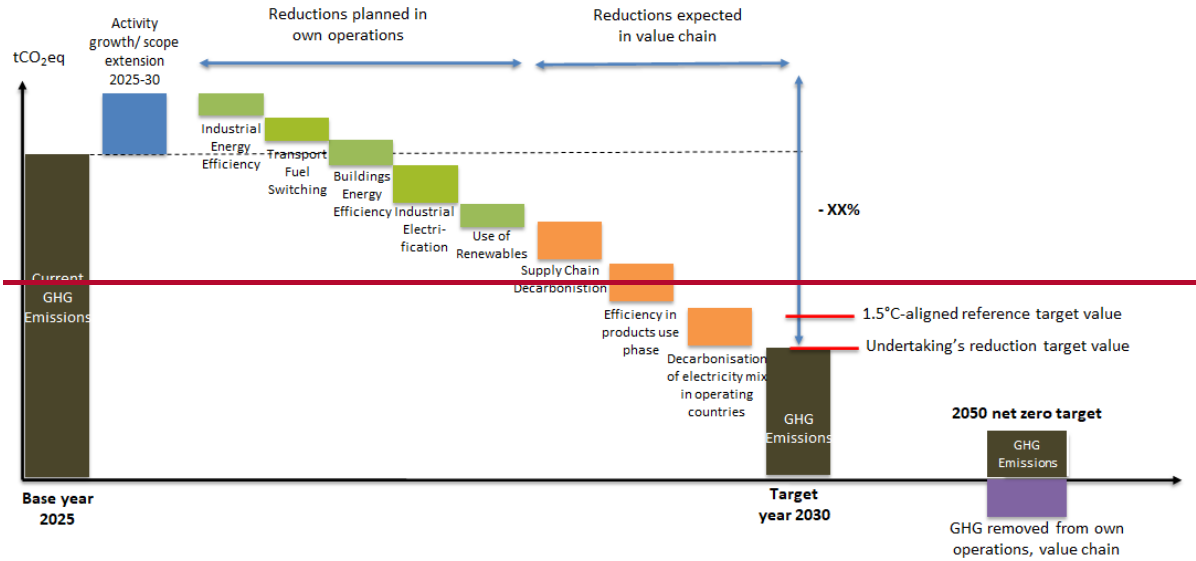
~~AR 68.~~ The reference target value is dependent on the base year and baseline **emissions** of the undertaking's **GHG emission reduction target**. As a result, the reference target value for undertakings with a recent base year or from higher baseline emissions may be less challenging to achieve than it will be for undertakings that already have taken ambitious past **actions** to reduce GHG emissions. Therefore, undertakings that have in the past achieved GHG emissions reductions compatible with either a 1.5°C-aligned cross-sector or sector-specific pathway may adjust their baseline emissions accordingly to determine the reference target value. If the undertaking is adjusting the baseline emissions to determine the reference target value, it shall not consider GHG emission reductions prior to the year 2020, and it should provide appropriate evidence of its past achieved GHG emission reductions.

~~AR 69.~~~~AR 36.~~ When disclosing the information related to expected **decarbonisation levers**, the undertaking may explain:

- (a) by reference to its climate change mitigation actions, the decarbonisation levers and their estimated quantitative contributions to the achievement of its GHG emission reduction targets broken down by each Scope (1, 2 and 3);
- (b) whether it plans to adopt new technologies and the role of these in achieving its GHG emission reduction targets; and
- (c) whether and how it has considered a diverse range of climate scenarios, including at least a climate scenario compatible with limiting global warming to 1.5°C, to detect relevant environmental-, societal-, technology-, market- and policy-related developments and determine its decarbonisation levers.

~~AR 70.~~ The undertaking may present its **GHG emission reduction targets** together with its **climate change mitigation actions** (see paragraph AR 20) in a table or graphical pathway

showing developments over time. The following figure and table provide examples combining targets and decarbonisation levers:



	Base year (e.g., 2025)	2030 target	2035 target	...	Up to 2050 target
GHG emissions (ktCO ₂ eq)	100	60	40	...	0
Energy efficiency and consumption reduction	-	-10	-4
Material efficiency and consumption reduction	-	-5	-
Fuel switching	-	-2	-
Electrification	-	-	-10

Use of renewable energy	-	-10	-3	!	!
Phase out or substitution of product change	-	-8	-	!	!
Phase out or substitution of process change	-	-5	-3	!	!
Other	-	-	!	!	!

!

Guidance / Additional information for Targets on Pollution

~~AR 71. When disclosing information on its **targets** that are related to **pollution**, and depending on the undertaking's activities, the undertaking may specify whether and how its targets relate to the prevention and control of air **pollutants** and the respective **specific loads; emissions to water** and the respective specific loads; **pollution to soil** and the respective specific loads; **substances of concern**; and **substances of very high concern**.~~

~~AR 72. If the undertaking refers to **ecological thresholds** when setting **targets**, it may refer to the guidance provided by the Science-Based Targets Initiative for Nature (SBTN) in its interim guidance (Initial Guidance for Business, September 2020) or any other guidance with a scientifically acknowledged methodology that allows for the setting of science-based targets by identifying ecological thresholds and, if applicable, entity-specific allocations. Ecological thresholds can be local, national and/or global.~~

~~AR 73-AR 37.~~ The undertaking may specify whether the **target** addresses shortcomings related to the Substantial Contribution criteria for Pollution Prevention and Control as defined in delegated acts adopted pursuant to Article 14(2) of Regulation (EU) 2020/852. Where the Do No Significant Harm (DNSH) criteria for Pollution Prevention and Control as defined in delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), and Article 15(2) of Regulation (EU) 2020/852 are not met, the undertaking may specify whether the target addresses shortcomings related those DNSH criteria.

Additional guidance for targets on water and marine resources

~~AR 74. When disclosing information on its **targets** that are related to **water and marine resources**, and depending on the undertaking's activities, the undertaking may indicate whether and how its targets relate to:~~

- ~~(d) the management of material **impacts** and **risks** related to **areas at water risk**, including improvement of the water quality;~~

- (e) ~~the responsible management of marine resources impacts and risks, including the nature and quantity of marine resources-related commodities (such as gravels, deep-sea minerals and seafood) used by the undertaking; and~~
- (f) ~~the reduction of **water consumption**, including an explanation of how these **targets** relate to areas at water risk, including areas of high water stress.~~

AR-75. ~~If the undertaking refers to **ecological thresholds** when setting **targets**, it may refer to the guidance provided by the Science-Based Targets Initiative for Nature (SBTN) in its interim guidance (Initial Guidance for Business, September 2020). It may also refer to any other guidance with a scientifically acknowledged methodology that enables the setting of science-based targets by identifying ecological thresholds and, if applicable, organisation-specific allocations. Ecological thresholds can be local, national and/or global.~~

AR-76. ~~The undertaking may provide **targets** related to:~~

- (g) ~~the reduction of water withdrawals and~~
- (h) ~~the reduction of water discharges.~~

AR-77. ~~If the undertaking provides **targets** on withdrawals, it may include **water withdrawal** from polluted **soils** and aquifers as well as water withdrawn and treated for **remediation** purposes.~~

AR-78. ~~If the undertaking provides **targets** on **discharges**, it may include **water discharges** to **groundwater** such as reinjection to aquifers or water returning to a groundwater source via a soakaway or a swale.~~

~~Additional guidance for targets on biodiversity and ecosystems~~

AR-79. ~~When disclosing information on **targets** that are related to **biodiversity** and **ecosystems**, the undertaking may specify whether and how these targets are related to:~~

- (i) ~~contribution to direct impact drivers on biodiversity loss;~~
- (j) ~~**impacts** on the state of species (i.e., on species population size, species global extinction risk, etc.);~~
- (k) ~~**impacts** on the extent and condition of **ecosystems** including through **land degradation, desertification** and **soil sealing**; and~~
- (l) ~~Impacts and dependencies on ecosystem services.~~

AR-80. ~~When disclosing information on **targets** that are related to biodiversity and ecosystems, the undertaking may specify:~~

- (a) ~~whether **ecological thresholds** and allocations of **impacts** to the undertaking were applied when setting **targets**;~~
- (a) ~~whether the targets are informed by and/or are aligned with the Kunming-Montreal Global Biodiversity Framework, relevant aspects of the EU Biodiversity Strategy for 2030 and other **biodiversity** and **ecosystem** related national **policies** and legislation;~~
- (b) ~~the geographical scope of the targets if relevant;~~
- (c) ~~whether or not the undertaking used biodiversity offsets; and~~
- (d) ~~to which of the layers of the mitigation hierarchy the target can be allocated (i.e., avoidance, minimisation, restoration and rehabilitation, or compensation and offsets).~~

AR-81. ~~The **targets** related to material **impacts** may be presented in a table as shown below:~~

~~—~~

Type of target according to mitigation hierarchy	Baseline value and base year	Target value and geographical scope			Connected policy or legislation if relevant
		2025	2030	Up to 2050	
Avoidance	█	█	█	█	█
Minimisation	█	█	█	█	█
Rehabilitation and restoration	█	█	█	█	█
Compensation or offsets	-	-	-	-	-

AR 82. The targets related to the aspects listed in paragraph AR 95122 of this Section may be presented in a table as shown below:

Type of target according to sustainability matter	Baseline value and base year	Target value and geographical scope			Related policy or legislation if relevant
		2025	2030	Up to 2050	

AR 83. Measurable targets related to biodiversity and ecosystems may be expressed in terms of:

- (e) size and location of all habitat areas protected or restored, whether directly or indirectly controlled by the undertaking and whether the success of the restoration measure was or is approved by independent external professionals;
- (f) recreated surfaces (environments in which management initiatives are implemented so as to create a habitat on a site where it did not exist initially); or
- (g) number or percentage of projects/sites whose ecological integrity was improved (e.g., installation of fish passes, wildlife corridors, etc.).

Guidance / Additional information for Targets on Resource use and circular economy

AR 84. When disclosing information on targets that are related to resource use and circular economy, the undertaking may specify:

- (h) whether and how its targets relate to resource inflows and resource outflows, including waste, products and materials;
- (i) which layer of the waste hierarchy the target relates to; and
- (j) whether ecological thresholds and entity-specific allocations were taken into consideration when setting targets.

AR 85. If the undertaking refers to ecological thresholds to set targets, it may refer to the guidance provided by the Science-Based Targets Initiative for Nature (SBTN) in its interim guidance (Initial Guidance for Business, September 2020) or any other guidance with a scientifically acknowledged methodology that allows for the setting of science-based targets by identifying ecological thresholds and, if applicable, organisation-specific allocations. Ecological thresholds can be local, national and/or global.

AR 86. When providing information on targets related to resource use and circular economy, the undertaking may prioritise targets in absolute value.

SOCIAL

Guidance / Additional information guidance for disclosing on targets unrelated to own workforce, value chain workers, affected communities and consumers and/or end-users

AR 87. AR 38. The description of the targets When the undertaking disclosing information on its targets that are related to its own workforce, the undertaking may disclose value chain workers, affected communities or consumers and end-users it may include an explanation of

~~whether if they are intended to include a summarised description of the any time-bound and outcome-oriented targets it may have set related to:~~

- ~~(k)(d) reducing negative impacts on its own workforce any one of the aforementioned groups of stakeholders,~~
- ~~(l)(e) advancing advance positive impacts on its own workforce any one of the aforementioned groups of stakeholders, and/or~~
- ~~(m)(f) managing manage material risks related to its own workforce any one of the aforementioned groups of stakeholders.~~

~~**AR 88.** The undertaking may disclose the process for setting its **targets**, including whether and how the undertaking engaged directly with any one of the aforementioned stakeholder groups directly or with their legitimate representatives or credible proxies that know their situation its own workforce or workers' representatives in:~~

- ~~(a) setting any such targets,~~
- ~~(a) tracking the undertaking's performance against them, and~~
- ~~(b) identifying any lessons or improvements resulting from the undertaking's performance.~~

Additional guidance for targets on value chain workers

~~AR 119. When disclosing information on **targets** that are related to **value chain workers**, the undertaking may disclose a summarised description of the time-bound and outcome-oriented targets it may have set related to:~~

- ~~(c) reducing negative **impacts** on value chain workers,~~
- ~~(d) advancing positive impacts on value chain workers, and/or~~
- ~~(e) managing **material risks** related to value chain workers.~~

~~AR 120. The undertaking may disclose its process for setting **targets**, including whether and how the undertaking engaged directly with workers in the value chain, their **legitimate representatives**, or with **credible proxies** that have insight into their situation when:~~

- ~~(f) setting any such targets,~~
- ~~(g) tracking the undertaking's performance against them, and~~
- ~~(h) identifying any lessons or improvements resulting from the undertaking's performance.~~

Guidance / Additional information for Targets on Affected communities

~~AR 121. When disclosing information on **targets** that are related to **affected communities**, the undertaking may disclose a summarised description of the time-bound and outcome-oriented targets it may have set related to:~~

- ~~(i) reducing negative **impacts** on affected communities,~~
- ~~(j) advancing positive impacts on affected communities, and/or~~
- ~~(k) managing **material risks** related to affected communities.~~

~~AR 122. The undertaking may disclose the process for setting the **targets**, including whether and how the undertaking engaged directly with **affected communities**, their **legitimate representatives**, or with **credible proxies** that have insight into their situation when:~~

- ~~(l) setting any such targets,~~

- ~~(m) tracking the undertaking's performance against them, and~~
- ~~(n) identifying any lessons or improvements resulting from the undertaking's performance.~~

~~Guidance / Additional information for Targets on Consumers and end-users~~

~~AR 123. When disclosing information on **targets** that are related to **consumers** and **end-users**, the undertaking may disclose a summarised description of the time-bound and outcome-oriented targets it may have set related to:~~

- ~~(o) reducing negative **impacts** on consumers and/or end-users,~~
- ~~(p) advancing positive impacts on consumers and/or end-users, and/or~~
- ~~(q) managing **material risks** related to consumers and/or end-users.~~

~~AR 124. The undertaking may disclose its process for setting the **targets**, including whether and how the undertaking engaged directly with **consumers** and/or **end-users**, their **legitimate representatives**, or with **credible proxies** that have insight into their situation when:~~

- ~~(r) setting any such targets;~~
- ~~(s) tracking the undertaking's performance against them; and~~
- ~~(t) identifying, if any, lessons or improvements resulting from the undertaking's performance.~~

Appendix B: Application Requirements for IR-3 on Policies related to own workforce.

This appendix is an integral part of the [draft] Section 3 – Policies, Actions and Targets related to S1 *Own workforce* and has the same authority as the other parts of this [draft] Standard. It supports the application of Disclosure Requirement IR-3 for social and human rights matters with examples of disclosures:

Social and human rights matters	Examples of policies:
<u>Secure employment</u>	<u>No-layoff policy, limits on renewing temporary contracts, employer provision of social protection where state provision is lacking</u>
<u>Working time</u>	<u>Limitations on overtime, long and split shifts, and night and weekend work, adequate lead time for scheduling</u>
<u>Adequate wages</u>	<u>Policy to ensure all people in own workforce receive an adequate wage</u>
<u>Social dialogue / existence of work councils / information, consultation and participation rights of workers</u>	<u>Policy to encourage institutions for social dialogue, regular information and consultation with worker representatives, consultation before final decisions on employment-related issues are reached</u>
<u>Freedom of association/Collective bargaining including the rate of workers covered by collective agreements</u>	<u>Non-interference in trade union formation and recruitment (including trade union access to undertakings), bargaining in good faith, recognition of, adequate time off for duties, facilities and dismissal protection for workers' representatives, no discrimination of trade union members and workers' representatives</u>
<u>Work-life balance</u>	<u>Provision of family leave, flexible working time, access to day care facilities for all workers</u>
<u>Health and safety</u>	<u>Coverage of all own workforce in H&S management system</u>
<u>Gender equality and equal pay for work of equal value</u>	<u>Policy for gender equality and equal pay for equal work</u>
<u>Training and skills development</u>	<u>Policy for enhancing skills and career prospects for employees</u>
<u>The employment and inclusion of people with disabilities</u>	<u>Policy for making workplaces accessible to persons with disabilities</u>
<u>Measures against violence and harassment in the workplace</u>	<u>Zero tolerance policy for violence and harassment at workplace</u>
<u>Diversity</u>	<u>Policy for inclusiveness (i.e. ethnic diversity or minority groups) and positive action.</u>
<u>Child labour</u>	<u>Policy for identifying where child labour occurs, identifying where exposure of young workers to hazardous work occurs and preventing risk of exposure</u>
<u>Forced labour</u>	<u>Policy for identifying where forced labour occurs and reducing risk of forced labour</u>



Appendix C: Application Requirements for IR-3 Actions and resources to manage material impacts on own workforce, and approaches to mitigating material risks related to own workforce, and effectiveness of those actions

This appendix is an integral part of the [draft] Section 3 – Policies, Actions and Targets related to S1 *Own workforce* and has the same authority as the other parts of this [draft] Standard. It supports the application of Disclosure Requirement IR-3 for social and human rights matters with examples of disclosures:

<u>Social and human rights matters</u>	<u>Examples of actions:</u>
<u>Secure employment</u>	<u>Offer permanent contracts to employees with temporary contracts, implement plans for social protection where state provision is lacking</u>
<u>Working time</u>	<u>Shift work rotation, extend advance notice of scheduling, reduction of excessive overtime</u>
<u>Adequate wages</u>	<u>Negotiation of fair wages in collective bargaining agreements, verification that employment agencies pay a fair wage</u>
<u>Social dialogue / existence of work councils / information, consultation and participation rights of workers</u>	<u>Expansion of sustainability issues dealt with in social dialogue, increase in number of meetings, increase in resources for works councils</u>
<u>Freedom of association/Collective bargaining including the rate of workers covered by collective agreements</u>	<u>Expansion of sustainability issues dealt with in collective bargaining, increase in resources for workers' representatives</u>
<u>Work-life balance</u>	<u>Expand family leave eligibility and flexible working time arrangements, increasing provision of day care</u>
<u>Health and safety</u>	<u>Increase health & safety training, investment in safer equipment</u>
<u>Gender equality and equal pay for work of equal value</u>	<u>Targeted recruitment and promotion of women, reduction in pay gap through negotiation of collective bargaining agreements</u>
<u>Training and skills development</u>	<u>Skills audits, training to fill skills gaps</u>
<u>The employment and inclusion of people with disabilities</u>	<u>Increasing accessibility measures</u>
<u>Measures against violence and harassment in the workplace</u>	<u>Improving complaint mechanisms, increasing sanctions against violence and harassment, providing training for prevention to management</u>
<u>Diversity</u>	<u>Training on diversity and inclusion (including ethnicity considerations), targeted recruitment of underrepresented groups</u>
<u>Child labour</u>	<u>Age verification measures, partnerships with organizations to eliminate child labour, measures against worst forms of child labour</u>

<u>Social and human rights matters</u>	<u>Examples of actions:</u>
<u>Forced labour</u>	<u>Measures ensuring free consent to employment without threat of penalty, contracts in understandable language, freedom to terminate employment without penalty, disciplinary measures should not obligate labour, free consent to overtime, freedom of movement (including to exit workplace), fair treatment for migrant workers, monitoring employment agencies</u>