

[Draft] ESRS for listed SMEs

Section 2

STATUS OF THIS DRAFT

Editorial review in progress. Still pending:

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

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

DISCLAIMER

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

- *Appendix A: Application Requirements,*

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

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



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LSME General Disclosures

Objective

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

1. Basis for preparation

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

2. The objective of this Disclosure Requirement is to provide an understanding of how the undertaking prepares its individual ***sustainability statement***, under Art. 19a (6) of the Directive 2013/34/EU of the European Parliament and of the Council, including the upstream and downstream ***value chain*** information and, where relevant, whether the undertaking has used any of the options for omitting information referred to in point (c) in the following paragraph.
3. The undertaking shall disclose the general basis for preparation of its sustainability statement including the following information:
 - (a) the extent to which the sustainability statement covers the undertaking's upstream and downstream value chain, including the extent of coverage of information about its subsidiaries, based on the results of the undertaking's materiality assessment, specifying, if applicable, the related reporting scope (see [draft] Section 1 chapter 4.1 *Reporting undertaking and value chain*);
 - (b) whether the undertaking has used the option to omit a specific piece of information corresponding to intellectual property, know-how or the results of innovation (see [draft] Section 1 chapter 6.6 *Classified and sensitive information, and information on intellectual property, know-how or results of innovation*; and
 - (c) whether the undertaking has used the exemption to not disclose information related to impending developments or matters in the course of negotiation (see [draft] Section 1 chapter 6.7 *Matters in course of negotiation*).

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

4. The objective of this Disclosure Requirement is to provide an understanding of the effect that specific circumstances, when they occur, had on the preparation of the *sustainability statement*.
5. The undertaking may report this information alongside the disclosures to which they refer.
6. When it has deviated from the medium- or long-term time horizons defined in [draft] Section 1 chapter 5.4 *Definition of short-, medium- and long-term for reporting purposes*, the undertaking shall describe:
 - (a) its definitions of medium- or long-term time horizons and

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- (b) the reasons for applying those definitions.
7. The undertaking shall identify the quantitative metrics and monetary amounts it has disclosed that are subject to a high level of measurement uncertainty and disclose information that helps users to understand those uncertainties.
 8. When **metrics** include estimations through indirect sources such as sector-average data or other proxies, the undertaking shall identify those metrics and describe their basis for preparation.
 9. When changes in the preparation and presentation of sustainability information occur compared to the previous reporting period(s), (see [draft] Section 1 chapter 6.4 *Changes in preparation or presentation in sustainability information*), the undertaking shall:
 - (a) explain the changes and
 - (b) where possible with a reasonable effort provide restated comparative figures.
 10. When prior period material errors exist (see [draft] Section 1 chapter 6.5 *Reporting errors in prior periods*), the undertaking shall disclose:
 - (a) the nature of the prior period material error;
 - (b) where possible with reasonable effort, the correction for each prior period included in the **sustainability statement**, and
 - (c) if correction of the error is not possible with reasonable effort, the circumstances that led to the existence of that condition.
 11. When the undertaking includes in its **sustainability statement** information stemming from other legislation requiring the undertaking to disclose sustainability information or from generally accepted sustainability reporting standards and frameworks (see [draft] Section 1 chapter 7.2 *Content and structure of the sustainability statement*) in addition to the information prescribed by the [draft] Standard, it shall disclose this fact. In case of partial application of other reporting standards or frameworks, the undertaking shall provide a precise reference to the paragraphs of the standard or framework applied.
 12. When the undertaking incorporates information by reference (see [draft] Section 1 chapter 8.1 *Incorporation by reference*), it shall disclose a list of the disclosure requirements of the [draft] Standard or the specific datapoints mandated by a Disclosure Requirement that have been incorporated by reference.
 13. If an undertaking decides to apply phased-in provisions according to Section 1 *Appendix B* in relation to the topics of biodiversity, **own workforce**, **value chain** workers, **affected communities**, consumers and **end-users**, it shall nevertheless disclose whether the respective sustainability topics have been assessed to be material as a result of the undertaking's **materiality** assessment. In addition if one or more of these topics has been assessed to be material, the undertaking shall for each material topic:
 - (a) disclose the list of matters (i.e. topic, sub-topic or sub-sub-topic) in AR 22 of Section 1 Appendix B, that are assessed to be material and briefly describe how the undertaking's business model and strategy take account of the impacts of the undertaking related to those matters. The undertaking may identify the matter at the level of topic, sub-topic or sub-sub-topic;

- (b) if it has policies in place, briefly describe its policies in relation to the topics in question;
- (c) if it has implemented actions, briefly describe **actions** it has taken to identify, monitor, prevent, mitigate, remediate or bring an end to actual or potential adverse impacts related to the topics in question;
- (d) disclose key metrics relevant to the matters in question.

2. Governance

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

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

15. The objective of this Disclosure Requirement is to provide an understanding of:
- (a) the composition and diversity of the **administrative, management and supervisory bodies**;
 - (b) the roles and responsibilities of the **administrative, management and supervisory bodies** in exercising oversight of the process for managing material **impacts** and **risks**, including management's role in these processes; and
 - (c) the expertise of its administrative, management and supervisory bodies on **sustainability matters** or access to such expertise and skills.
16. The undertaking shall disclose:
- (a) if the undertaking has such roles in its administrative, management and supervisory bodies, the number of executive and non-executive members, the representation of **employees** and other workers, the percentage of **independent¹ board members**; and
 - (b) the percentage by gender² and other aspects of diversity that the undertaking considers. The board's gender diversity shall be calculated as an average ratio of female to male board members.
17. The undertaking shall disclose:

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

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

- (a) whether a governance body (**administrative, management or supervisory bodies**) or individual(s) within such a body have responsibility for oversight of sustainability impacts and risks;
- (b) if a process for oversight of sustainability impacts and risks is in place, a brief description of it;
- (c) whether there are dedicated controls and procedures applied to the management of impacts and risks and, if so, a brief description of them, including how they are integrated with other internal functions;
- (d) whether, by whom and how frequently the administrative, management and supervisory bodies, are informed about material impacts and risks and, if applicable, about (ii) the policies, actions, and targets adopted to address them and (iii) the respective results and **metrics** and
- (e) a brief description of how the administrative, management and supervisory bodies determine whether appropriate skills and expertise are available or whether they will be developed to oversee **sustainability matters**.

Disclosure Requirement 4 (GOV-2) – Due diligence

- 18. The objective of this Disclosure Requirement is to facilitate an understanding of the undertaking's due diligence process(es) with regard to **sustainability matters**.
- 19. The undertaking shall disclose whether it has adopted due diligence process(es) with regard to sustainability matters or not.⁴
- 20. If the undertaking has implemented such processes, it shall briefly describe how the due diligence process(es) has informed the undertaking's materiality assessment and where this is reflected in its **sustainability statement**.

3. Strategy

- 21. This chapter sets out disclosure requirements that enable an understanding of:
 - (a) the elements of the undertaking's strategy that relate to or affect **sustainability matters**, its **business model(s)** and its **value chain** and
 - (b) the outcome of the undertaking's assessment of material **impacts** and **risks** (and opportunities), including how it informs its strategy and business model(s).

⁴This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #10 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively, 'Lack of due diligence').⁵ The undertaking shall report the information starting from the application date specified in a Commission Delegated Act to be adopted pursuant to article 29c, of Directive 2013/34/EU.

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

22. The objective of this Disclosure Requirement is to describe the key elements of the undertaking's general strategy that relate to or affect **sustainability matters**, and the key elements of the undertaking's **business model** and **value chain**, in order to provide an understanding of the undertaking's exposure to **impacts** and **risks** and where they originate.
23. The undertaking shall disclose the key elements of its strategy that relate to or impact **sustainability matters**, its business model and its value chain including the following information:
- (a) a description of:
- i. significant groups of products and/or services offered, including changes in the reporting period (new or removed products and/or services);
 - ii. significant markets and/or customer groups served, including changes in the reporting period (new or removed markets and/or customer groups);
 - iii. headcount of employees by main countries of operation;
 - iv. main countries of operation of the parent undertaking and of the subsidiaries that are connected with material **impacts** or **risks**; and
 - v. products and services that are banned in certain markets, in case the undertaking has them.
- (b) a breakdown of total revenue by sectors. The list of sectors shall be consistent with the way sectors have been considered by the undertaking when performing its **materiality** assessment (which, as part of the **value chain**, also includes its subsidiaries) and with the way it discloses material sector information⁵;
- (c) if the undertaking is active in one of the following sectors, a statement indicating, together with the related revenues, whether the undertaking is active in:
- i. the **fossil fuel** (coal, oil and gas) sector⁶, i.e., whether it derives revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council,⁷ including a disaggregation of revenues derived from coal, from oil and from gas, as well as the revenues derived from Taxonomy-aligned economic

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

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

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

- activities related to fossil gas as required under Article 8(7)(a) of Commission Delegated Regulation 2021/2178;⁸
- ii. chemicals production,⁹ i.e., whether its activities fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006;
 - iii. controversial weapons¹⁰ (anti-personnel mines, cluster munitions, chemical weapons and biological weapons); and/or
 - iv. the cultivation and production of tobacco¹¹; and
24. The undertaking shall disclose a description of its **business model** and **value chain**.

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

25. The objective of this Disclosure is to understand the extent to which **stakeholders'** interests and views inform the undertaking's strategy and **business model**.
26. If the undertaking engages with **stakeholders**, it shall disclose:
- (a) a brief description of the engagement activities by category of key stakeholders;
 - (b) the outcome of these activities in terms of contribution to identified material impacts and risks; and
 - (c) how their interests and views are taken into account by the undertaking's strategy and business model.

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

27. The objective of this Disclosure Requirement is to provide an understanding of the material **impacts** and **risks** (and opportunities) as they result from the undertaking's **materiality** assessment and how they originate from and trigger the adaptation of the undertaking's strategy and **business model**, including its resources allocation.
28. The undertaking shall disclose its material **impacts** and **risks** (and opportunities) resulting from its **materiality** assessment and how they interact with its strategy and business model

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

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

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

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

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(see Disclosure Requirement IR-1 of this [draft] Standard). As defined in paragraph 8 in section 1, the undertaking may on a voluntary basis disclose positive impacts and opportunities.

The disclosure shall include:

- (a) the undertaking's material impacts, including:
 - i. a brief description of how they affect (or, in the case of potential impacts, are likely to affect) people or the environment and how they originate from or are connected to the undertaking's strategy and **business model**;
 - ii. whether the undertaking is involved with the material impacts through its activities or because of its **business relationships** (including its subsidiaries); and
 - iii. whether the reasonably expected time horizons of the impacts is short, medium or long term.
 - (b) the **current financial effects** of the undertaking's **material risks** on its financial position, financial performance and cash flows and the material risks for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements;
 - (c) the **anticipated financial effects** of the undertaking's material risks on its financial position, financial performance and cash flows over the short-, medium- and long-term including the reasonably expected time horizons for those effects. This may include how the undertaking expects its financial position, financial performance and cash flows to change over the short, medium- and long-term, given its strategy to manage risks, taking into consideration:
 - i. its investment and disposal plans (for example, capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas and asset retirements), including plans that the undertaking is not contractually committed to; and
 - ii. its planned sources of funding to implement its strategy.
29. When providing quantitative information on current and anticipated financial effects, the undertaking may disclose single amounts or ranges.
30. If it is not possible with a reasonable effort to provide quantitative information on anticipated financial effects, the undertaking may limit the information to a qualitative description, including the information required by paragraph 28 c).
31. The undertaking may disclose the descriptive information required in paragraph 28 a) alongside the disclosures provided under the corresponding topical Sections of this [draft] Standard. In that case, it shall still present a statement of its material negative impacts and risks alongside its disclosures prepared under this chapter.

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

32. 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.

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ID	Disclosure Requirement	Sustainability topic	EU related Data Points
1	If Biodiversity is material, the undertaking shall disclose whether or not it has sites located in or near biodiversity-sensitive areas and whether activities related to these sites negatively affect these areas;	Biodiversity	SFDR Tab. 1 KPI 7
2	If Biodiversity is material, the undertaking shall disclose whether it has identified material negative impacts with regard to land degradation , desertification or soil sealing;	Biodiversity	SFDR Tab. 2 KPI 10
3	If Biodiversity is material, the undertaking may disclose whether it has operations that affect threatened species;	Biodiversity	SFDR Tab. 2 KPI 14.1
4	If Own workforce is material and if the undertaking has operations at significant risk of incidents of child labour; forced labour or compulsory labour it shall describe them either in terms of country/geographic area or type of operation (such as manufacturing plant);	Own workforce	SFDR Tab. 3 KPI 12 and 13
5	If Workers in the value chain is material and if the undertaking is exposed to any significant risk of incidents of child labour or of forced labour or	Workers in the value chain	SFDR Tab. 3 KPI 12 and 13

ID	Disclosure Requirement	Sustainability topic	EU related Data Points
	compulsory labour among workers in the undertaking's value chain it shall describe them in terms of geographies (at country level or other levels) or commodities.		

Social

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

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

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

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

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

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

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

4. Impact and risk management

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

4.1 Disclosures on the materiality assessment process

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

42. The objective of this Disclosure Requirement is to provide an understanding of the process through which the undertaking identifies **environmental, social and governance-related impacts** and **risks** and assesses their **materiality** as the basis for determining the disclosures in its sustainability reporting (see chapter 3 of Section 1 of this [draft] Standard chapter 3 and related Application Requirements). If the undertaking discloses on a voluntary basis positive impacts or **opportunities**, it shall disclose the process through which it identifies them and assesses their materiality.
43. The undertaking shall provide a description of the processes it uses for identifying its impacts and risks (opportunities) and for assessing which ones are material including the following information:
- (a) an overview of the process for identifying, assessing and prioritising the undertaking's actual and potential negative **impacts** in relation to **sustainability matters** (a list of sustainability matters is defined in Section 1 AR 18) based on their relative severity and, for potential impacts, also likelihood (see [draft] Section 1, chapter 3.4 *Impact materiality*);
 - (b) an overview of the process for identifying, assessing and prioritising **risks** that have or may have **financial effects** (see draft Section 1 chapter 3.5 *Financial materiality*);
 - (c) the input parameters it uses (for example, data sources, the scope of covered operations and the details used in assumptions).
44. The description of the process for assessing **impacts** may include an explanation of whether and how the process:
- (a) focusses on specific areas due to heightened risk of adverse impacts;
 - (b) considers the impacts with which the undertaking is involved through its own operations or as a result of its business relationships, including its subsidiaries;
 - (c) includes consultation with affected stakeholders to understand how they may be impacted as well as with external experts; and
 - (d) prioritises negative impacts based on their relative severity and likelihood (see [draft] Section 1 chapter. 3.4 *Impact materiality*) and determines which **sustainability matters** are material for reporting purposes, including the qualitative or quantitative thresholds along with other criteria used as prescribed by Section 1 paragraph 3.4 *Impact materiality*.
45. The description of the process for assessing **risks** (and opportunities) may include a description of:
- (a) how the undertaking assesses the likelihood, magnitude and nature of the effects of the identified risk (such as the qualitative or quantitative thresholds and other criteria used as prescribed by Section 1 chapter 3.5 *Financial materiality*) and of
 - (b) how the undertaking prioritises sustainability-related risks relative to other types of risks, including its use of risk-assessment tools.

46. Whilst the description of the process (as defined in paragraphs 43,44 and 45) applies to Environmental, Social and Governance, for environmental matters as additional requirements, the undertaking may disclose one or more of the following items of information required in the Commission Delegated Regulation 2023/2772 of 31 July 2023:
- (a) For climate change: ESRS E1 *Disclosure requirement related to ESRS 2 IRO-1* paragraphs 20 and 21 and the related Application Requirements AR 9 to AR 15;
 - (b) For pollution: ESRS E2 *Disclosure Requirement related to ESRS 2 IRO-1* paragraph 11 and the related Application Requirements AR 1 to AR 9;
 - (c) For water and marine resources: ESRS E3 *Disclosure Requirement related to ESRS 2 IRO-1* paragraph 8 and the related Application Requirements AR 1 to AR 15;
 - (d) For biodiversity and ecosystem: ESRS E4 *Disclosure Requirement related to ESRS 2 IRO-1* paragraphs 17 to 19 and the related Application Requirements AR 4 to AR 10); and
 - (e) For resource use and circular economy: see ESRS E5 *Disclosure Requirement related to ESRS 2 IRO-1* paragraph 11 and the related Application Requirements AR 1 to AR 7.
47. The undertaking may address all **sustainability matters** in a single location or present the relevant information separately in the topical sections of the **sustainability statement**.

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

48. The objective of this Disclosure Requirement is to provide an understanding of the Disclosure Requirements included in the undertaking’s sustainability reporting and of the topics that have been omitted as not material as a result of the **materiality** assessment.
49. The undertaking shall include a list of the Disclosure Requirements complied with in preparing the **sustainability statement** following the outcome of its **materiality** assessment (see Section 1 of this [draft] Standard, chapter 3 *Double materiality as the basis for sustainability disclosures*), including the page numbers and/or paragraphs where the related disclosures are located in the sustainability statement. This list may be presented as a content index and it may also be prepared in conjunction with the other (mandatory EU datapoints) content index defined in paragraph 50 of this section.
50. The undertaking shall also include a table featuring all the datapoints that derive from other EU legislation as listed in *Appendix B* of this section, indicating where they can be found in the sustainability statement, and including those that the undertaking has assessed as not material or not applicable or not disclosed because voluntary, in which case the undertaking shall indicate this as ‘not material’ or ‘not applicable’ or ‘not disclosed because voluntary’ in the table in accordance with Section 1 paragraph 43.
51. If the undertaking concludes that climate change is not material and therefore omits all disclosure requirements set out in ESRS E1 *Climate change*, it shall disclose a detailed explanation of the conclusions of its **materiality** assessment with regard to climate change (see Section 1 paragraph 39), including a forward-looking analysis of the conditions that could lead the undertaking to conclude that climate change is material in the future.
52. If the undertaking concludes that a topic other than climate change is not material and therefore omits all the Disclosure Requirements in the Sections 3, 4, 5 and 6 of these [draft]

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Standard, it may provide a brief explanation of the conclusions of its **materiality** assessment for that topic.

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

Appendix A: Application Requirements – Section 2 General disclosures

1. Basis for preparation

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

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

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

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

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

2. Governance

Disclosure Requirement 4 (GOV-2) – Due diligence

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

3. Strategy

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

- AR 4. For the purposes of disclosures required in paragraph 23 a) and c), a group of products and/or services offered, a group of markets and/or customer groups served, or a sector / an ESRS sector is significant for the undertaking if it meets one or both of the following criteria:
- (a) it accounts for more than 10 per cent of the undertaking's revenue and/or
 - (b) it is connected with the undertaking's material actual **impacts** or material potential negative impacts.
- AR 5. To provide the information on sectors required by paragraph 23 c), the undertaking may:
- (a) incorporate information by reference to the section of its financial statements with information on revenues by sectors. Undertakings applying IFRS 8 may refer to the information on its "operating segments";
 - (b) map its significant activities in accordance with ESRS sectors for large companies. If a code for a subsector does not exist, the caption 'others' shall be used to indicate this; or
 - (c) disclose NACE codes corresponding to the sector/s in which it is active.
- AR 6. Contextual information may be particularly relevant for users of the undertaking's sustainability statement in order to understand the extent to which the reported disclosures include upstream and/or downstream value chain information. The description of the main features of the upstream and/or downstream value chain and, where applicable, the identification of key value chains should support an understanding of how the undertaking applies the requirements of [draft] Section 1 chapter 4 and the materiality assessment performed by the undertaking in line with [draft] Section 1 chapter 3. The description may provide a high-level overview of the key features of value chain entities, indicating their relative contribution to the undertaking's performance and positions, and explaining how they contribute to the value creation of the undertaking.

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

- AR 7. When describing where in its upstream and/or downstream **value chain** (including subsidiaries) material **impacts** and **risks** (and opportunities) are concentrated, the undertaking shall consider geographical areas, facilities or types of assets, inputs, outputs and distribution channels.
- AR 8. This disclosure may be expressed in terms of a single impact or risk (or opportunity) or by aggregating groups of material **impacts** and **risks** (and opportunities) when this provides more relevant information and does not obscure material information.

4. Impact and risk management

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

LEAP Approach

- AR 25. When conducting a **materiality** assessment on environmental subtopics other than climate change, the undertaking may consider the four phases below, also known as the LEAP approach:
- (a) Phase 1: locate where in the own operations and its upstream and downstream **value chain** the interface with nature takes place;
 - (b) Phase 2: evaluate the environmental-related **dependencies** and **impacts**;
 - (c) Phase 3: assess the **material risks**; and
 - (d) Phase 4: prepare and report the results of the materiality assessment.
- AR 26. The **materiality** assessment for such matters corresponds to the first three phases of this LEAP approach, while the fourth phase addresses the outcome of the process.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Disclosure requirement and related datapoint	SFDR ¹² reference	Pillar 3 ¹³ reference	Benchmark regulation ¹⁴ reference	EU climate law ¹⁵ reference
Section 3 AR 6 ID 2 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12(1)	
Section 3 AR 6 ID 12 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8			Delegated Regulation (EU) 2020/1816, Annex II	
Section 3 AR 6 ID 13 Human rights issues and incidents connected to its upstream and downstream value chain	Indicator number 14 Table #3 of Annex 1			
Section 3 AR 6 ID 1 and ID 16 Human rights policy commitments	Indicator number 9 Table #3 of Annex 1 and Indicator number 11 Table #1 of Annex 1			
Section 3 AR 6 ID 2 Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines	Indicator number 10 Table #1 Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12(1)	
Section 3 AR 6 ID 13 Human rights issues and incidents	Indicator number 14			

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

Appendix C: Application Requirements for Section 2 related disclosures

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

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

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Child labour	Type of operations and geographical areas at risk of child labour
Forced labour	Type of operations and geographical areas at risk of forced labour