

NESRS

ESRS for non-EU groups

Brussels, 21 November 2024



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Changes from 18 Nov

Cross cutting NESRS changes

NESRS 1 changes

- Removed references to 18B as per agenda paper 03-02
- The EFRAG Secretariat noticed after upload that paragraph AR 16A had not been removed. It will form the basis of a paragraph in the basis for conclusions as discussed.

NESRS 2 changes

- Removed references to 18B as per agenda paper 03-02

AR 5A For NESRS 2, the global scope applies, which means the relevant **administrative, management and supervisory bodies** to be described are those of the ultimate parent outside the European Union.

AR 5B Undertakings are encouraged, but not required, to provide information about the related structures at a European Union level especially where the relevant procedures and processes differ significantly from that of the ultimate parent.

NESRS E1

11A When preparing its sustainability report in accordance with NESRS, if the undertaking is already providing similar information under other frameworks it is encouraged to refer to NESRS 1 paragraph 114.

- Par 16 c reincluded

(c) by reference to the **climate change mitigation actions** (as required by Disclosure Requirement E1-3), an explanation and quantification of the undertaking's investments and funding supporting the implementation of its **transition plan**,

- Reincluded AR 9 to 12
- Deleted AR 13 to 15
- No changes to E2, E3, E5, G1 and S1

Changes since 18 November 2024

NESRS E4 restoring of paragraph 17 b and c

17. The undertaking shall describe its process to identify material impacts, risks, dependencies and opportunities. The description of the process shall include whether and how the undertaking:
- (a) identified and assessed actual and potential impacts on **biodiversity** and **ecosystems** at own **site** locations and in the upstream and downstream value chain, including assessment criteria applied;
 - ~~(b) —~~
~~Sub paragraphs b and c have been deleted~~
 - ~~(b) —, if this assessment includes **ecosystem services** that are disrupted or likely to be;~~
 - ~~(c) — including assessment criteria applied based on its **impacts** ;~~

Social AR's related to NESRS 2 SBM 3

AR 6. *Impacts on value chain workers* can originate in the undertaking's strategy or *business model* in a number of different ways. For example, impacts may relate to the undertaking's value proposition (such as providing lowest cost products or services, or high-speed delivery, in ways that put pressure on labour rights in the upstream and downstream value chains), its *value chain* (such as relying on commodities of unclear provenance, without visibility on impacts on workers), or its cost structure and the revenue model (e.g. shifting inventory risk to suppliers, with knock-on effects on the labour rights of their workers).

~~AR 7. *Impacts on value chain workers* that originate in the strategy or the *business model* can also bring material risks to the undertaking. For example, in the context of a pandemic or other severe health crisis, undertakings that rely on contingent labour with little to no access to sick care and health benefits may face severe operational and business continuity risks as workers have no choice but to keep working while sick, further exacerbating the spread of the disease and causing major supply chain breakdowns. Another example is where selling goods premised on cheapest prices for customers create operational risks as suppliers under extreme price pressure may sub-contract production, leading to lower quality, and a longer, less transparent, and less controllable supply chain. Reputational and business opportunity risks linked to the exploitation of low skilled, low paid workers in sourcing geographies with minimal protections for them are also increasing with media backlash and consumer preferences moving to more ethically sourced or sustainable goods.~~

AR 7A *Another example of such impacts on value chain workers that could be relevant is in the context of a pandemic or other severe health crisis and where contingent labour has little to no access to sick care and health benefits. Such a situation could leave workers with no choice but to keep working while sick, further exacerbating the spread of the disease. A further example is where selling goods premised on cheapest prices for customers create extreme price pressure in the production, leading to lower quality products, or for example to the exploitation of low-skilled, low-paid workers in sourcing geographies with minimal protections for them including not paying living wage that would improve their livelihoods and life quality.*

NESRS S2 amendments

Social AR's related to NESRS 2 SBM 3

AR 8. Examples of particular characteristics of *value chain workers* that may be considered by the undertaking when responding to paragraph 12 relate to young workers that may be more susceptible to *impacts* on their physical and mental development, or women workers in a context where women are routinely discriminated against in the terms and conditions of work, or migrant workers in a context where the market for the supply of labour is poorly regulated and workers are routinely charged recruitment fees. For some workers, the inherent nature of the activity that they are required to undertake may put them at risk (e.g., workers required to handle chemicals or operate certain equipment or low paid workers who are on “zero hours” contracts).

NESRS S2 amendments

AR 9A Another example of how affected value chain workers could be affected is if some workers in the undertaking's value chain are at risk of forced labour. See also AR 15.

~~AR 9. With regard to paragraph 13, material risks could also arise because of the undertaking's dependency on *value chain workers* where low likelihood but high impact events may trigger *financial effects*; for example, where a global pandemic leads to severe health impacts on workers at all stages of the value chain resulting in major disruptions to production and distribution. Other examples of risk related to the undertaking's dependency on value chain workers include a shortage in skilled workers or political decisions or legislation affecting value chain workers working for logistics providers. For example, if some workers in the undertaking's value chain are at risk of *forced labour*, and the undertaking is importing products into countries where the law allows for the confiscation of imported goods that are suspected of being made with forced labour.~~

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Social AR's related to NESRS 2 SBM 3

NESRS S3 amendments

~~AR 6. Impacts on **affected communities** that originate in the strategy or business model can also bring material risks to the undertaking. For example, where the undertaking's strategy involves moving into higher risk geographies in pursuit of certain commodities, and if affected communities resist its presence or object to its local practices, this may create extensive and costly delays, and affect the undertaking's ability to secure future land concessions or permits. Similarly, if the undertaking's business model relies on intensive water extraction at its plants, to the extent that it affects access to water for communities' consumption, hygiene and livelihoods, this may result in reputationally damaging boycotts, complaints and lawsuits.~~

AR6A Another example of such impacts on affected communities is when the undertaking is moving into new geographies in pursuit of certain commodities and local communities are negatively affected. For example, where the undertaking's business model relies on intensive water extraction at its plants, to the extent that it affects access to water for local communities' consumption, hygiene and livelihoods. Or if securing future land concessions would harm local communities' rights and livelihoods

AR 7. Other eExamples of particular characteristics of **affected communities** that may be considered by the undertaking when responding to paragraph 10 may be an affected community that is physically or economically isolated and is particularly susceptible to introduced diseases or has limited access to social services and therefore relies on infrastructure set up by the undertaking. It may be because where land worked by women is purchased by the undertaking and payments go to male heads of households, women become further disenfranchised in the community. It may also be because the community is indigenous, and its members seek to exercise cultural or economic rights to the land owned or used by the undertaking – or by one of the entities with which it has a business relationship – in a context where their rights are not protected by the state. In addition, the undertaking shall consider whether different characteristics overlap. For example, characteristics such as ethnicity, socioeconomic status, migrant status and gender may create overlapping risks of harm for certain affected communities, or for distinct parts of those affected communities, since affected communities are often heterogeneous in nature.

~~AR 8. With regard to paragraph 11, material risks could also arise because of the undertaking's dependency on **affected communities** where low likelihood but high impact events may trigger **financial effects**; for example, where a natural disaster leads to a catastrophic industrial accident involving the undertaking's operations, resulting in severe harm to affected communities.~~

Paragraphs AR 6 and 8 have been deleted and paragraph AG 6A inserted.

Social AR's related to NESRS 2 SBM 3

AR 6. ~~Impacts on **consumers** and/or **end-users** that originate in the strategy or business model can also bring material risks to the undertaking. For example, if the undertaking's business model is premised on incentivising its sales force to sell high volumes of a product or service (for example, credit cards or pain medicine) at speed, and this results in large-scale harm to consumers, the undertaking may face lawsuits and reputational damage affecting its future business and credibility.~~

AR 6A

Another similar example for impacts on consumers and/or end-users could be ~~if the undertaking's business model is premised on incentivising its sales force to sell high volumes of a product or service (for example, credit cards or pain medicine) at speed, and this results in large-scale harm to consumers.~~

AR 7. Examples of particular characteristics of **consumers** and/or **end-users** that may be considered by the undertaking when responding to paragraph 11 include young consumers and/or end-users who may be more susceptible to impacts on their physical and mental development, or who lack financial literacy and may be more susceptible to exploitative sales or marketing practices. They may also include women in a context where women are routinely discriminated against in their access to particular services or in the marketing of particular products.

~~AR 8. With regard to paragraph 12, the **risks** could arise because of the undertaking's dependency on **consumers** and/or **end-users** where low likelihood but high impact events may trigger **financial effects**, for example, where a global pandemic leads to severe impacts on certain consumers' livelihoods resulting in major changes in patterns of consumption.~~

AR 8 has been deleted and AR 6 redrafted.

NESRS S4 amendments

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