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ANNEXES 1 to 2

ANNEXES

to the

Commission Delegated Regulation (EU) .../...

amending Delegated Regulation (EU) 2023/2772 as regards the simplification of certain sustainability reporting standards

{SWD(2026) 500 final}

Annex I

‘Annex I

European Sustainability Reporting Standards “ESRS”

ESRS 1 – General Requirements

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Objective

1. The European Sustainability Reporting Standards (ESRS) specify the sustainability information that undertakings are required to disclose in accordance with Directive 2013/34/EU (Accounting Directive)[1] as amended by Directive (EU) 2022/2464 (Corporate Sustainability Reporting Directive - CSRD)[2] and by Directive (EU) 2026/470 (Omnibus I Directive)[3].

2. ESRS require the undertaking to disclose information about its material ***impacts*** on people and the environment and about its material ***sustainability-related risks*** and ***opportunities*** (collectively 'impacts, risks and opportunities'). Reporting under these two perspectives constitutes the ***double materiality*** principle (see Chapter 3).

3. The objective of the ***sustainability statement***, taken as whole, is to present fairly (see Chapter 2) all the undertaking's material ***sustainability-related impacts***, ***risks*** and ***opportunities*** and how the undertaking manages them. The reported information shall be decision-useful for the ***users*** of general-purpose sustainability statements.

4. ***Users*** of general-purpose ***sustainability statements*** are:

   (a) primary users of general-purpose financial reports, such as existing and potential investors, lenders and other creditors, including asset managers, credit institutions and insurance undertakings; and

   (b) other users of general-purpose sustainability statements, such as the undertaking's business partners, social partners (trade unions and employer organisations), civil society and non-governmental organisations.

5. In its ***sustainability statement***, the undertaking shall disclose information about the material ***impacts***, ***risks*** and ***opportunities*** organised under ***topics*** to which they relate. This information shall cover the following reporting areas: (a) governance, (b) strategy including ***financial effects***, (c) the management of impacts, risks and opportunities, including related ***policies*** and ***actions***, and (d) ***metrics*** and ***targets.***

6. ESRS do not mandate behaviour except for behaviour specifically related to the reporting of sustainability information. Reporting in accordance with ESRS does not exempt the undertaking from other obligations, including due diligence obligations, laid down in Union law.

APPLICATION REQUIREMENTS – ARs

AR 1 for para. 4 **(General-purpose)**	The terms 'general-purpose financial reports' and 'general-purpose ***sustainability statements***' refer to reports that: (a) are addressed to ***users*** with a reasonable knowledge of the general subject matters of such reports; and

[1] Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19, ELI: http://data.europa.eu/eli/dir/2013/34/2026-03-18).

[2] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (OJ L 322, 16.12.2022, p. 15, ELI: http://data.europa.eu/eli/dir/2022/2464/2026-03-18).

[3] Directive (EU) 2026/470 of the European Parliament and of the Council of 24 February 2026 amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting requirements and certain corporate sustainability due diligence requirements (OJ L, 2026/470, 26.2.2026, ELI: http://data.europa.eu/eli/dir/2026/470/oj).

	(b) consider the decision-useful information that groups of users need, without aiming to meet all the specific information needs of each individual user.

1. ESRS Standards and drafting conventions

1.1. ESRS standards and entity-specific disclosures

7. ESRS 1 *General Requirements* explains drafting conventions and sets out general requirements for identifying the undertaking's material ***impacts***, ***risks*** and ***opportunities***, and for preparing and presenting information to be reported. It also sets out general requirements for the basis of preparation of the ***sustainability statement***.

8. The undertaking shall apply this Standard in conjunction with ESRS 2 *General Disclosures* (both referred to as 'cross-cutting standards') and with the topical standards.

9. ESRS 2 *General Disclosures* establishes Disclosure Requirements (DRs) on the information that the undertaking shall provide at a general level across all the ***topics*** to which its material ***impacts***, ***risks*** and ***opportunities*** relate, covering the reporting areas listed in paragraph 5.

10. Topical standards address ***topics*** and sub-topics, complementing the requirements provided in ESRS 2 *General Disclosures,* and encompass the reporting areas listed in paragraph 5. The table in Appendix A *List of topics* provides an overview of the topics and sub-topics covered by topical standards.

11. If the undertaking concludes that a ***topic*** related to a material ***impact***, ***risk*** or ***opportunity,*** is not covered, or not covered with sufficient granularity, by an ESRS, it shall provide entity-specific disclosures taking account of the provisions on fair presentation in Chapter 2. This may be the case due to sectorial specificities or other facts and circumstances relevant to the undertaking itself.

12. When developing its entity-specific disclosures, the undertaking shall consider comparability over time and with other undertakings that operate in the same sector(s).

APPLICATION REQUIREMENTS – ARs

AR 2 for para. 11 **(Entity-specific topics)**	Depending on the undertaking's facts and circumstances, there may be ***topics*** other than those covered in ESRS topical requirements that the undertaking shall cover following its ***materiality*** assessment. This may be the case where its ***business model*** and strategy are associated with material ***impacts***, ***risks*** and ***opportunities*** that do not correspond to ESRS topics.
AR 3 for para. 11 **(Requirements for entity-specific disclosures)**	When developing entity-specific disclosures, the undertaking shall ensure that: (a) they meet the qualitative characteristics of information set out in Appendix B; and (b) the disclosures include the material information needed for the relevant reporting areas listed in paragraph 5.
AR 4 for para. 11 **(Entity-specific disclosures and metrics)**	When determining the usefulness of ***metrics*** for inclusion in its entity-specific disclosures, the undertaking shall ensure that: (a) its chosen metrics provide relevant information about material ***impacts***, ***risks*** or ***opportunities***;

	(b) the measurement ensures faithful representation based on information and assumptions that are reasonable, supportable, and verifiable; and (c) it has provided sufficient contextual information.
AR 5 for para. 12 **(Sources for entity-specific disclosures)**	In developing its entity-specific disclosures, the undertaking may use available best practices, frameworks or reporting standards, such as IFRS industry-based guidance and GRI Standards (including GRI topics and sector standards).

1.2. Drafting conventions

13. Throughout ESRS, the terms that are defined in the *Glossary of terms defined in ESRS* (Annex II, table 2, of Delegated Regulation (EU) …/… [O.P.: *please insert the number of that Delegated Regulation C(2026) 5010] (European Sustainability Reporting Standards - ESRS*))[4] are denoted in ***bold italic***, except when a defined term is used more than once in the same paragraph.

14. The terms 'sustainability topic' and 'sustainability sub-topic' in ESRS are understood to be synonymous with the terms 'sustainability matters' or 'sustainability factors' as used in Directive 2013/34/EU (Accounting Directive). Disclosures in ESRS are structured into ***topics***. A topic is further disaggregated into sub-topics. In ESRS, the term ***topic*** (in ***bold italic***) is used to indicate either a topic or a sub-topic depending on the most appropriate level of granularity needed to meet the respective disclosure objectives.

15. In all ESRS:

    (a) '***impacts***' refers to actual and potential, positive and negative impacts on people and the environment; and

    (b) '***risks***' and '***opportunities***' refer to the undertaking's ***sustainability-related risks*** and opportunities that affect (or could reasonably be expected to affect) the undertaking's financial performance, financial position, cash flows, access to finance or cost of capital over the short, medium or long term.

16. Material ***impacts***, ***risks*** and ***opportunities*** reported in the ***sustainability statement*** are understood to be the same as the undertaking's principal impacts, risks and opportunities referred to in the Directive 2013/34/EU (Accounting Directive).

17. The structure of information in ESRS is based on 'Disclosure Requirements' (DRs). Each DR consists of one or more distinct datapoints. DRs are signalled by the terms 'shall disclose', 'shall report', 'shall describe' and 'shall explain' to indicate that the information in question is prescribed, subject to ***materiality*** of information (see paragraphs 24 and 24).

18. ESRS contain mandatory 'Application Requirements' (ARs) that support the application of, and have the same authority as, the requirements prescribed in the main body of the standards. ARs in ESRS 2 *General Disclosures* and in topical standards support the preparation of disclosures that meet the qualitative characteristics of information (see Appendix B). ARs use the term 'shall consider' to indicate issues, resources or methodologies that the undertaking is expected to take into account or to use in the preparation of a given disclosure. ARs also include presentation options, indicating that a given piece of information may be provided in tabular form, as narrative text or using other types of presentation options.

[4] Commission Delegated Regulation (EU) …/… of …. amending Delegated Regulation (EU) 2023/2772 as regards the simplification of certain sustainability reporting standards (OJ XX, ELI:XXX). [*O.P.: please insert the number, the date, the OJ reference and ELI number of that Delegated Regulation C(2026) 5010*].

2. Fair presentation and qualitative characteristics of information

19. Fair presentation requires disclosure of relevant information about the undertaking's material ***impacts***, ***risks*** and ***opportunities*** in accordance with Chapter 3 and their faithful representation in accordance with the requirements set out in this Standard (for relevance and faithful representation see Appendix B). To achieve faithful representation, the undertaking shall provide a complete, neutral and accurate depiction of its material impacts, risks and opportunities.

20. Fair presentation also requires that the undertaking discloses:

    (a) information that is comparable, verifiable and understandable (see Appendix B); and

    (b) entity-specific information, when applying ESRS is not sufficient to enable ***users*** to understand the undertaking's material ***impacts***, ***risks*** and ***opportunities*** and how the undertaking manages them (see paragraph 3).

21. Applying ESRS, including the ***materiality*** filter as set out in paragraph 24, and with entity-specific disclosures when necessary (see paragraph 11), results in a ***sustainability statement*** that achieves fair presentation.

APPLICATION REQUIREMENTS – ARs

AR 6 for paras. 19–20 **(Information considered as a whole)**	To meet the objective of its ***sustainability statement*** set out in paragraph 3, the undertaking shall consider whether the sustainability statement, taken as a whole, provides a fair presentation of its material ***impacts***, ***risks*** and ***opportunities***. This assessment shall consider the overall picture conveyed by the information disclosed across the sustainability statement and not individual disclosures in isolation. This can result in the addition of entity-specific information, as well as the implementation of the provision in paragraph 24, by using the criteria for information materiality in paragraph 23. Making use of one or more of the provisions in Chapters 5.4, 7.3, 7.4, or 7.7 is not detrimental to fair presentation provided that the undertaking gives explanations that enable ***users*** to understand the consequences on the reported information and the resulting limitations.
AR 7 for para. 20(b) **(Additional information in other reporting frameworks)**	Other reporting frameworks refer to 'additional information' as the content that an undertaking shall disclose beyond the requirements provided in the standards to ensure a fair presentation. In ESRS, the term 'entity-specific disclosures' serves the same purpose.

3. Double materiality as the basis for sustainability reporting

22. The undertaking determines the information to be disclosed based on its ***double materiality*** assessment (see paragraph 2) and based on the provisions for determining the information to be reported, as explained in this Chapter.

3.1. Assessing information to be reported

3.1.1. Information materiality

23. Information is material when omitting, misstating or obscuring that information could reasonably be expected to influence:

    (a) decisions that primary ***users*** of general-purpose financial reports make based on those reports, including financial statements and the ***sustainability statement*,** relating to providing resources to the undertaking; or

    (b) decisions, that other users of 'general-purpose' sustainability statements make based on the sustainability statement regarding the undertaking's material ***impacts***, ***risks*** and ***opportunities*** and how the undertaking manages them.

24. Except for information that it may decide to disclose in accordance with section 8.2. *Presentation of supplementary information included in the sustainability statement*, the undertaking shall not disclose information prescribed by an ESRS DR or datapoint if that information is not material and shall not disclose information that is not material when disclosing entity-specific information in accordance with paragraph 11.

APPLICATION REQUIREMENTS – ARs

AR 8 for para. 23 **(Decisions)**	When considering the decision-usefulness of information, the undertaking shall take into account the information that groups of such users need, without aiming to meet all the specific information needs of each individual user.

3.1.2. Steps in determining the information to be reported

25. The undertaking determines the information to be reported in two steps:

    (a) it identifies ***topics*** related to its material ***impacts***, ***risks*** or ***opportunities*** (see Chapters 3.2.1 and 3.2.2); and then,

    (b) it determines the information to be reported on each of those ***topics*** (see paragraphs 30, 30 and 31 of this Standard).

26. With respect to the identification of ***topics***, the undertaking shall report material information for a topic or sub-topic when it relates to one or more material ***impacts***, ***risks*** or ***opportunities*** identified based on the criteria in Chapters 3.2.1. and 3.2.2.

27. Without prejudice to the criteria in Chapters 3.2.1 and 3.2.2, the undertaking may derive a conclusion, without further assessment, on the ***materiality*** or non-materiality of its ***impacts***, ***risks*** or ***opportunities*** for a ***topic*** or sub-topic, on the basis of an analysis of its strategy and ***business model*** including its sector(s) of operations, its **geographies**, and the features of its upstream and downstream ***value chain*** ('top-down' approach to materiality assessment). In this approach, if the materiality or non-materiality of one or more impacts, risks or opportunities is not evident on the basis of the above analysis, the undertaking shall perform a specific assessment of the impacts, risks or opportunities in question.

28. Without prejudice to the criteria in Chapters 3.2.1 and 3.2.2, the undertaking may rely on a ***materiality assessment*** conducted only at the level of ***impacts***, ***risks*** and ***opportunities*** ('bottom-up' approach to materiality assessment).

29. With respect to the information to be reported, the undertaking shall:

    (a) apply ESRS 2 General Disclosures;

    (b) for a ***topic*** or sub-topic related to its material ***impacts***, ***risks*** and ***opportunities***:

i. apply ESRS 2 *General Disclosures* GDR-P, GDR-A, GDR-M, and GDR-T for ***policies***, ***actions***, ***metrics*** and ***targets***;

ii. disclose information for the DRs (including ARs) relevant to the specific topic or sub-topic in the topical standards; and

(c) add entity-specific information where necessary in accordance with paragraph 11.

30. When a material ***impact***, ***risk*** or ***opportunity*** concerns a sub-***topic***, the undertaking shall report only the material information for that sub-topic.

31. When using ESRS reliefs, the undertaking shall disclose the information prescribed in Sub-Chapters 5.4, 7.3, 7.4, and 7.7.

APPLICATION REQUIREMENTS – ARs

AR 9 for para. 27 **('Top-down' approach)**	A top-down approach enables the undertaking to avoid unnecessary work when assessing the ***materiality*** or non-materiality of its ***impacts***, ***risks*** or ***opportunities*** for a ***topic*** or sub-topic. In general, a top-down approach does not require the undertaking to carry out the materiality assessment at the level of individual impacts, risks and opportunities. In some cases, a more granular level of assessment may be necessary, if it could reasonably be expected to lead to a different conclusion about the materiality of the undertaking's impacts, risks or opportunities for a topic or sub-topic. Following a top-down approach, the materiality conclusion can be reached at topic level for combined impacts, risks and opportunities.
AR 10 for paras. 27–28 **(Combining approaches)**	The undertaking may combine a 'top-down approach' for some ***topics*** with a 'bottom-up' analysis for others.
AR 11 for para. 27 **(Geographies)**	***Geographies*** or geographic contexts can be analysed at different levels (country, region, county, water basin, ***ecosystem*** or ***site***) according to their relevance for the assessment.
AR 12 for para. 29 **(ESRS 2 *General Disclosures* DRs)**	The DRs in ESRS 2 *General Disclosures* are fundamental in nature and therefore likely to result in material information for all undertakings.

3.1.3. Bases for assessing materiality

32. In its ***double materiality*** assessment, the undertaking:

(a) shall use reasonable and supportable information available to the undertaking at the reporting date without undue cost or effort (see Chapter 7.4);

(b) is not required to assess every possible ***impact***, ***risk*** or ***opportunity*** across all areas of its operations and upstream and downstream ***value chain***, but shall focus on areas where material impacts, risks or opportunities are deemed likely to arise based on the undertaking's strategy and

business model, ***geographies***, sectors, ***business relationships***, nature of the activities, or other factors.

33. The undertaking may be able to conduct the ***materiality*** assessment regarding upstream and downstream ***value chain*** without direct input from value chain actors, using instead average regional data, sector data or generally available information about the existence of ***impacts***, ***risks*** and ***opportunities*** in the context in question.

APPLICATION REQUIREMENTS – ARs

AR 13 for para. 32 **(Reasonable and supportable information and identifying impacts, risks and opportunities)**	In accordance with the use of reasonable and supportable information that is available to the undertaking at the reporting date without undue cost or effort (Chapter 7.4): (a) the use of quantitative information or quantitative scoring is not necessarily required. A qualitative analysis may be sufficient for the undertaking to reasonably conclude on ***materiality*** of ***impacts***, ***risks*** or ***opportunities*** related to a given ***topic***; and (b) the undertaking is not required to perform an exhaustive search for information to identify material impacts, risks or opportunities.
AR 14 for para. 32 **(Usual internal and external sources)**	The undertaking may consider the following usual internal and external sources to support the ***materiality*** assessment: the undertaking's sustainability due diligence and general risk management processes; its engagement with affected ***stakeholders***; peer experience; reports and statistics, scientific data, and expert advice.
AR 15 for para. 32 **(Characteristics of severity and time horizon)**	When conducting its ***materiality*** assessment (see paragraphs 27 and 32), the undertaking needs not analyse: (a) each characteristic of severity (see Chapter 3.2.1), if a conclusion can be reached that the impact is severe without analysing each characteristic separately; and (b) every time horizon for each ***impact***, ***risk*** or ***opportunity***, unless further assessment is necessary, such as when the undertaking expects the impact, risk or opportunity to evolve over time.
AR 16 for para. Error! Reference source not found. **(Level of the materiality assessment)**	The following paragraphs support the determination of the level at which the ***materiality*** assessment takes place. The level of aggregation or disaggregation adopted for reporting purposes is determined separately from the level at which the materiality assessment takes place and in accordance with the provisions of Chapter 3.3.2 *Level of aggregation and disaggregation*. For geographies identified under paragraph 322(b), the undertaking may need to consider the specific context to assess the materiality of ***impacts***, ***risks***, or ***opportunities***. This may be necessary if, for example, the materiality or non-materiality of an impact, risk or opportunity for a ***topic*** or sub-topic cannot be established without considering the specific context or if the specific context could reasonably be expected to affect the conclusion about the materiality of the impact, risk or opportunity in question. For environmental ***topics***, factors that influence the existence of negative impacts in a specific context of the ***geography*** include, among others: local air,

	water and ***soil*** quality; water availability in areas with ***water stress***; and presence of ***threatened species*** and ***ecosystems*** in ***biodiversity-sensitive areas***. As it relates to nature-related impacts and ***dependencies***, the first three steps of the LEAP approach (locate, evaluate, assess) provide a valuable reference for how to: (a) locate where, within the undertaking's own operations and upstream and downstream ***value chain***, interfaces with nature occur; (b) evaluate the related dependencies and ***impacts***; and (c) assess the associated ***risks*** or ***opportunities***. For social topics, factors that influence the existence of negative impacts in a specific context of the geography include, among others: conflict-affected and high-risk areas, and the presence of vulnerable populations such as ***indigenous peoples*** or migrant workers.

3.1.4. Periodicity of the double materiality assessment

34. At each reporting date, the undertaking shall consider whether significant changes have occurred that could affect the conclusions of the ***materiality*** assessment conducted in previous reporting periods. If such changes are identified, the undertaking shall review and update the assessment. Changes may relate to the undertaking's activities, structure, ***business relationships***, understanding of ***impacts***, ***risks*** or ***opportunities***, assessment methodologies, or the external environment.

3.2. Double materiality assessment: Impact materiality and financial materiality

35. ***Double materiality*** has two dimensions: ***impact materiality*** and ***financial materiality*** and the undertaking shall consider how they interact. An ***impact*** can be financially material from the start or become financially material, when it is reasonably expected to affect the undertaking's financial performance, financial position, cash flows, its access to finance or the cost of capital over the short, medium or long term. Impacts can be material exclusively from an impact perspective, irrespective of whether they are financially material.

36. In general, the starting point is the assessment of ***impacts***. The undertaking shall as well evaluate whether there are material ***risks*** or ***opportunities*** that are not related to the undertaking's impacts, such as **physical risks**.

37. The undertaking shall determine which ***impacts***, ***risks*** or ***opportunities*** are material, based on the criteria in Chapters 3.2.1 and 3.2.2, and supported by appropriate qualitative considerations and quantitative thresholds.

APPLICATION REQUIREMENTS – ARs

AR 17 for para. 37 **(Materiality assessment for undertakings managing investments at certain conditions)**	Where the undertaking manages investments subject to a fiduciary duty on behalf of its clients pursuant to a mandate agreed with those clients without retaining risks or rewards of ownership, that undertaking is not expected to assess the ***impacts***, ***risks*** and ***opportunities*** related to those investments.

3.2.1. Impact materiality assessment

38. The ***impact materiality*** assessment identifies the undertaking's material impacts.

39. The undertaking shall report information about a given ***topic*** from an ***impact*** perspective if that topic relates to the undertaking's material actual or potential, positive or negative impacts on people or the environment over the short, medium or long term. Impacts include those connected with the undertaking's own operations and its upstream and downstream ***value chain***, including through its ***products*** and services, as well as through its ***business relationships*** in its upstream and downstream value chain. Business relationships are not limited to direct contractual relationships.

40. For actual negative ***impacts***, ***materiality*** shall be assessed based on the severity of the impact. For potential negative impacts, it shall be assessed based on a combination of severity and likelihood. Severity shall be assessed based on the following factors: scale, scope and irremediable character of the impact. In the case of a potential negative human rights impact, the severity of the impact takes precedence over its likelihood.

41. For actual positive ***impacts***, ***materiality*** shall be assessed based on the scale and scope of the impact. For potential positive impacts, materiality shall be assessed based on the scale, scope and likelihood of the impact.

42. The results of engagement with affected ***stakeholders*** carried out in the context of ongoing sustainability due diligence activities is a key input to the ***impact materiality*** assessment. Affected stakeholders are individuals or groups whose interests are affected or could be affected by the undertaking's activities and its direct and indirect ***business relationships*** in its upstream and downstream **value chain**. Civil society, non-governmental organisations and trade unions as ***users*** can be proxies for affected stakeholders.

43. The following applies in determining how to consider, in the materiality assessment, ***policies*** and ***actions*** to prevent, mitigate, bring to an end, minimise and remediate negative ***impacts***:

    (a) the severity of actual negative ***impacts*** – those that manifest during the reporting year – shall be assessed as they actually manifested themselves during the reporting year. ***Actual impacts*** include those that have originated in the previous reporting periods and continue to exist in the current reporting period. Their severity is assessed based on the current reporting period, i.e. taking into account how they were mitigated, brought to an end or minimised in the previous periods. The assessment shall not consider **remediation** activities to address impacts if those activities were undertaken during the reporting period;

    (b) the severity and likelihood of potential negative ***impacts*** – those that may manifest themselves in the future – shall be assessed taking account of implemented prevention and mitigation ***policies*** and ***actions*** only if those policies and actions can reasonably be assumed to effectively reduce the severity or likelihood. Actions or policies that have not yet been implemented shall not be considered; and

    (c) the information about ***impacts*** and how the undertaking manages them through ***policies*** and ***actions*** may be decision-useful to ***users***, irrespective of how effectively the undertaking manages them or irrespective of how effectively the corresponding ***topics*** are regulated. In these cases, the materiality assessment needs to take this into account.

44. ***Positive impacts*** shall be assessed on their own, without netting against negative ***impacts***. The results of actions to prevent, mitigate, bring to an end, minimise or remediate negative impacts the undertaking is connected to, or compliance with law and regulation, are not positive impacts. Positive impacts include effects of the undertaking's business activities, ***products*** or services that mitigate, bring to an end, minimise or remediate another party's negative impacts, when the undertaking is not connected to those impacts.

APPLICATION REQUIREMENTS – ARs

AR 18 for paras. 38–39 **(Examples of impacts connected)**	The following are two examples of ***impacts*** that are connected with the undertaking: (a) if the undertaking uses cobalt in its ***products***, that is mined by using ***child labour***, the negative impact that arises is connected with the undertaking's products through the tiers of ***business relationships*** in its upstream ***value chain***. These business relationships include the ***suppliers***, the smelter and minerals trader and the mining enterprise that uses child labour; and (b) if the undertaking provides financial loans to an undertaking for business activities that, in breach of agreed environmental standards, result in the contamination of water and land surrounding the operations, this negative impact is connected with the undertaking through its relationship with the undertaking it provides the loans to.
AR 19 for paras. 38–39 **(Qualitative considerations and quantitative thresholds)**	In the 'top-down' approach, qualitative considerations may be sufficient to derive a conclusion on ***materiality***. In a 'bottom-up' approach the undertaking may use either qualitative considerations or quantitative thresholds, depending on the nature of the ***impact***, available data and other circumstances.
AR 20 for paras. 38–39 **(Steps in the impact materiality assessment)**	The undertaking shall consider the following steps in ***impact materiality*** assessment: (a) understand (activities, ***business relationships*** and ***stakeholders***); (b) identify actual and ***potential impacts*** (negative and positive); and (c) assess the materiality of actual and potential impacts and determine the ***topics*** to be reported, based on the outcome of the assessment.
AR 21 for paras. 38–39 **(Terms used in other reporting frameworks)**	The term 'most significant impacts' is used in some existing reporting frameworks to refer to ***impacts*** that are described in ESRS as 'material impacts'.
AR 22 for paras. 40 - 41 **(Scale, scope and irremediable character)**	The severity of an **impact** is assessed based on its scale, scope and irremediable character: (a) scale: how serious the negative impact is or how beneficial the positive impact is for people or the environment; (b) scope: how widespread the negative or positive impacts are. In the case of environmental impacts, 'scope' may be understood as the extent of environmental damage or as a geographical perimeter. In the case of impacts on people, 'scope' may be understood as the number of people negatively affected; and

	(c) irremediable character: whether and to what extent the negative impacts could be remediated, i.e. by restoring the environment or affected people to their prior state. Any of the three characteristics (scale, scope and irremediable character) can make a negative impact severe.
AR 23 for para. 42 **(Stakeholders)**	The typical categories of affected ***stakeholders*** of an undertaking are: workers and ***workers' representatives*** in the undertaking's ***own workforce*** and in its upstream and downstream ***value chains***, communities affected by its business operations or upstream and downstream value chain activities, and ***consumers*** and ***end-users*** of its ***products*** and services. Consideration of affected stakeholders requires particular attention to the stakeholders within these categories who are in particularly vulnerable situations. Nature may be considered a silent affected stakeholder***.***
AR 24 for para. 42 **(Engagement with affected stakeholders)**	If the undertaking engages with affected ***stakeholders*** as part of its due diligence process (if any) to identify, assess and address negative ***impacts***, the results of this engagement provide a valuable input to its ***materiality*** assessment, without the need to put in place a separate engagement process for the materiality assessment. However, the undertaking may also seek direct input into its materiality assessment from affected stakeholders or their representatives (such as **employee** representatives or trade unions), as well as ***users*** of sustainability reporting and other experts. This includes feedback on the undertaking's conclusions regarding the identification of material impacts, ***risks*** or ***opportunities***, as well as regarding the ***topics*** to be reported.
AR 25 for para. 42 **(Workers' representatives)**	In accordance with Directive 2013/34/EU (Accounting Directive) as amended by the Corporate Sustainability Reporting Directive, the management of the undertaking shall inform ***workers' representatives*** at the appropriate level and discuss with them the relevant information and the means of obtaining and verifying sustainability information. Such a process and, where applicable, the related communication to the relevant ***administrative, management and supervisory bodies*** constitute a valuable element of engagement with ***stakeholders*****.**
AR 26 for para. 43(a) **(Consideration of implemented policies and actions)**	As an illustration, for the consideration of implemented ***policies*** and ***actions*** in the ***materiality*** assessment in relation to paragraph 43(a), when an oil spill occurs, the effort to contain the spill is considered as mitigation, while the repair of the damage or harm that was caused by the spill is considered as ***remediation***.
AR 27 for para. 43(b) **(Policy in isolation)**	If a ***policy*** implies future ***actions*** to ensure that it is effective in reducing the severity or likelihood of an ***impact***, the existence of that policy and of the related future actions shall not be considered in assessing the ***materiality*** of the impact in question.

AR 28 for para. 43(c)	In the cases described in paragraph 43(c), the undertaking shall adapt its approach to the ***materiality*** assessment as appropriate to meet the information needs of ***users***, as described in paragraph 23.

3.2.2. Financial materiality assessment

45. The ***financial materiality*** assessment corresponds to the identification of information that is considered material for primary ***users*** of general-purpose financial reports in making decisions relating to providing resources to the undertaking (see paragraph 23(a)).

46. The scope of ***financial materiality*** for sustainability reporting is an expansion of the scope of ***materiality*** used in the process of determining which information shall be included in the undertaking's financial statements on the basis of the applicable recognition and measurement rules. The financial materiality of a ***topic*** is not limited to material ***risks*** or ***opportunities*** affecting entities that are within the control of the undertaking, but includes information on material risks and opportunities attributable to ***business relationships*** in the upstream and downstream ***value chain*** (see paragraph 62)***.***

47. The undertaking shall report information on a ***topic*** from a ***financial materiality*** perspective if it triggers, or could reasonably be expected to trigger, material ***financial effects***. This is the case when the ***risks*** or ***opportunities*** related to a topic have, or could reasonably be expected to have, a material influence on the undertaking's development, financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium or long term.

48. ***Risks*** and ***opportunities*** may arise from past or future events. Material risks and opportunities arise from the undertaking's:

    (a) material ***impacts*** identified in the ***impact materiality*** assessment;

    (b) ***dependencies*** on natural, human and social resources; and

    (c) other factors, such as exposure to climate hazards or regulatory changes addressing ***systemic risks***.

49. When identifying ***risks*** and ***opportunities***, the undertaking shall consider ***dependencies*** as sources of ***financial effects***, either in terms of cash flows or in terms of resources not recognised in financial statements. Dependencies may be sources of risks or opportunities regardless of ***potential impacts*** on the natural, human and social resources relied on.

50. The ***materiality*** of ***risks*** and ***opportunities*** is assessed based on a combination of the likelihood of occurrence and the potential magnitude of the ***financial effects***.

APPLICATION REQUIREMENTS – ARs

AR 29 for para. 48 **(Internal risk management)**	The internal risk management framework is a valuable input to the ***materiality*** assessment of ***risks*** and ***opportunities***. For credit institutions and insurance undertakings, the applicable prudential regulatory frameworks may inform the materiality assessment.
AR 30 for para. 49 **(Dependencies)**	***Dependencies*** may affect: (a) the undertaking's ability to use or obtain the resources needed in its business processes; (b) the quality and pricing of those resources; or

	(c) the ability to rely on acceptable terms in relationships needed for business processes.
AR 31 for para. 49 **(Contribution to financial effects)**	When assessing the ***materiality*** of ***risks*** and ***opportunities***, the undertaking shall consider their contribution to ***financial effects*** over short, medium and long term using: (a) likely ***scenarios***/forecasts; and (b) ***anticipated financial effects*** that are not (or are not yet) reflected in financial statements and arise from material risks and opportunities. This may derive from situations that do not yet lead to the recognition of assets and liabilities or income and expenses in financial statements in accordance with the accounting recognition criteria.

3.3. Specific circumstances

3.3.1. Material impacts or risks arising from actions to address impacts or risks related to other topics

51. The ***materiality*** assessment may identify situations where the undertaking's ***actions*** taken to address certain ***impacts***, ***risks***, or ***opportunities*** related to one ***topic*** may create material negative impacts or material risks related to one or more other topics. In such situations, the undertaking shall present its disclosure in a way that facilitates the understanding of the connections between different topics.

APPLICATION REQUIREMENTS – ARs

AR 32 for para. 51 **(Impacts or risks arising from actions)**	The following is an illustration of such situations. The climate-mitigation ***transition plan*** results in material negative ***impacts*** or ***risks*** related to ***own workforce***. To promote connected information (see Chapter 9.1), the undertaking: (a) discloses under own workforce the material negative impacts or risks resulting from the transition plan, including the ***actions*** that cause them, with a cross-reference to the climate disclosure; and (b) provides a description in the climate disclosure of how the climate-related material negative impacts or risks are addressed.

3.3.2. Level of aggregation and disaggregation

52. The undertaking shall aggregate or disaggregate the information in a way that reflects the level at which significant variations of material ***impacts***, ***risks*** or ***opportunities*** arise, such as by ***topic***, sector, subsidiary, ***geography***, asset. The undertaking shall consider relevant facts and circumstances to determine the level of aggregation that supports faithful representation of its impacts, risks or opportunities.

53. The undertaking shall ensure that the level of aggregation and disaggregation does not obscure material information.

54. The disaggregation used to present a given disclosure shall reflect the level that provides the most relevant information to ***users***, i.e. ***topic***, group of ***impacts***, ***risks*** or ***opportunities***, individual impact, risk or opportunity. This should reflect factors such as the nature of the impacts, risks or opportunities in question or the way the undertaking manages them.

55. When reporting at a consolidated level, the undertaking shall carry out the assessment of material ***impacts, risks*** and ***opportunities*** for the consolidated group regardless of the group's legal structure. It shall ensure that the activities of its subsidiaries are covered in a way that allows for the unbiased identification of material impacts, risks and opportunities at group level. If the undertaking identifies significant differences between material impacts, risks or opportunities at group level and material impacts, risks or opportunities of one or more of its subsidiaries, it shall disaggregate and present information in a way that allows an adequate understanding of the material impacts, risks and opportunities of the subsidiary or subsidiaries concerned. If a material impact, risk or opportunity determined at group level is not relevant for all subsidiaries or activities in the group, the information may be provided at a disaggregated level, covering only the subsidiaries or activities for which the impact, risk or opportunity is relevant (see also the reliefs for ***metrics*** in paragraph 93).

APPLICATION REQUIREMENTS – ARs

AR 33 for para. 52 **(Material geographies)**	The undertaking shall consider disaggregating reported information by material ***geographies*** (see AR 11) at appropriate level, when the severity of the underlying material ***impacts*** is highly dependent on the characteristics of the context of those geographies, or when there are significant differences in the undertaking's activities affecting those geographies. The adopted level of aggregation shall not obscure interconnections between impacts, risks, and their drivers that exist in specific geographic contexts, such as cumulative effects on ecosystems or shared resources.
AR 34 for para. 53 **(Inappropriate level of aggregation)**	Information may be obscured where an inappropriate level of aggregation could influence the decision of primary ***users*** of general-purpose financial statements or the decisions of other users of the general-purpose ***sustainability statements***. An inappropriate level of aggregation of ***impacts***, ***risks*** and ***opportunities*** may result from aggregating those which do not have shared characteristics or disaggregating those which have shared characteristics. Information is obscured when material information is hidden by immaterial information.

4. Due diligence

56. Due diligence is the process by which the undertaking identifies, prevents, mitigates, brings to an end, minimises and remediates actual and potential negative ***impacts*** on people and the environment connected with its business. Directive (EU) 2024/1760 (Corporate Sustainability Due Diligence Directive - CSDDD)[5] establishes due diligence requirements for undertakings subject to its provisions. The international instruments of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises also provide relevant guidance on the due diligence process. Due diligence is an ongoing practice that responds to and may trigger changes in the undertaking's strategy, ***business model***, activities, ***business relationships***, and operating context and practices, including design, purchasing, and selling and distribution.

57. ESRS do not impose any conduct requirements in relation to due diligence, nor do they extend or modify the role of the ***administrative, management and supervisory bodies*** of the undertaking with regard to the conduct of due diligence. The provisions of ESRS are without prejudice to the provisions of the Corporate Sustainability Due Diligence Directive for undertakings in the scope of that directive.

[5] Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859 ('CSDDD') (OJ L, 2024/1760, 5.7.2024, ELI: http://data.europa.eu/eli/dir/2024/1760/oj).

58. The outcome of the undertaking's sustainability due diligence process informs the assessment of its material negative ***impacts***.

59. One of the steps of the due diligence process is the identification and assessment of negative ***impacts*** connected with the undertaking's own operations, ***products*** or services, including through ***business relationships*** in the undertaking's upstream and downstream ***value chain***. The impact identification and assessment steps in the due diligence process inform the assessment of material impacts for reporting purposes (see Chapter 3.2.1). The identification of material negative impacts also supports the identification of material sustainability ***risks*** and ***opportunities***, which are often a result of such impacts. Where the undertaking cannot address all impacts at once, the due diligence process allows for ***action*** to be prioritised based on the severity and likelihood of impacts.

5. Reporting undertaking and upstream and downstream value chain

5.1. Reporting undertaking and own operations

60. The ***sustainability statement*** shall be for the same reporting undertaking as for the financial statements. If the parent undertaking prepares consolidated financial statements, the sustainability statement shall be for the parent and its subsidiaries in accordance with the applicable accounting requirements. This does not apply if the undertaking is not required to prepare financial statements or if its consolidated sustainability reporting is prepared in accordance with Article 48i of Directive 2013/34/EU (Accounting Directive).

61. In the case of group reporting, the reporting undertaking usually - except for specific circumstances, such as leasing and assets that are held by the undertaking's long-term employee benefit schemes - considers as part of own operations: the assets, liabilities, revenues and expenses of the parent undertaking and its subsidiaries, located in or outside the EU, as determined in accordance with the applicable accounting requirements. Paragraphs 62 to 75 provide further provisions and exceptions for determining the reporting boundaries of own operations and upstream and downstream ***value chain***. In addition, the undertaking may exclude from the sustainability reporting boundary a subsidiary that has been excluded from the scope of the consolidated financial statements due to its non-materiality from a financial perspective, unless there are specific facts and circumstances that expose the group to ***impacts*** arising from the subsidiary in question that meet the group's ***materiality*** thresholds.

APPLICATION REQUIREMENTS – ARs

AR 35 for para. 61 **(Subsidiary with different reporting period)**	When including subsidiaries with different reporting periods in the consolidated ***sustainability statement***, the undertaking may make use of applicable accounting provisions that deal with those circumstances.
AR 36 for para. 61 **(Joint operations share)**	Without prejudice to the relief in paragraph 92, the undertaking shall classify as '***own operations***' the ***impacts***, ***risks*** and ***opportunities*** connected with the share of its joint operation's assets, liabilities, revenues and expenses recognised in the financial statements.

5.2. Inclusion of upstream and downstream value chain information

62. To the extent necessary for an understanding of the undertaking's material ***impacts***, ***risks*** and ***opportunities*** and to meet the qualitative characteristics of information (see Appendix B), the reported information shall be extended beyond own operations to cover material impacts, risks and

opportunities connected with the undertaking through its direct and indirect ***business relationships*** in the upstream and downstream ***value chain*** (value chain information), without prejudice to the relief for acquisitions and disposals in Chapter 5.4.

63. The undertaking shall include material upstream and downstream ***value chain*** information in accordance with the outcome of its ***double materiality*** assessment as described in this standard and any specific requirements related to the upstream and downstream value chain in other ESRS.

64. Applying paragraph 63 does not require information on each and every actor in the upstream and downstream ***value chain*** but only the inclusion of material information.

65. To identify material ***impacts***, ***risks*** or ***opportunities*** that are connected with the undertaking through its ***business relationships*** in the upstream and downstream ***value chain***, and to report on them, the undertaking may use information collected directly from counterparties in the upstream and downstream value chain, or it may use estimates, depending on practicability and reliability considerations related to the necessary input. When developing estimates, the undertaking may use internal and external information, such as data from indirect sources, sector-average data, sample analyses, market and peer groups data, spend-based data or other proxies.

66. When applying Article 19a(3), first to sixth subparagraph, and Article 29a(3), first to sixth subparagraph, of Directive 2013/34/EU (Accounting Directive), the undertaking shall take account of the fact that the upper limit (value-chain cap) of sustainability information which may be required from the protected undertakings in its ***value chain*** only comprises the datapoints specified in Annex II of Commission Delegated Regulation (EU) …/… of … supplementing Directive 2013/34/EU of the European Parliament and of the Council by establishing sustainability reporting standards for voluntary use by undertakings protected by the value chain cap [O.P.: *please insert the number and the date of that Delegated Regulation C(2026) 5011*][6]. This limitation also applies to non-EU undertakings in the upstream and downstream value chain of the reporting undertaking.

67. Different ***impacts***, ***risks*** or ***opportunities*** can be material in relation to different parts of the undertaking's upstream and downstream ***value chain***.

68. The information reported about ***policies***, ***actions*** and ***targets*** shall include upstream and downstream ***value chain*** information only to the extent that the value chain is within the scope of the undertaking's policies, actions and targets.

69. Investments, including shareholding positions in associates and joint ventures, are treated as ***business relationships***.

70. Without prejudice to the relief in paragraph 92, in some cases, associates or joint ventures that are accounted for under the equity method are also part of the undertaking's upstream and downstream ***value chain*** beyond the shareholding relationship, such as when they are also ***suppliers*** or customers. In these cases, the undertaking shall disclose information related to these supply or customer relationships, in accordance with paragraph 62, consistent with the approach adopted for similar ***business relationships***. In these cases, when determining ***metrics***, the data of the associate or joint venture is not limited to the share of equity held, but it shall reflect the ***impacts***, ***risks*** and ***opportunities*** that are connected with the undertaking through the supply or customer relationship. This means that the undertaking considers both its relationship as investor in the associate or joint venture and its supply or customer relationship.

[6] Commission Delegated Regulation (EU) …/… of …. supplementing Directive 2013/34/EU of the European Parliament and of the Council by establishing sustainability reporting standards for voluntary use by undertakings protected by the value chain cap (OJ XX, ELI:XXX). [O.P.: *please insert the number, the date, the OJ reference and ELI number of that Delegated Regulation C(2026) 5011*].

APPLICATION REQUIREMENTS – ARs	
AR 37 for paras. 62-63 **(Value chain reporting for undertakings managing investments at certain conditions)**	Where the undertaking manages investments subject to a fiduciary duty on behalf of its clients pursuant to a mandate agreed with those clients without retaining risks or rewards of ownership, that undertaking is not expected to provide data on those investments.
AR 38 for para. 63 **(Metrics and value chain)**	The undertaking is required to include entity-specific ***metrics*** to cover its upstream and downstream ***value chain*** when this is necessary in accordance with paragraph 11, as the metrics defined in ESRS topical standards only cover own operations, with the exception of ***GHG emissions*** (ESRS E1-8).

5.3. Provisions and exceptions for determining the respective reporting boundaries of own operations and value chain

71. ***Impacts***, ***risks*** and ***opportunities*** relating to a leased asset might have different sources, depending on whether they result from the use of the asset or from its ownership. The lessee is using the leased asset, and shall report the impacts connected with the use of the asset in its own operations during the lease period. The lessor provides the right to use the asset to the lessee and shall report the impacts connected with the use of the asset as part of its downstream ***value chain***. Whether risks and opportunities relating to a leased asset, as well as impacts other than those connected with the use of the leased asset, accrue to the lessor or the lessee depends on the provisions of the lease contract, which should be reflected in the reported information.

72. The ***impacts***, ***risks*** or ***opportunities*** arising from assets that are held by the undertaking's long-term employee benefit schemes are connected with the undertaking through its ***business relationships*** in the ***value chain***.

73. The provisions of paragraph 71 and 72 take precedence over topical standards including over the provisions in ESRS E1-8.

APPLICATION REQUIREMENTS – ARs	
AR 39 for para. 71 **(Leased assets)**	For example, the lessee and not the lessor is the one causing ***pollution***, using energy or consuming water in a leased factory. The lessee therefore assesses the material ***impacts*** connected with the use of the leased assets in its own operations.

5.4. Relief for acquisitions and disposals

74. If the undertaking acquires a subsidiary undertaking during the reporting period, it may defer the inclusion of that subsidiary undertaking in the ***materiality*** assessment and in the ***sustainability statement*** to the following reporting period. If a subsidiary undertaking leaves the group during the reporting period, it may adjust the scope of the materiality assessment and the reporting boundary as from the beginning of the current reporting period.

75. If the undertaking uses the relief of paragraph 74, it shall use available information to disclose any significant event that affected the subsidiary undertaking during the reporting period since the

acquisition or until disposal and that has an effect on the group's ***impacts*** on, or ***risks*** or ***opportunities*** related to sustainability matters.

6. Reporting period, base year and time horizons

6.1. Reporting period and base year

76. The reporting period for the undertaking's ***sustainability statement*** – including for the calculation of ***metrics*** – shall be consistent with that of its financial statements.

77. A base year is the historical reference date or period for which information is available and against which subsequent information can be compared over time.

78. The undertaking shall present comparative information in respect of the base year for ***metrics*** reported in the current period when reporting progress towards a ***target*** unless the relevant DR specifically requires otherwise. If milestones between the base year and the reporting period have been reached, reporting about these achievements is useful contextual information.

6.2. Time horizon: definition of short, medium and long term for reporting purposes

79. When preparing its ***sustainability statement***, the undertaking shall adopt the following time intervals as of the end of the reporting period:

    (a) short-term time horizon: the length of the period adopted for its financial statements;

    (b) medium-term time horizon: from the end of the short-term period up to five years; and

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

80. The undertaking shall use additional breakdowns for a long-term time horizon if ***impacts*** or ***actions*** are expected over a period longer than five years as adding such a breakdown provides relevant information.

81. The undertaking may adopt a different definition for medium- or long-term time horizons if the use of medium- or long-term horizons defined in paragraph 79 results in non-relevant information. This may happen if the undertaking uses a different definition for (a) its processes of identification and management of material ***impacts***, ***risks*** and ***opportunities*** or (b) its ***actions*** and ***targets***. These circumstances may be due to industry-specific characteristics, such as cash flow and business cycles or planning horizons typically used in the sector for decision-making, the expected duration of capital investments, or the time horizons over which ***users*** conduct their assessments.

82. References to 'short term', 'medium term' and 'long term' in ESRS refer to time horizons as determined by the undertaking in accordance with the provisions in paragraphs 79-81.

7. Preparation of sustainability information

7.1. Comparative information

83. The undertaking shall disclose comparative information in respect of the previous period for all quantitative ***metrics*** and amounts. If relevant to an understanding of the current period's ***sustainability statement***, it is also required to disclose comparative information for narrative disclosures.

84. The definition and calculation of ***metrics***, including metrics used to set ***targets*** and monitor progress towards those targets, shall be consistent over time. The undertaking shall provide contextual information and revised comparative figures unless it is ***impracticable*** to do so if it has:

    (a) redefined or replaced a metric or target; or

    (b) identified new information in relation to the estimated figures disclosed in the preceding period, and the new information provides evidence of circumstances that existed in the preceding period.

85. If it is ***impracticable*** to revise comparative information for ***metrics*** for one or more prior periods, the undertaking shall disclose this fact.

86. When an ESRS requires the undertaking to present more than one comparative period for a ***metric*** or datapoint, the requirements of that ESRS shall prevail.

87. For ***metrics*** and monetary amounts:

    (a) if the undertaking reports comparative amounts that significantly differ from the information reported in the previous period, it shall provide the reasons for the change and the difference between the amounts reported in the previous period and the revised amounts;

    (b) if the undertaking reports on a ***topic*** or on material ***impacts***, ***risks*** and ***opportunities*** for the first time, it is not required to present comparative information related to them in the current reporting period (i.e. if they have not been reported in prior ***sustainability statements*** of the undertaking); and

    (c) without prejudice to the relief for acquisitions and disposals (see Chapter 5.4), when necessary to provide an understanding of progress towards meeting a ***target*** following a major acquisition or disposal, the undertaking shall describe how the transaction affects the progress towards meeting the target.

APPLICATION REQUIREMENTS – ARs

AR 40 for para. 84(b) **(Revise comparatives)**	The undertaking is not required to revise the comparative figure for new information received if the revised comparatives do not provide useful information, such as when the estimation methodology for the relevant ***metric*** relies systematically at the reporting date on an input from the previous period.

7.2. Judgement, measurement uncertainty and outcome uncertainty

88. The undertaking shall disclose information to enable ***users*** to understand:

    (a) the judgements it makes that have the most significant effect on the reported information;

    (b) the significant uncertainties affecting the information presented, including whether it relies on estimates; and

    (c) significant assumptions and limitations in the estimates.

89. Some ESRS require the disclosure of information that have uncertain outcomes, such as explanations about possible future events. In judging whether information about such possible future events is material, the undertaking shall refer to the criteria in Chapter 3.2.2 and consider:

    (a) the ***anticipated financial effects*** of the events (the possible outcomes);

    (b) the severity and likelihood of the ***potential impacts*** on people or the environment resulting from possible future events; and

    (c) the range of possible outcomes and the likelihood of the possible outcomes within that range.

APPLICATION REQUIREMENTS – ARs

AR 41 for para. 89	In preparing its ***sustainability statement***, the undertaking makes various judgements, beyond those involving estimations, that can significantly affect the reported information, such as when:

(About judgements)	(a) identifying material information to include in the sustainability statement (see paragraph 233); and (b) identifying material ***impacts***, ***risks*** or ***opportunities***, associating them to the relevant ***topic(s)***, and assessing whether an update of the ***materiality*** assessment is necessary (see Chapter 3).
AR 42 for para. 89 **(Use of reasonable and supportable assumptions and estimates)**	The use of reasonable estimates, including when developing ***scenario*** or sensitivity analysis, is an essential part of preparing the undertaking's ***sustainability statement***. It does not undermine the usefulness of that information provided that the significant assumptions and estimates are explained. Even a high level of measurement uncertainty would not necessarily prevent such an assumption or estimate from providing useful information or meeting the qualitative characteristics of information (see Appendix B).
AR 43 for para. 89 **(Use of reasonable and supportable assumptions and estimates)**	The requirement in paragraph 88 relates to the estimates that require the most difficult, subjective or complex judgements.

7.3. Reliefs for preparing the ESRS sustainability statement

90. The undertaking may exclude activities from ***metric*** calculations if, due to their nature, they are not a significant driver of the ***impacts***, ***risks*** or ***opportunities*** that the metric purports to represent, and if their exclusion from the calculation is not expected to impair the relevance and faithful representation of the reported information. The undertaking shall disclose if this relief is used and include any relevant information to enable ***users*** to understand the scope limitations resulting from it.

91. Except when reporting ESRS E1-8 metrics *Gross scope 1, 2, 3 GHG emissions*, if the undertaking can provide without incurring undue cost or effort reliable direct or estimated data only for an objectively defined part of its own operations or its upstream or downstream ***value chain***, it shall disclose that it has identified material ***impacts***, ***risks*** or ***opportunities*** but that the corresponding ***metric*** can currently only be reported on a partial reporting scope or for a subset of the value chain. In this circumstance, the undertaking shall disclose the ***actions*** it has taken to increase the coverage and quality of reported information in future periods and the progress made compared to the previous period. The coverage of reported information is expected to increase over time, particularly for metrics in own operations. This paragraph applies without prejudice to the applicability of the provisions in Sub-Chapter 7.4.

92. The undertaking may exclude joint operations over which it does not have operational control from the scope of the calculation for environmental ***metrics*** reported in accordance with ESRS E2 *Pollution*, ESRS E3 *Water*, ESRS E4 *Biodiversity and Ecosystems* and ESRS E5 *Resource Use and Circular Economy*. The undertaking shall disclose if this relief is being used and include any relevant information to allow an understanding of the scope limitations resulting from it. In this circumstance, and without prejudice to the undertaking's assessment to whether or not it exercises operational control, it shall disclose the ***actions*** it has taken to increase the coverage of the reported information and its quality in future periods and the progress made compared to the previous period.

APPLICATION REQUIREMENTS – ARs	
AR 44 for para. 92 **(Relief and scope 3 GHG emissions)**	When preparing the information on gross ***scope 3 GHG emissions***, within the boundaries defined in this standard and in AR 19 of ESRS E1 *Climate Change*, paragraph AR 24 of ESRS E1 *Climate Change* applies.

7.4. Reasonable and supportable information that is available without undue cost or effort

93. The undertaking shall use all reasonable and supportable information that is available to the undertaking at the reporting date without undue cost or effort:
    (a) to identify material ***impacts***, ***risks*** or ***opportunities***;
    (b) to determine the scope of its upstream and downstream ***value chain***, including its breadth and composition, in relation to material impacts, risks or opportunities;
    (c) when extending the information to include upstream and downstream value chain information, as required by paragraph 62;
    (d) to prepare information on ***metrics***; and
    (e) to report on current and ***anticipated financial effects.***
94. The assessment of what constitutes undue cost or effort depends on the undertaking's specific circumstances and requires a balanced consideration of the costs for the undertaking and the benefits of the resulting information for ***users***.
95. Reasonable and supportable information that is available to the undertaking without undue cost or effort is subject to reassessment for each reporting period. It reflects the results of the undertaking's past ***actions*** to improve data availability or the higher availability of external information. As a result, availability of information is expected to improve over time.

APPLICATION REQUIREMENTS – ARs	
AR 45 for para. 94 **(Reasonable and supportable information available without undue cost or effort)**	Reasonable and supportable information covers factors that are specific to the undertaking, as well as general conditions in the external environment. Reasonable and supportable information includes information about past events, current conditions and forecasts of future conditions. The undertaking is not required to carry out an exhaustive search for such information. When assessing whether the preparation of a disclosure would involve undue cost or effort at the reporting date, the undertaking shall consider, individually or jointly, criteria such as: (a) its size, resources and technical readiness in relation to the scale and complexity of its upstream and downstream ***value chain***; and (b) the availability of tools to access and share information, including digital tools. In assessing the availability of information, the undertaking: (a) shall use internal and external information that is available to the undertaking at the reporting date, acknowledging that the availability at the reporting date reflects the improvements in data gathering implemented since the previous period; and

	(b) is expected to consider available without undue cost or effort the information deriving from: i. internal resources, such as: the undertaking's risk management processes; information that is used by the undertaking in preparing its financial statements, operating its ***business model***, setting its strategy, conducting its sustainability due diligence and managing its ***impacts***, ***risks*** and ***opportunities***; and ii. external resources, such as sector or peer group experience, and scientific research.

7.5. Updating disclosures about events after the end of the reporting period

96. If, after the reporting period but before the management report is authorised for issue, the undertaking receives information providing evidence or insights about conditions that existed at the end of the reporting period, the undertaking shall update its disclosures in light of the new information.

97. The undertaking shall disclose information about material transactions, other events and conditions that occur after the end of the reporting period but before the date on which the management report is authorised for issue and provide narrative information indicating the existence, nature and potential consequences of these post-year events.

7.6. Reporting errors in prior periods

98. The undertaking shall correct material prior period errors by restating the comparative amounts for the prior period(s) disclosed unless it is ***impracticable*** to do so. This requirement does not extend to reporting periods before the first year of application of ESRS by the undertaking.

99. Potential reporting period errors discovered in the same reporting period are corrected before the ***sustainability statement*** is authorised for issue. However, material errors are sometimes not discovered until a subsequent period. In case of material errors discovered in a subsequent period, if it is ***impracticable*** to determine the effect of an error on all prior periods presented, the undertaking shall restate the comparative information to correct the error from the earliest date practicable.

APPLICATION REQUIREMENTS – ARs

AR 46 for para. 99 (Prior period errors)	Prior period errors are omissions from, and misstatements in, the undertaking's ***sustainability statement*** for one or more prior periods. Such errors arise from a failure to use, or the misuse of, reliable information that: (a) was available when the management report that includes the sustainability statement for those periods was authorised for issue; and (b) could reasonably be expected to have been obtained and considered in the preparation of sustainability disclosures included in these reports. Such errors include: the effects of mathematical mistakes, mistakes in applying the definitions for ***metrics*** or ***targets***, oversights or misinterpretations of facts, and fraud. Corrections of errors are distinguished from changes in estimates. Estimates may need to be revised as additional information becomes known.

7.7. Omission of information

100. When disclosing information required by an ESRS, the undertaking may omit the following information:

(a) in exceptional cases, information the disclosure of which would be seriously prejudicial to the commercial position of the undertaking, provided that all of the following conditions are met:

i. such omission does not prevent a fair and balanced understanding of the undertaking's development, performance and position, or of its material ***risks*** or ***impacts***;

ii. the undertaking has determined that it is impossible to disclose the information in a manner, such as at an aggregated level, that would enable it to meet the objectives of the disclosure requirement without seriously prejudicing its commercial position;

iii. for each datapoint omitted, the undertaking discloses the fact that it has used this exemption;

iv. the undertaking reassesses at each reporting date whether the information may still be omitted;

(b) information corresponding to intellectual capital, intellectual property, know-how, technological information, or the results of innovation, that qualifies as a trade secret as defined in Article 2, point (1), of Directive (EU) 2016/943 (Trade Secrets Directive)[7], provided that both of the following conditions are met:

i. for each datapoint omitted, the undertaking discloses the fact that it has used this exemption; and

ii. the undertaking reassesses at each reporting date whether the information may still be omitted.

(c) classified information as defined in Article 2, point (7), of Regulation (EU) 2023/2418, provided that both of the following conditions are met:

i. for each datapoint omitted, the undertaking discloses the fact that it has used this exemption; and

ii. the undertaking reassesses at each reporting date whether the information may still be omitted;

(d) other information that is to be protected from unauthorised access or disclosure because of obligations laid down in other Union legal acts or national law, or in order to safeguard the privacy or security of a natural person or the security of a legal person, provided that both of the following conditions are met:

i. for each datapoint omitted, the undertaking discloses the fact that it has used this exemption; and

ii. the undertaking reassesses at each reporting date whether the information may still be omitted.

101. The undertaking shall make every reasonable effort to ensure that, beyond the omissions referred to in paragraph 100, the overall relevance of the disclosure in question is not impaired.

[7] Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure ('Trade Secrets Directive') (OJ L 157, 15.6.2016, p. 1, ELI: http://data.europa.eu/eli/dir/2016/943/oj).

APPLICATION REQUIREMENTS – ARs

AR 47 for para. 101 Error! Reference source not found. **(Information that can be omitted)**	The fact that undertakings not established in the Union are not required to report the same information may not be used to justify the omission of information under paragraph 101 point (a).

7.8. Reporting on material opportunities

102. When reporting on material ***opportunities***, the disclosure shall consist of descriptive information allowing ***users*** to understand the opportunities. The undertaking shall not report general opportunities for the sector but only opportunities that are currently being pursued or incorporated in its general strategy. The provisions on ***financial effects*** in ESRS 2 *General Disclosures* apply when reporting on material opportunities.

8. Presentation requirements and structure of the sustainability statement

8.1. General presentation requirement, structure and content of the sustainability statement

103. The undertaking shall present all the disclosures required by ESRS within a dedicated section of the management report identified as the undertaking's ***sustainability statement*** which also includes those disclosures incorporated by reference in accordance with Chapter 9.3.

104. Sustainability information shall be presented:

    (a) in a way that allows for clear identification of information required by ESRS from other information included in the management report; and

    (b) under a structure that facilitates access to and understanding of the ***sustainability statement*** in a format that is both human-readable and machine-readable.

105. The undertaking shall structure its ***sustainability statement*** in four parts in the following order: general information, environmental information, social information and governance information. It may use appendices or separate sub-parts in accordance with paragraphs 107-111. The undertaking may structure its ***sustainability statement*** in a different manner to that defined in the first sentence of this paragraph, provided that it presents a reasoned explanation for using an alternative structure and that it complies with all other provisions of this chapter.

106. If the undertaking prepares disclosures pursuant to Article 8 of Regulation (EU) 2020/852 of the European Parliament and the Council and to the Commission Delegated Regulations, it is required to include them in its ***sustainability statement***, and may do so in a separate appendix within the management report. These disclosures are not subject to the provisions of ESRS, with the exception of this paragraph.

8.2. Presentation of supplementary information included in the sustainability statement

107. The undertaking may include in its ***sustainability statement*** supplementary information stemming from (i) other legislation which requires it to disclose sustainability information, or (ii) generally accepted reporting standards or frameworks, including non-mandatory guidance and sector-specific guidance, published by other standard setting bodies (such as by the Global Reporting Initiative), even if that information is not material. Such information shall be clearly identified with an appropriate reference to the related legislation, standard or framework.

108. If needed to meet the data demands of a specific ***user***, the undertaking may include in its ***sustainability statement*** supplementary disclosures that are not material.

109. Disclosures made in accordance with paragraphs 107 and 108 shall:

(a) be clearly identified as not resulting from the ***materiality*** assessment;

(b) provide a faithful representation of the aspects they intend to represent; and

(c) be presented in a way that does not obscure material information.

8.3. Options for presenting information across parts of the sustainability statement

110. The undertaking may provide an executive summary in the ***sustainability statement*** which includes the key messages about its material environmental, social and governance ***impacts***, ***risks*** or ***opportunities*** and their management. The content and presentation of this executive summary shall meet the qualitative characteristics of information and is an integral part of the sustainability statement prepared in accordance with the provisions of ESRS. Alternatively, the undertaking may incorporate information by reference to an executive summary placed outside its sustainability statement, such as in another section of the management report, provided that it meets the conditions for incorporation by reference (see Sub-Chapter 9.3).

111. The undertaking may use appendices or separate sub-parts in its ***sustainability statement***:

(a) to present more detailed information related to any of the four parts;

(b) to facilitate readability with content indices, tables mapping different disclosures or cross-reference tables; and

(c) to present supplementary information prepared in accordance with Sub-Chapter 8.2 above.

APPLICATION REQUIREMENTS – ARs

AR 48 for para. 111 **(Presentation of more detailed information)**	The undertaking may use internal references across different parts or subparts (including appendices) in the ***sustainability statement*** to facilitate the understanding of linkages that exist between different items of information. These internal references are not incorporation by reference.

9. Connected information and linkages with other parts of corporate reporting

9.1. Connected information

112. The undertaking shall provide information that enables ***users*** of its ***sustainability statement*** to understand the connections:

(a) within the sustainability statement; and

(b) between the sustainability statement and other corporate reporting documents published by the undertaking, including its financial statements.

113. Repeating the same information within the ***sustainability statement*** may obscure material information and impair the provision of concise and understandable information. If the same information is relevant to more than one DR, the undertaking may present the information where it considers it to be most relevant and cross-refer to that location as appropriate.

APPLICATION REQUIREMENTS – ARs	
AR 49 for para. 113(a) **(Connections within the sustainability statement)**	Connections within the ***sustainability statement*** include: (a) those between the general disclosures on governance and strategy and the disclosures about a specific ***topic;*** and (b) those between the information about material ***impacts***, ***risks*** and ***opportunities*** in accordance with ESRS 2 *General Disclosures* (SBM 3 and IRO 2) and the respective ***policies***, ***actions***, ***targets*** and ***metrics***.

9.2. Direct and indirect connectivity with financial statements, including consistency of assumptions

114. If the ***sustainability statement*** includes monetary amounts or other quantitative information also presented in the undertaking's financial statements, the undertaking shall cross-reference to its financial statements ('direct connectivity').

115. If the ***sustainability statement*** includes amounts that are an aggregation or part of amounts presented in the undertaking's financial statements ('indirect connectivity'), the undertaking shall explain how these amounts relate to the most relevant ones presented in the financial statements.

116. Data and assumptions used in preparing the ***sustainability statement*** shall, to the extent possible, be consistent with the corresponding data and assumptions used in preparing the financial statements. To support the understanding of significant data and assumptions, the undertaking shall explain any significant differences in assumptions between those used in preparing the sustainability statements and those used in preparing the financial statements.

APPLICATION REQUIREMENTS – ARs	
AR 50 for para. 115 **(Currency to be used)**	For monetary amounts the undertaking shall use the same currency as in the financial statements.

9.3. Incorporation by reference

117. Provided that the conditions in paragraph 118 are met, information or a specific datapoint prescribed by a DR may be incorporated in the ***sustainability statement*** by cross-reference to:

(a) another section of the management report;

(b) the financial statements;

(c) the corporate governance statement (if not part of the management report);

(d) the remuneration report required by Directive 2007/36/EC (Shareholder Rights Directive - SRD)[8];

(e) the universal registration document, as referred to in Article 9 of Regulation (EU) 2017/1129 (Prospectus Regulation)[9]; and

[8] Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies ('Shareholder Rights Directive' or 'SRD') (OJ L 184, 14.7.2007, p. 17, ELI: http://data.europa.eu/eli/dir/2007/36/2024-01-09).

[9] Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing

(f) public disclosures under Regulation (EU) No 575/2013 (Capital Requirements Regulation - CRR)[10] (Pillar 3 disclosures). In this case, the information shall match the scope of consolidation used for the sustainability statement by complementing the incorporated information with additional elements as necessary.

118. The undertaking may incorporate information by reference to the documents, or part of the documents, listed in paragraph 117, provided that the information incorporated by reference:

(a) constitutes a separate element of information clearly identified in the source document as addressing the relevant ESRS DR or datapoint;

(b) is published before or at the same time as the management report;

(c) is in the same language as the ***sustainability statement***;

(d) is subject to at least the same level of assurance as the rest of the sustainability statement. In this case it is not required that the entire document containing the information is subject to assurance; and

(e) allows the same technical digitalisation requirements as the other information in the sustainability statement.

119. Provided that the conditions established in paragraph 118 are met, information prescribed by an DR or datapoint may be incorporated in the ***sustainability statement*** by reference to the undertaking's report prepared in accordance with the EU Eco-Management and Audit Scheme Regulation (EU) No 1221/2009. In this case, the undertaking shall ensure that the information incorporated by reference is produced using the same basis for preparation of ESRS information, including scope of consolidation and treatment of upstream and downstream ***value chain*** information.

120. The undertaking shall consider the overall cohesiveness of the reported information and ensure that the incorporation by reference does not impair the readability of the ***sustainability statement***.

10. Transitional provisions

121. Unless otherwise stated, the transitional provisions in this Chapter apply from the first financial year the undertaking is subject to the sustainability reporting requirements under Articles 19a and 29a of Directive 2013/34/EU (Accounting Directive), in accordance with Article 5(2) first and third subparagraphs of Directive (EU) 2022/2464 (CSRD), as amended by Directive (EU) 2025/794 (Stop the Clock Directive)[11] and by Directive (EU) 2026/470 (Omnibus I Directive). Accordingly, earlier voluntary application of ESRS does not limit the use of the reliefs in this chapter and does not trigger the start of the phase-in provisions. In this chapter, financial year refers to the reporting period of an undertaking's ***sustainability statement*** starting on or after January 1 of the respective year.

122. 'Wave-one undertakings' are those that are required to report on sustainability for financial years starting between 1 January 2024 and 31 December 2026, irrespective of when the relevant Member State transposes Directive (EU) 2022/2464 (CSRD) as amended by Directive (EU) 2025/794 (Stop the Clock Directive) and by Directive (EU) 2026/470 (Omnibus I Directive). They are defined in Article 5(2), first subparagraph, point (a), and third subparagraph, point (a), of the CSRD. 'Other undertakings' are

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Directive 2003/71/EC ('Prospectus Regulation') (OJ L 168, 30.6.2017, p. 12, ELI: http://data.europa.eu/eli/reg/2017/1129/2021-11-10).

[10] 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' or 'CRR') (OJ L 176, 27.6.2013, p. 1, ELI: http://data.europa.eu/eli/reg/2013/575/oj).

[11] Directive (EU) 2025/794 of the European Parliament and of the Council of 14 April 2025 amending Directives (EU) 2022/2464 and (EU) 2024/1760 as regards the dates from which Member States are to apply certain corporate sustainability reporting and due diligence requirements ('Stop the Clock Directive') (OJ L, 2025/794, 16.4.2025, ELI: http://data.europa.eu/eli/dir/2025/794/oj).

those that are required to report on sustainability for financial years starting on or after 1 January 2027, irrespective of when the relevant Member State transposes the CSRD as amended by the Stop the Clock and by the Omnibus I Directives. They are defined in Article 5(2), first subparagraph, point (b), and third subparagraph, point (b), of the CSRD.

10.1. Transitional provision related to Chapter 5 *Reporting undertaking and upstream and downstream value chain*

123. For the first three financial years that the undertaking is subject to sustainability reporting requirements under Articles 19a and 29a of the Directive 2013/34/EU (Accounting Directive), in accordance with Article 5(2) first and third subparagraphs of the Directive (EU) 2022/2464 (CSRD), as amended by Directive (EU) 2025/794 (Stop the Clock Directive) and Directive (EU) 2026/470 (Omnibus I Directive), and in the event that not all the necessary information regarding its ***value chain*** is available, the undertaking shall explain the efforts made to obtain the necessary information about its value chain, the reasons why not all of the necessary information could be obtained, and its plans to obtain the necessary information in the future.

10.2. Transitional provision related to Chapter 7.1 *Comparative information*

124. 'Wave one' undertakings, as defined in paragraph 122, are not required to disclose for their first year of reporting in accordance with Commission Delegated Regulation (EU) …/… of … [O.P.: *please insert the number and the date of this Delegated Regulation C(2026) 5010*][12] comparative information regarding quantitative ***metrics*** and amounts as required by Chapter 7.1 where those metrics and amounts are not the same as the metrics and amounts required by Commission Delegated Regulation (EU) 2023/2772 as regards sustainability reporting standards (first set of ESRS)[13]. 'Other undertakings' as defined in paragraph 122, are not required to disclose comparative information as required by Chapter 7.1 for their first financial year of reporting.

10.3. Transitional provision: List of DRs that are phased in

125. 'Wave-one' undertakings, as defined in paragraph 122, that on their balance sheet dates exceed a net turnover of EUR 450 000 000 and an average number of 1 000 ***employees*** during the financial year, may omit in their ***sustainability statement***:

(a) all the DRs of ESRS E4 *Biodiversity and Ecosystems*, ESRS S2 *Workers in the Value Chain*, ESRS S3 *Affected Communities*, and ESRS S4 *Consumers and End-users* for their financial years prior to financial year 2027, subject to the provisions of ESRS 2 *General Disclosures*, paragraphs 7 to 10;

(b) all information about ***anticipated financial effects***, required in paragraph 27 of ESRS 2 *General Disclosures* and in ESRS E1-11 for their financial years prior to financial year 2028, with the exception of ESRS E1-11 paragraph 39(a)(b) and 40(a)(b).

(c) quantitative information about anticipated financial effects, required in paragraph 27 of ESRS 2 *General Disclosures* and in ESRS E1-11 for their financial years prior to financial year 2030, with the exception of ESRS E1-11 paragraph 39(a)(b) and 40(a)(b);

(d) quantitative information related to ***substances of concern (SoC)*** prescribed by ESRS E2-5, for their financial years prior to financial year 2030;

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[12] Commission Delegated Regulation (EU) …/… of …. amending Delegated Regulation (EU) 2023/2772 as regards the simplification of certain sustainability reporting standards (OJ XX, ELI:XXX). [O.P.: *please insert the number, the date, the OJ reference and ELI number of that Delegated Regulation C(2026) 5010*].

[13] Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards (OJ L, 2023/2772, 22.12.2023, ELI: http://data.europa.eu/eli/reg_del/2023/2772/oj).

(e) information about ***substances of very high concern (SVHC)*** if the undertaking is a ***user of articles*** that contain such substances, for their financial years prior to financial year 2028; and

(f) ESRS S1-6, S1-7 for own employees in non-EEA countries, S1-10, S1-11, S1-12, S1-13 datapoints in paragraph 37(d), (e) and ***non-employees*** datapoints, and S1-14 for their financial years prior to financial year 2027.

126. 'Wave-one' undertakings, as defined in paragraph 122, that on their balance sheet dates do not exceed a net turnover of EUR 450 000 000 and an average number of 1 000 ***employees*** during the financial year may omit in their ***sustainability statement***:

(a) all the DRs of all topical standards for their financial years prior to financial year 2027, subject to the provisions of ESRS 2 *General Disclosures*, paragraphs 7 to 10;

(b) all information about ***anticipated financial effects***, required in paragraph 27 of ESRS 2 General Disclosures and in ESRS E1-11 for their financial years prior to financial year 2028, with the exception of ESRS E1-11 paragraph 39(a)(b) and 40(a)(b);

(c) quantitative information about anticipated financial effects, required in paragraph 27 of ESRS 2 General Disclosures and in ESRS E1-11 for their financial years prior to financial year 2030, with the exception of ESRS E1-11 paragraph 39(a)(b) and 40(a)(b);

(d) quantitative information related to ***substances of concern (SoC)*** prescribed by ESRS E2-5, for their financial years prior to financial year 2030;

(e) information about ***substances of very high concern (SVHC)*** if the undertaking is a ***user of articles*** that contain such substances, for their financial years prior to financial year 2028; and

(f) ESRS S1-6, S1-7 for own employees in non-EEA countries, S1-10, S1-11, S1-12, S1-13 datapoints in paragraph 37(d), (e) and ***non-employees*** datapoints, and S1-14 for their financial years prior to financial year 2027.

127. 'Other undertakings' as defined in paragraph 122 may omit in their ***sustainability statement***:

(a) all the DRs of ESRS E4 *Biodiversity and Ecosystems*, ESRS S2 *Workers in the Value Chain*, ESRS S3 *Affected Communities*, and ESRS S4 *Consumers and End-users* for their first two financial years of reporting;

(b) all information about ***anticipated financial effects***, required in paragraph 27 of ESRS 2 *General Disclosures* and in ESRS E1-11 for their first two financial years of reporting, with the exception of ESRS E1-11 paragraph 39(a)(b) and 40(a)(b);

(c) quantitative information about anticipated financial effects, required in paragraph 27 of ESRS 2 *General Disclosures* and in ESRS E1-11 for their first four financial years of reporting, with the exception of ESRS E1-11 paragraph 39(a)(b) and 40(a)(b);

(d) quantitative information related to ***substances of concern (SoC)*** prescribed by ESRS E2-5, for their first three financial years of reporting;

(e) information about ***substances of very high concern (SVHC)*** if the undertaking is a ***user of articles*** that contain such substances, for their first financial year of reporting; and

(f) ESRS S1-6, S1-7 for own ***employees*** in non-EEA countries, S1-10, S1-11, S1-12, S1-13 datapoints in paragraph 37(d), (e) and ***non-employees*** datapoints, and S1-14 for their first year of reporting.

Appendix A – *List of topics*

This Appendix is an integral part of ESRS 1 *General Requirements* and provides non-binding guidance to support the application of provisions in this Standard.

The following table provides the list of ***topics*** and sub-topics covered by topical standards as one of the inputs to the ***double materiality*** assessment. The undertaking needs to consider its own specific circumstances when determining the topics or sub-topics to be reported. Where necessary, it shall consider topics or sub-topics not covered by ESRS to develop entity-specific disclosures on material ***impacts***, ***risks*** and ***opportunities***, as described in paragraph 11.

Topics	Sub-topics
Climate Change (ESRS E1)	Climate change mitigation
	Climate change adaptation
	Energy
Pollution (ESRS E2)	Pollution of air
	Pollution of water
	Pollution of soil
	Substances of concern, including substances of very high concern
	Microplastics
Water (ESRS E3)	Water use, including withdrawal, consumption, discharges and storage
Biodiversity and Ecosystems (ESRS E4)	Drivers of biodiversity and ecosystem change (including terrestrial and marine habitat change, invasive species)
	State of species
	The extent and condition of terrestrial and marine ecosystems
	Ecosystem services
Circular Economy and Resource Use (ESRS E5)	Resource inflows
	Resource outflows related to products and services
	Resource outflows (waste)

Own Workforce and Workers in the Value Chain (ESRS S1/S2) (*)	Working conditions (including adequate wages, work-life balance, working time, secure employment) and social protection
	Social dialogue and collective bargaining, freedom of association, information and consultation rights of workers, including through works councils
	Health and safety
	Training and skills development
	Diversity and equal treatment (including gender equality, equal pay for work of equal value, employment and inclusion of people with disabilities, non-discrimination, anti-harassment, measures against violence)
	Other labour-related human rights (including child labour, forced labour, privacy and adequate housing, water and sanitation (**)
Affected Communities (ESRS S3)	Communities' economic, social and cultural rights (including land-related impacts, security-related impacts, adequate housing and food, water and sanitation)
	Communities' civil and political rights (including freedom of expression, freedom of assembly, impacts on human rights defenders)
	Rights of indigenous peoples (including free, prior and informed consent (FPIC), self-determination, cultural rights)
Consumers and End-users (ESRS S4)	Information-related impacts for consumers or users (including privacy, access to information, freedom of expression)
	Personal safety of consumers or end-users (including health and safety, protection of children, security of a person)
	Social inclusion of consumers or end-users (including, access to products and services, responsible marketing practices, non-discrimination)
Business Conduct (ESRS G1)	Corporate culture, including anti-corruption and bribery, the protection of whistle-blowers and animal welfare
	Political influence, including lobbying activities
	Management of relationships with suppliers, including payment practices especially late payment to small- and medium-sized undertakings (SMEs)

(*) Note for ESRS S2 *Workers in the Value Chain*. The level of detail of the **materiality** assessment for workers in the value chain, compared to that performed for own workforce, depends on the type and quality of data available. This can lead to different levels of depth and granularity in the analysis — especially for impacts and risks in the upstream/downstream value chain. As a result, while sub-topics under ESRS S1 *Own Workforce* and ESRS S2 *Workers in the Value Chain* are aligned, the way the undertaking considers and assesses negative impacts and risks may differ between them.

(**) 'Water and sanitation' is applicable to ESRS S2 *Workers in the Value Chain*.

Appendix B – *Qualitative characteristics of information*

This Appendix is an integral part of ESRS 1 *General Requirements* and has the same authority as the other parts of the Standard. This Appendix defines the qualitative characteristics that the information presented in the ***sustainability statement*** prepared in accordance with ESRS shall meet, as outlined in Chapter 2 of ESRS 1 *General Requirements*.

Relevance

QC1. Sustainability information is relevant when it may make a difference in the decisions of ***users*** under a ***double materiality*** approach (see Chapter 3).

QC2. Information may make a difference in a decision even if some ***users*** choose not to take advantage of it or are already aware of it from other sources. Sustainability information may impact decisions of users if it has predictive value, confirmatory value or both. Information has predictive value if it can be used as an input to processes employed by users to predict future outcomes. Sustainability information need not be a prediction or forecast to have predictive value but rather has predictive value when employed by users in making their own predictions.

QC3. Information has confirmatory value when it provides feedback about (confirms or changes) previous evaluations.

QC4. ***Materiality*** is an entity-specific aspect of relevance based on the nature or magnitude or both of the items to which the information relates, as assessed in the context of the undertaking's sustainability reporting (see Chapter 3).

Faithful representation

QC5. To be useful, the information must not only represent relevant phenomena; it must also faithfully represent the substance of the phenomena that it purports to represent. Faithful representation requires information to be (a) complete, (b) neutral and (c) accurate.

QC6. A complete depiction of an ***impact***, a ***risk*** or an ***opportunity*** includes all material information necessary for the ***users*** to understand that impact, risk or opportunity. This includes how the undertaking has adapted its strategy, risk management and governance in response to that impact, risk or opportunity, as well as the ***policies*** and ***actions*** in place to manage it, and ***metrics*** identified to set ***targets*** and measure performance.

QC7. A neutral depiction is without bias in its selection or disclosure of information. Information is neutral if it is not slanted, weighted, emphasised, de-emphasised or otherwise manipulated to make it more likely that the ***users*** will receive that information favourably or unfavourably. It shall be balanced so as to cover favourable/positive and unfavourable/negative aspects. Both negative and positive material ***impacts*** from an ***impact materiality*** perspective as well as material ***risks*** and ***opportunities*** from a ***financial materiality*** perspective shall receive equal attention. Any aspirational sustainability information, for example, ***targets*** or plans, shall cover both aspirations and factors that could prevent the undertaking from achieving these aspirations in order to have a neutral depiction.

QC8. Neutrality is supported by the exercise of prudence, i.e. caution when making judgements under conditions of uncertainty. Information shall not be netted or compensated to be neutral. The exercise of prudence means that ***opportunities*** are not overstated and ***risks*** are not understated. Equally, the exercise of prudence does not allow for the understatement of opportunities or the overstatement of risks. The undertaking may present net information, in addition to gross values, if such presentation does not obscure relevant information and includes a clear explanation about the effects of the netting and the reasons for the netting.

QC9. Information can be accurate without being perfectly precise in all respects. Accurate information implies that the undertaking has implemented adequate processes and internal controls to avoid

material errors or material misstatements. As such, estimates shall be presented with a clear emphasis on their possible limitations and associated uncertainty (see Chapter 7.2). The amount of precision needed and attainable, and the factors that make information accurate, depend on the nature of the information and the nature of the ***topics*** it addresses. For example, accuracy requires that:

(a) factual information is free from material error;

(b) descriptions are precise;

(c) estimates, approximations and forecasts are clearly identified as such;

(d) no material errors have been made in selecting and applying an appropriate process for developing an estimate, approximation or forecast, and that the inputs to that process are reasonable and supportable;

(e) assertions are reasonable and based on information of sufficient quality and quantity; and

(f) information about judgements about the future faithfully reflect both those judgements and the information on which they are based.

Comparability

QC10. Sustainability information is comparable when it can be compared with information provided by the undertaking in previous periods and can be compared with information provided by other undertakings, in particular those with similar activities or operating within the same sector. A point of reference for comparison can be a ***target***, a baseline, a sector benchmark, comparable information from either other undertakings or from an internationally recognised organisation, etc.

QC11. Consistency is related to, but is not the same as, comparability. Consistency refers to the use of the same approaches or methods for the same ***topic*** from period to period by the undertaking and other undertakings. Consistency helps to achieve the goal of comparability.

QC12. Comparability is not uniformity. For information to be comparable, like components shall look alike and different components shall look different. Comparability of sustainability information is not enhanced by making unlike things look alike any more than it is enhanced by making like things look different.

Verifiability

QC13. Verifiability helps to give ***users*** confidence that information is complete, neutral and accurate. Sustainability information is verifiable if it is possible to corroborate the information itself or the inputs used to derive it.

QC14. Verifiability means that various knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. Sustainability information shall be provided in a way that enhances its verifiability, for example, by:

(a) including information that can be corroborated by comparing it with other information available to ***users*** about the undertaking's business, about other businesses or about the external environment;

(b) providing information about inputs and methods of calculation used to produce estimates or approximations; and

(c) providing information reviewed and agreed by the ***administrative, management and supervisory bodies*** or their committees.

QC15. Some sustainability information will be in the form of explanations or forward-looking information. Those disclosures can be supportable by faithfully representing on a factual basis, for example, the strategies, plans and ***risk*** analyses of the undertaking. To help ***users*** decide whether to use such information, the undertaking shall describe the underlying assumptions and methods of producing the

information as well as other factors that provide evidence reflecting the actual plans or decisions made by the undertaking.

Understandability

QC16. Sustainability information is understandable when it is clear and concise. Understandable information enables any reasonably knowledgeable ***user*** to readily comprehend the information being communicated.

QC17. For sustainability disclosures to be concise, they need to (a) avoid generic 'boilerplate' information, which is not specific to the undertaking; (b) avoid unnecessary duplication of information, including information also provided in financial statements; and (c) use clear language and well-structured sentences and paragraphs. Disclosures are concise if they include only material information. Supplementary information presented pursuant to Sub-Chapter 8.2 shall be provided in a way that avoids obscuring material information.

QC18. Clarity might be enhanced by distinguishing information about developments in the reporting period from 'standing' information that remains relatively unchanged from one period to the next. This can be done, for example, by separately describing features of the undertaking's sustainability-related governance and ***risk*** management processes that have changed since the previous reporting period compared to those that remain unchanged.

QC19. The completeness, clarity and comparability of sustainability disclosures all rely on information being presented as a coherent whole. For sustainability disclosures to be coherent, they shall be presented in a way that explains the context and the connections between the related information. Coherence also requires the undertaking to provide information in a way that allows ***users*** to relate information about its ***impacts***, ***risks*** and ***opportunities*** to information in the undertaking's financial statements.

QC20. If ***risks*** and ***opportunities*** discussed in the financial statements have implications for sustainability reporting, the undertaking shall include in the ***sustainability statement*** the information necessary for ***users*** to assess those implications and present appropriate links to the financial statements (see Chapter 9). The level of information, granularity and technicality shall be aligned with the needs and expectations of users. Abbreviations shall be avoided and the units of measure need to be defined and disclosed.

ESRS 2 – General Disclosures

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Objective

1. ESRS 2 *General Disclosures* sets out the Disclosure Requirements (DRs) that apply across sustainability ***topics*** (i.e. cross-cutting). It covers the reporting areas defined in ESRS 1 *General Requirements*, paragraph 5.
2. The undertaking shall apply the DRs defined in this Standard when providing information on material ***impacts***, ***risks*** and ***opportunities*** and the ***topics*** related to them and shall present such information in accordance with ESRS 1 *General Requirements*, paragraphs 52 and 53 on aggregation and disaggregation.

Disclosure Requirements

Disclosure Requirement BP-1 – *Basis for preparation of the sustainability statement*

3. The objective of this DR is to enable an understanding of the basis for preparation of the ***sustainability statement***, including the disclosures required by ESRS 1 *General Requirements* in specific circumstances.
4. The undertaking shall disclose:
   (a) whether the ***sustainability statement*** has been prepared on a consolidated or individual basis and in case the reporting boundary of the undertaking`s own operations differs from the one adopted in the consolidated financial statements, a description of and the reasons for this difference; and
   (b) an overview of the extent to which the sustainability statement covers the undertaking's upstream and downstream ***value chain***.
5. The undertaking shall state that its ***sustainability statement*** has been prepared in accordance with ESRS as applicable at the end of the reporting period.
6. The undertaking shall disclose any relief, option or other specific provision prescribed in ESRS 1 *General Requirements* that it applies, together with the related required information.

APPLICATION REQUIREMENTS FOR BP-1

AR 1 for para. 4(a)	Differences from the reporting boundary used in the consolidated financial statements may arise when a subsidiary is excluded from consolidation because it is financially non-material (ESRS 1 *General Requirements,* paragraph 62).
AR 2 for para. 6	Reliefs, options or other specific provisions to be considered are the following: (a) relief for acquisitions and disposals (ESRS 1 *General Requirements*, paragraphs 74 and 75); (b) deviation from pre-defined time horizons (ESRS 1 *General Requirements*, paragraph 81); (c) changes in preparation or presentation of sustainability information (ESRS 1 *General Requirements*, paragraphs 84 and 85); (d) adjustments to comparative information (ESRS 1 *General Requirements*, paragraph 87 (a) and (c)); (e) application of material judgement and information subject to significant uncertainties (ESRS 1 *General Requirements*, paragraph 89); (f) omission of certain information in the cases referred to in ESRS 1 *General Requirements*, paragraph 100);

(g) relief to exclude from the calculation of a ***metric*** activities that are not significant drivers of ***impacts***, ***risks*** or ***opportunities*** (ESRS 1 *General Requirements*, paragraph 90);

(h) relief to report a partial reporting boundary for a metric due to lack of reliable data (ESRS 1 *General Requirements*, paragraph 91);

(i) relief to exclude joint operations from environmental metrics (ESRS 1 *General Requirements*, paragraph 92);

(j) significant limitations affecting the reported information under the undue cost or effort provision for specific datapoints (ESRS 1 *General Requirements*, Chapter 7.4);

(k) update of disclosures for events after the end of the reporting period (ESRS 1 *General Requirements*, paragraphs 96 and 97);

(l) reporting errors in prior periods (ESRS 1 *General Requirements*, paragraphs 98 and 99).

The undertaking may present the information required under paragraph 6 in the General Information section of its ***sustainability statement*** or alongside the relevant disclosures to which the information pertains.

Disclosure Requirement BP-2 – *Specific information if the undertaking uses phasing-in options*

7. The objective of this DR is to enable an understanding of the phasing-in provisions that the undertaking has used.

8. If, by applying the phase-in provisions provided by ESRS 1 *General Requirements* paragraphs 125(a), 126(a) and 127(a), the undertaking omits the information required by one or more of the standards listed in that paragraph, it shall nevertheless disclose whether the ***impacts***, ***risks*** and ***opportunities*** related to the ***topics*** covered in those standards have been assessed to be material as a result of the undertaking's ***materiality*** assessment.

9. In addition to paragraph 8, if one or more of these ***topics*** have been assessed to be material, the undertaking shall:

   (a) disclose the topic or sub-topic(s) that are assessed to be material, and briefly describe how the undertaking's ***business model*** and strategy take account of its ***impacts*** related to those topics. The undertaking may disclose this information at the level of topic or sub-topic;

   (b) briefly describe any time-bound ***targets*** it has set related to the topics in question, the progress it has made towards achieving those targets, and whether its targets related to ***biodiversity*** and ***ecosystems*** are based on conclusive scientific evidence;

   (c) briefly describe its ***policies*** in relation to the topics in question;

   (d) briefly describe ***actions*** it has taken to identify, monitor, prevent, mitigate, bring to an end, minimise or remediate actual or potential negative impacts related to the topic in question, and the result of such actions; and

   (e) disclose ***metrics*** relevant to the topic in question.

10. If, by applying the other phase-in provisions provided by ESRS 1 *General Requirements* in paragraphs 125(b)-(e), 126(b)-(e) and 127(b)-(e), the undertaking omits the information required by other DRs listed in those paragraphs, it shall disclose this fact.

APPLICATION REQUIREMENTS FOR BP-2	
AR 3 for para. 9	The undertaking may present the information required in paragraph 9 either in the general part of its ***sustainability statement*** or alongside the relevant topical disclosures.
AR 4 for para. 10	The undertaking may present the information required in paragraph 10 either in the general part of its ***sustainability statement*** or within the content index as referred to in ESRS 2 *General Disclosures* IRO-2, AR 29 if it chooses that option.

Governance

Disclosure Requirement GOV-1 – *The role of the administrative, management and supervisory bodies in relation to sustainability*

11. The objective of this DR is to enable an understanding of the roles and responsibilities of the ***administrative, management and supervisory bodies***, as well as the associated processes, controls and procedures in monitoring, managing and overseeing material ***impacts***, ***risks*** and ***opportunities***.

12. The undertaking shall disclose:

    (a) with respect to the composition of its ***administrative, management and supervisory bodies***, the percentage of ***independent board members***[1], the representation of ***employees*** and other workers, if present, and the percentage by gender and by other aspects of diversity that the undertaking takes into account;

    (b) the expertise and skills of the administrative, management and supervisory bodies in relation to supervising and managing material ***impacts***, ***risks*** and ***opportunities*** and how they determine whether appropriate skills and expertise are available or will be developed to manage or oversee strategies and other measures designed to respond to material impacts, risks and opportunities;

    (c) the identity and responsibilities of the individuals, board committee or similar body within the administrative, management and supervisory bodies, which are responsible for the management or oversight of material impacts, risks and opportunities, with an indication of any impacts, risks and opportunities that are directly addressed by the administrative, management and supervisory bodies without delegating key decision to other bodies or to management;

    (d) how the administrative, management and supervisory bodies manage or oversee the setting of ***targets*** related to material impacts, risks and opportunities, and how they monitor progress towards them; and

    (e) how the administrative, management and supervisory bodies take into account material impacts, risks and opportunities when managing or overseeing the undertaking's strategy, its decisions on major transactions, and its risk management process and related ***policies***, including whether the body(ies) or individual(s) have considered trade-offs associated with those impacts, risks and opportunities.

APPLICATION REQUIREMENTS FOR GOV-1	
AR 5 for para. 12	For the purposes of this disclosure, the management of material ***impacts***, ***risks*** and ***opportunities*** includes the due diligence process put in place.

[1] This information supports the information needs of benchmark administrators to disclose ESG factors subject to Commission Delegated Regulation (EU) 2020/1816 of 17 July 2020 as set out by indicator 'Weighted average percentage of board members who are independent' in Section 1 of Annex II.

APPLICATION REQUIREMENTS FOR GOV-1

AR 6 for para. 12(a)	The board's gender diversity shall be calculated as the average ratio of female to male board members[2].
AR 7 for para. 12(b)	Sustainability-related expertise refers to expertise that the bodies directly possess or have access to.
AR 8 for para. 12(c)	The description of the responsibilities shall consist of an overview of how the responsibilities of each body or individual for material ***impacts***, ***risks*** and ***opportunities*** and related ***topics*** are reflected in the undertaking's terms of reference, board mandates and other related ***policies***.

Disclosure Requirement GOV-2 – *Integration of sustainability-related performance in incentive schemes*

13. The objective of this DR is to enable an understanding of the key features of any incentive schemes that are linked to sustainability ***topics*** that are in place for members of the ***administrative, management and supervisory bodies.***

14. If the undertaking has incentive schemes for members of the ***administrative, management and supervisory bodies*** that are linked to sustainability ***topics***, it shall disclose how members' remuneration is linked to sustainability topics***,*** including:

    (a) a description of the key characteristics of the incentive schemes;

    (b) ***targets*** or ***metrics*** used if the performance is assessed against specific sustainability-related targets or metrics; and

    (c) the proportion of variable remuneration dependent on sustainability-related targets or metrics.

Disclosure Requirement GOV-3 – *Statement on due diligence*

15. The objective of this DR is to enable an understanding of where, within the ***sustainability statement***, the main steps of the due diligence process (see ESRS 1 *General Requirements*, Chapter 4) applied with regard to sustainability ***topics*** are disclosed.

16. The undertaking shall explain where its application of the main aspects and steps of the due diligence process are reflected in its ***sustainability statement***[3].

[2] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts, as set out by indicator #13 in Table 1 of Annex I of Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to disclosure rules on sustainable investments ('Board gender diversity'). It also supports the information needs of benchmark administrators to disclose ESG factors subject to Commission Delegated Regulation (EU) 2020/1816 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as set out by indicator 'Weighted average ratio of female to male board members' in Sections 1 and 2 of Annex II.

[3] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts, as set out by indicator #10 in Table 3 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Lack of due diligence').

APPLICATION REQUIREMENTS FOR GOV-3

AR 9 for para. 16	The undertaking may present the information required in paragraph 16 in the form of a table, cross-referencing the main steps of its due diligence process to the relevant disclosures in its ***sustainability statement***.

Disclosure Requirement GOV-4 – *Risk management and internal controls over sustainability reporting*

17. The objective of this DR is to enable an understanding of the undertaking's ***risk*** management and internal control processes and systems in relation to sustainability reporting.

18. The undertaking shall disclose the scope, main features and components of its ***risk*** management and internal control processes and systems in relation to sustainability reporting.

APPLICATION REQUIREMENTS FOR GOV-4

AR 10 for para. 18	The undertaking shall consider the completeness and integrity of the data, and the accuracy of estimation results, as aspects that are relevant in the context of the ***risk*** management associated with the reporting process.

Strategy

Disclosure Requirement SBM-1 – *Strategy, business model and value chain*

19. The objective of this DR is to enable an understanding of the key elements of the undertaking's general strategy, ***business model*** and upstream and downstream ***value chain*** that relate to or affect material ***impacts, risks*** and ***opportunities***, in order to enable an understanding of its exposure to such material impacts, risks and opportunities and where they originate.

20. The undertaking shall disclose the following information about the key elements of its general strategy and ***business model*** that relate to, or affect, the ***topics*** associated with its ***material impacts, risks*** and ***opportunities***:

    (a) a description of its business model, its upstream and downstream ***value chain*** and its position in that value chain;

    (b) a description of:

        i. the significant groups of ***products*** and services offered, significant markets or customer groups served, and their relevance in contributing to the undertaking`s overall sustainability-related objectives, including significant changes in the reporting period (e.g. new/removed products, services, markets or customer groups);

        ii. where applicable and significant, products and ***services banned*** in certain markets;

    (c) the significant sectors in which it operates, including activities that are internal to the group if those activities are significant or are connected or may be connected to material impacts, risks and opportunities;

    (d) where applicable, a statement indicating, together with the related revenues, whether the undertaking is active in:

        i. the ***fossil fuel*** (coal, oil and gas) sector, including a disaggregation of revenues derived from coal, oil and gas[4];

[4] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out by indicator #4 in Table 1

ii. chemicals production[5], i.e. whether its activities fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006;

iii. the prohibited weapons industry[6] (anti-personnel mines, cluster munitions, chemical weapons or biological weapons);

iv. the cultivation and production of tobacco[7].

APPLICATION REQUIREMENTS FOR SBM-1

AR 11 for para. 20(c)	Disclosing the significant sectors is relevant for ***users***, as it supports the understanding of material ***impacts***, ***risks*** and ***opportunities*** to which the undertaking is connected, notably when these are common in a given sector. In addition, this supports the understanding of possible entity-specific information included in the ***sustainability statement*** to cover aspects that are either specific to the undertaking or common in a given sector.
AR 12 for para. 20(c)	The sectors in which the undertaking is active are those of its own operations.
AR 13 for para. 20(b)(c)	A sector, a market, and a group of ***products***, services or ***consumers*** shall be considered significant if: (a) it accounts for more than 10 per cent of the undertaking's revenue; or (b) it is connected with the undertaking's ***actual*** or ***potential*** material ***impacts***. For significant sectors arising from activities that are internal to the group only the criterion in letter (b) applies. ESRS 2 *General Disclosures* does not mandate a specific classification system of business activities. When disclosing its significant sectors, the undertaking may apply one of the following approaches: (a) the NACE classification system (Nomenclature générale des Activités Economiques dans les Communautés Européennes NACE Rev.2.1); (b) the reportable segments disclosed in the financial statements in accordance with IFRS 8 *Operating segments* or local generally accepted accounting principles; or (c) available classification of best practices or frameworks, such as the IFRS industry-based guidance and GRI Standards defined in ESRS 1 *General Requirements*, AR 5.

of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments ('Exposure to companies active in the fossil fuel sector').

[5] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts, as set out by indicator #9 in Table 2 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments ('Investments in companies producing chemicals').

[6] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts, as set out by indicator #14 in Table 1 of Annex I of Commission Delegated Regulation (EU) 2022/1288, and consistent with Commission Delegated Regulation (EU) 2025/1775 amending Delegated Regulation (EU) 2022/1288 with regard to the definition of prohibited weapons.

[7] 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.

AR 14 for para. 20(d)(i)	The calculation of revenues derived from the ***fossil fuel*** sector shall be based on revenues from the exploration, mining, extraction, production, processing, storage, refining or distribution of fossil fuels, including their transportation, storage and trade, as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and of the Council.

Disclosure Requirement SBM-2 – *Interests and views of stakeholders*

21. The objective of this DR is to enable an understanding of the undertaking's ***stakeholder engagement*** and how key ***stakeholders'*** interests and views are brought to the attention of its ***administrative, management and supervisory bodies*** and inform its strategy and ***business model***.

22. The undertaking shall disclose:

    (a) a summarised description of its ***stakeholder engagement***, including information about the key ***stakeholders*** with which it engaged, with reference to typical categories of affected stakeholders defined in ESRS 1 *General Requirements*, AR 23;

    (b) its understanding of the interests and views of its key stakeholders as they relate to its strategy and ***business model***; and

    (c) how the ***administrative, management and supervisory bodies*** are informed about the views and interests of key affected stakeholders (including ***workers' representatives***) with regard to its material ***impacts, risks*** and ***opportunities***.

Disclosure Requirement SBM-3 – *Interaction of material impacts, risks and opportunities with strategy and business model, and financial effects*

23. The objective of this DR is to enable an understanding of the interactions between the undertaking's material ***impacts***, ***risks*** and ***opportunities*** and its strategy and ***business model***, as well as of the related ***financial effects***.

24. The undertaking shall disclose a high-level description of how material ***impacts*** originate from its strategy and ***business model***, the effects of ***risks*** and ***opportunities*** on its business model and ***value chain***, and how it has addressed, and plans to address, those impacts, risks and opportunities in its strategy and decision-making.

25. The undertaking shall disclose qualitative and quantitative information about how material ***risks*** and ***opportunities*** have affected its financial position, financial performance and cash flows for the reporting period (***current financial effects***).

26. The undertaking shall disclose qualitative and quantitative information about the material ***risks*** and ***opportunities*** identified in paragraph 25 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.

27. The undertaking shall disclose qualitative and quantitative information on how it expects its financial position, financial performance, and cash flows to change over the short, medium and long term, given its strategy to manage material ***risks*** and ***opportunities (anticipated financial effects)***.

28. The undertaking need not provide quantitative information about the ***current financial effects*** or ***anticipated financial effects*** if it determines that:

    (a) the effects are not separately identifiable; or

    (b) the level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful (see ESRS 1 *General Requirements*, paragraphs 89 and 90).

29. The undertaking need not provide quantitative information about the ***anticipated financial effects*** of material ***risks*** or ***opportunities*** if it does not have the skills, capabilities or resources to provide that quantitative information.

30. In preparing disclosures about its ***anticipated financial effects***, the undertaking shall use all reasonable and supportable information available to it at the reporting date without undue cost or effort (see ESRS 1 *General Requirements*, paragraphs 94, 95 and 96).

31. If the undertaking determines that it need not provide quantitative information about the ***current financial effects*** or ***anticipated financial effects*** of a ***risk*** or ***opportunity*** for any of the reasons specified in paragraphs 28 and 29, it shall:

    (a) explain why it has not provided quantitative information;

    (b) provide qualitative information about those ***financial effects***, including identifying line items, totals and subtotals within the related financial statements that are likely to be affected, or have been affected, by that risk or opportunity; and

    (c) provide quantitative information about the combined financial effects of that risk or opportunity with other risks or opportunities and other factors, unless the undertaking determines that quantitative information about the combined financial effects would not be useful.

32. When providing quantitative information, the undertaking may present single amounts or ranges.

33. The undertaking shall disclose qualitative information about the resilience of its strategy and ***business model*** regarding its capacity to manage its material ***risks*** as disclosed in accordance with paragraph 24. This information shall include how the analysis was conducted and the time horizons considered.

APPLICATION REQUIREMENTS FOR SBM-3

AR 15 for para. 24	The undertaking may consider the linkages that exist between paragraph 24 and IRO-2, paragraph 37(a) to present the content in a way that avoids duplications and facilitates an understanding of the information reported in accordance with these paragraphs. Paragraph 24 focuses on reporting the interaction of the undertaking's material ***impacts***, ***risks*** and ***opportunities*** with its strategy and ***business model***. IRO-2, paragraph 37(a) focuses on a description of those impacts, risks and opportunities and how they are likely to affect people and the environment.
AR 16 for paras. 25 and 26	If the information is included in the financial statements, it may be incorporated by reference (see ESRS 1 *General Requirements*, Chapter 9.3).
AR 17 for para. 27	In preparing the disclosure on ***anticipated financial effects***, the undertaking shall consider how it expects its financial position, financial performance and cash flows to change over the short, medium and long term, given its strategy to manage ***risks*** and ***opportunities***, taking into consideration: (a) its announced investment and disposal plans (e.g. capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas and asset retirements), including plans to which the undertaking is not contractually committed; and (b) its planned sources of funding to implement its strategy. (c) Reporting on anticipated financial effects is likely to involve the use of estimates. If estimates of anticipated financial effects disclosed in a prior reporting period later prove to be inaccurate as additional information becomes known, the undertaking shall revise its estimates in its next appropriate sustainability statement. The possible need to revise an estimate

	does not therefore necessarily imply that there has been a reporting error, as explained in ESRS 1 *General Requirements*, AR 46. (d) The provisions on the omission of certain information in ESRS 1, Chapter 7.7, including the omission of information that could be seriously prejudicial to the commercial position of the undertaking, also apply when reporting on anticipated financial effects.
AR 18 for paras. 25 and 27	Quantitative information may consist of non-monetary information such as volumes, number of ***products***, or number of ***employees***.
AR 19 for paras. 25 and 27	In presenting information reported in accordance with paragraphs 25 and 27 about ***current financial effects*** and ***anticipated financial effects***, the undertaking may consider the linkage with the information reported in accordance with GDR-A, paragraphs 46(b)(c) about financial resources allocated to the key ***actions***.
AR 20 for paras. 25 and 27	The DR related to ***current financial effects*** and ***anticipated financial effects*** are designed to produce information that complements information provided in the financial statements. See Chapter 9 of ESRS 1 *General Requirements* for the requirements on how to support the understandability of connections between ***risks*** and ***opportunities*** and the information reported in the financial statements.
AR 21 for paras. 28 and 29	If the undertaking cannot provide quantitative information in accordance with paragraphs 28 and 29, it is expected to provide qualitative information that is decision useful according to paragraph 23 of ESRS 1 *General Requirements*. In such instance, paragraph 24 of ESRS 1 *General Requirements* also applies.

Disclosure Requirement IRO-1 – *Description of the process to identify and assess material impacts, risks and opportunities and material information to be reported*

34. The objective of this DR is to enable an understanding of the process through which the undertaking identifies ***impacts***, ***risks, opportunities*** and the related ***topics***, and assesses their ***materiality***, as the basis for determining the disclosures to be made in its ***sustainability statement*** (see ESRS 1 *General Requirements*, Chapter 3).

35. The undertaking shall disclose:

    (a) a concise description of the process and decision-making steps it follows to identify ***impacts***, ***risks*** and ***opportunities*** and the related ***topics*** and to assess their ***materiality***, including the approach to cover its own operations and its upstream and downstream ***value chain***, the key methodologies, inputs and assumptions adopted, as well as the qualitative considerations or quantitative thresholds;

    (b) how it assessed and prioritised impacts based on their severity and likelihood (see ESRS 1 *General Requirements*, paragraphs 44 and 45), how actions to prevent, mitigate, bring to an end, minimise and remediate negative impacts are considered, and how it considered areas of heightened risks of negative impacts related to specific activities, ***business relationships***, or ***geographies***;

    (c) whether the assessment is informed by the undertaking's sustainability due diligence process, and, if it consults with affected ***stakeholders*** and external experts to understand its impacts, how such consultations inform the assessment;

    (d) significant changes to the process compared to the prior reporting period; and

    (e) when it last updated its materiality assessment.

APPLICATION REQUIREMENTS FOR IRO-1

AR 22 for para. 35(a)	Input may include, where relevant and beyond generic information, due diligence processes that informed the assessment, specific data sources, sector benchmark analysis, and ***risk*** management processes; engagement with affected ***stakeholders***; industry and peer group experience; reports, statistics and scientific data; and engagement with experts.
AR 23 for para. 35(a)	The description of the process to identity and assess material ***risks*** and ***opportunities*** is expected to cover ***dependencies*** when relevant.
AR 24. for para. 35(a)–(d)	The undertaking shall focus on information that is specific to its own ***materiality*** assessment process. It shall avoid standardised, generic disclosures, sometimes referred to as 'boilerplate', such as information describing in detail that it has applied the criteria outlined in ESRS 1 *General Requirements* or followed the recommended process.
AR 25. for para. 35(b)	Information concerning engagement with affected ***stakeholders*** is addressed in ESRS 2 IRO-1 and SBM-2 and ESRS S1-S4. To avoid duplication and support a coherent narrative: (a) relevant disclosures under ESRS 2 IRO-1, paragraph 35(c), include how the ***materiality*** assessment process includes consultation with affected stakeholders and external experts; (b) information on ongoing engagement with affected stakeholders (as defined in ESRS 1 *General Requirements*, AR 23) is addressed in the respective social standards (ESRS S1-2, S2-2, S3-2 and S4-2); (c) disclosures related to how key affected stakeholders' (including ***workers' representatives'***) interests and views are brought to the attention of the undertakings's ***administrative, management and supervisory bodies*** and inform its strategy and ***business model***, with regard to its material ***impacts***, ***risks*** and ***opportunities***, are covered under ESRS 2 SBM-2, paragraph 22(c).
AR 26 for para. 35(b)	In disclosing how the undertaking considered areas of heightened ***risks*** of negative ***impacts*** related to specific activities, ***business relationships***, or ***geographies***, guidance is provided in ESRS 1 *General Requirements*, paragraphs 32 (b) and 33.

Disclosure Requirement IRO-2 – *Material impacts, risks and opportunities and disclosure requirements included in the sustainability statement*

36. The objective of this DR is to enable an understanding of the outcome of the ***materiality*** assessment, in terms of material ***impacts***, ***risks*** and ***opportunities*** and material information reported in accordance with ESRS.

37. The undertaking shall disclose:

    (a) a concise description of its ***actual*** and ***potential***, positive and negative material ***impacts***, including how they affect or are likely to affect people or the environment, and its ***material risks*** and ***opportunities***, specifying the related ***topics*** and how and where impacts, risks and opportunities are connected to its own operations and its upstream and downstream ***value chain***;

    (b) the basis for concluding that climate change is not material, if the undertaking has reached this conclusion and therefore omits all DRs in ESRS E1 *Climate Change*;

(c) changes related to its material impacts, risks and opportunities compared to the previous reporting period;

(d) a list of the DRs complied with in preparing the ***sustainability statement***, allowing ***users*** to identify where the related disclosures are located in the sustainability statement and giving a separate indication of those that are incorporated by reference (see ESRS 1 *General Requirements*, Chapter 9.3);

(e) a list of 'supplementary' information provided in accordance with ESRS 1 *General Requirements*, Chapter 8.2;

(f) its exposure to heightened risk of ***incidents*** related to ***forced*** or compulsory ***labour*** and ***child labour*** by type of operations (such as manufacturing plants), or by countries or ***geographies***[8], if the undertaking is connected through its own operations or its upstream and downstream ***value chain*** to material negative impacts related to forced or compulsory labour or child labour; and

(g) a table of all the datapoints that derive from other EU legislation as listed in Appendix A of this Standard, indicating where they can be found in the sustainability statement or, for those that the undertaking has assessed as not material, that they are 'not material'.

APPLICATION REQUIREMENTS FOR IRO-2

AR 27 for para. 37(a)	The description of material ***risks*** and ***opportunities*** also covers the related ***dependencies*** to the extent necessary for an understanding of those risks and opportunities. Paragraph 49 of ESRS 1 *General Requirements* applies in presenting the disclosure prescribed by this DR.
AR 28 for para. 37(a)	The undertaking may present the description of its material ***impacts***, ***risks*** or ***opportunities*** in the same location as its disclosures on the related ***policies***, ***actions***, ***metrics*** and ***targets*** through which it manages them, in order to avoid duplication and support a coherent narrative. If the undertaking exercises this option, it shall still present a concise description of its material impacts, risks and opportunities alongside its disclosures prepared in accordance with IRO-2.
AR 29 for para. 37(d)	The undertaking may present the disclosure as a content index, i.e. a tabular list of the DRs included in the ***sustainability statement***, to support the identification of where they are located (page/paragraphs). It may present the list of information incorporated by reference in an appendix within its sustainability statement, or may present the necessary information in the list of reported DRs as required in paragraph 37(d). The undertaking may directly reference the DR numbers within its sustainability statement (e.g. in section headings or paragraph titles). The undertaking may present the 'supplementary' information provided under paragraph 37(e) by highlighting it in the section headings, paragraph titles, or the aforementioned content index, so that it is clearly distinguished as supplementary.

[8] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from additional indicators related to principal adverse impacts as set out by indicator # 12 and 13 in Table 3 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Operations and suppliers at significant risk of incidents of forced or compulsory labour" and "Operations and suppliers at significant risk of child labour").

General Disclosure Requirements (GDR) for policies, actions, metrics and targets

38. Information about ***policies***, ***actions, metrics*** and ***targets*** shall enable an understanding of the level at which the undertaking manages its material ***impacts***, ***risks*** and ***opportunities***. If the undertaking has adopted policies, put in place actions, set targets or uses metrics only for certain aspects of a ***topic***, this shall be reflected in the way the disclosure is prepared and presented, enabling ***users*** to understand the specific aspects that are covered.

39. If the undertaking does not have ***policies***, ***actions,*** or ***targets*** with reference to a ***topic*** related to material ***impacts***, ***risks*** and ***opportunities,*** it shall disclose this fact.

40. The undertaking shall apply the requirements specified in GDR-P, GDR-A, GDR-M and GDR-T when disclosing information either in accordance with a topical standard or on an entity-specific basis about:

    (a) its ***policies*** and ***actions*** to prevent, mitigate, bring to an end, minimise and remediate ***actual*** and ***potential*** material negative ***impacts***, and to manage material ***risks*** or pursue actual and potential material positive impacts and material ***opportunities***; and

    (b) the ***metrics*** and the ***targets*** to assess progress over time in relation to its material impacts, risks and opportunities.

APPLICATION REQUIREMENTS FOR GDR PATM

AR 30 for para. 38	If the undertaking applies the same ***policies***, ***actions***, ***metrics*** or ***targets*** across more than one material ***impact***, ***risk*** or ***opportunity***, or across more than one ***topic***, it may disclose the information only once, while making clear the scope of its application. It may cross-refer to that information from other locations in the report where relevant. This approach allows the undertaking to present information in a way that is consistent with its management approach. The undertaking may structure and present its disclosures in a way that reflects the managerial approach based on its management priorities that reflect and align with its strategy and ***business model***.
AR 31 for para. 39	If the undertaking presents its material ***impacts***, ***risks*** and ***opportunities*** (IRO-2, paragraph 37(a)) and the related ***topics*** in a tabular form, it may indicate in the same table the material topics or material impacts, risks and opportunities for which it does not have ***policies***, ***actions*** or ***targets*** in place by marking them as such in the table.
AR 32 for para. 38	The level of detail provided may vary with regard to each DR, depending on the nature of the material ***impacts, risks*** and ***opportunities*** in question, and differences in the undertaking's current approach to their management. The level of detail provided shall be proportionate to the severity of the impacts, the magnitude of risk or opportunity, or the importance of the impacts, risks and opportunities for the undertaking's strategy and ***business model***. The information shall, wherever possible, be specific to the reporting period. When reporting on ***policies***, ***actions, metrics*** and ***targets***, the undertaking shall report relevant information, avoiding information that is boilerplate, and therefore not relevant for ***users.*** Excessive detail, especially about common practices which are known to reasonably knowledgeable users, may obscure material information.
AR 33 for para. 40	To avoid duplication and support a coherent narrative, the undertaking may present the description of its material ***impacts, risks*** and ***opportunities***, as required under IRO-2, paragraph 37(a), alongside information about the ***policies***, ***actions***, ***metrics*** and ***targets*** through which it manages those impacts, risks and opportunities.

General Disclosure Requirement for policies – GDR-P

41. The objective of this GDR is to enable an understanding of the ***policies*** that the undertaking has in place to prevent, mitigate, bring to an end, minimise or remediate its material ***actual*** and ***potential*** negative ***impacts***, and to manage material ***risks*** and pursue material ***opportunities*** or positive impacts.

42. The undertaking shall disclose the following information about ***policies*** adopted to manage its material ***impacts***, ***risks*** and ***opportunities***:

    (a) a description of the key contents of the policy, including its general objectives and the material impacts, risks or opportunities it relates to, and, if there have been changes to the policies adopted during the reporting period, a description of those changes;

    (b) a description of the scope of the policy, or of its exclusions, in terms of the undertaking's own operations, its upstream or downstream ***value chain*** and ***geographies*** and, if defined, the affected ***stakeholder*** groups;

    (c) if the policy refers to third-party standards or initiatives that the undertaking commits to respect through the implementation of the policy, a reference to the third-party standard or initiative in question; and

    (d) for social ***topics***, a description of the consideration given to the interest of affected stakeholders in setting this policy, if such considerations have been given.

43. The undertaking shall disclose whether it has an overarching human rights ***policy*** committing to implement[9] the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises. If this is the case, the undertaking shall disclose the information specified in paragraph 42 for that policy and shall specify which groups of affected ***stakeholders*** are covered (e.g. ***own workforce, workers in the value chain***, ***affected communities***, ***consumers*** and ***end-users***).

APPLICATION REQUIREMENTS FOR GDR-P

AR 34 for para. 43	When disclosing information about its human rights ***policy*** to implement the UN Guiding Principles on Business and Human Rights, the undertaking shall consider the International Bill of Human Rights, which consists of the Universal Declaration of Human Rights and the two Covenants that implement them, and the ILO principles concerning fundamental rights set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

General Disclosure Requirement for actions and resources – GDR-A

44. The objective of this GDR is to enable an understanding of the undertaking's key ***actions,*** taken or planned, to manage its material ***impacts, risks*** and ***opportunities***, and where applicable, to achieve the objectives of related ***policies***.

45. When the undertaking implements key ***actions*** to manage material ***impacts, risks*** and ***opportunities***, it shall disclose:

[9] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from additional indicators related to principal adverse impacts, as set out by indicator #11 in Table 1 and indicator #9 in Table 3 of Annex 1 of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises' and 'Lack of a human rights policy'). It also supports the information needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816, as set out by indicator 'Exposure of the benchmark portfolio to companies without due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8' in Sections 1 and 2 of Annex II.

(a) a description of the key actions taken in the reporting year and those planned for the future, including their timeframe;

(b) a description of the scope of the key actions; and

(c) the expected outcomes of the key actions and, where applicable, how their implementation contributes to achieving the related ***policy*** objectives.

46. Where significant financial resources (operational or capital expenditure) have been or are expected to be allocated to the implementation of the key ***actions***, the undertaking shall:

(a) describe the type of current and future significant financial resources allocated to the key actions, and whether the ability to implement these key actions depends on specific preconditions (e.g., granting of financial support or public ***policy*** and market developments);

(b) disclose the amount of significant financial resources allocated to the key actions in the reporting period (if any), and indicate the corresponding line items or notes where they are included in the financial statements; and

(c) provide an indicative range of future financial resources expected to be allocated for the implementation of the key actions.

APPLICATION REQUIREMENTS FOR GDR-A

AR 35 for para. 45	Key ***actions*** in the context of this DR are those actions that play a significant role in managing the undertaking's material ***impacts, risks*** and ***opportunities*** including actions taken to support the provision of ***remedy***. Key actions include actions that are part of the undertaking's business practices, sustainability due diligence and overall business and risk management. Key actions may have been initiated in prior reporting periods and continue to be implemented or produce effects in the current reporting period. For the sake of understandability, key actions may be aggregated if applicable. Conversely, if key actions cover more than one material impact, risk or opportunity, this can be indicated and cross-referenced if necessary.
AR 36 for para. 45	***Actions*** may be undertaken individually or in collaboration with other undertakings, especially if ***actual impacts*** or ***potential impacts*** are systemic or widespread in nature and cannot be addressed by the undertaking alone. ***Users*** may find it useful to know whether a key action is collaborative.
AR 37 for para. 45	Key environmental ***actions*** may be classified in accordance with the mitigation hierarchy (i.e. avoidance, minimisation, restoration and compensation).
AR 38 for para. 45(a)	The scope of key ***actions*** refers to their coverage in terms of activities within the undertaking's own operations, its upstream and downstream ***value chain***, subsidiaries, ***geographies***, and if defined, the affected ***stakeholder*** groups. The timeframe refers to the time horizons over which the undertaking intends to complete each action.
AR 39 for para. 46	The undertaking may present the information on resource allocation in the form of a table broken down between (i) capital expenditure and operating expenditure, and between (ii) resources applied in the current reporting year and the planned allocation of resources over specific time horizons.

AR 40 for para. 46(b) and (c)	If the undertaking has allocated significant non-financial resources (e.g. full-time equivalent resources), the information about those resources may be presented as non-monetary quantities.
AR 41 for para. 46(b) and (c)	When preparing disclosures on significant financial resources that have been or are expected to be allocated to the implementation of key ***actions***, the undertaking may limit the disclosure to: (a) its approved and announced key actions and action plans; and (b) its planned sources of funding for implementing these key actions.

General Disclosure Requirement for metrics – GDR-M

47. The objective of this GDR is to support the preparation of the disclosures on ***metrics*** by the undertaking.

48. The undertaking shall disclose the ***metrics*** required by topical standards in relation to material ***impacts, risks*** and ***opportunities,*** as well as metrics defined on an entity-specific basis in accordance with ESRS 1 *General Requirements*, paragraph 11. This may include metrics used by the undertaking to evaluate its performance and to track the effectiveness of its ***actions*** to manage its material impacts, risks and opportunities.

49. For each ***metric,*** the undertaking shall disclose:

    (a) the metric itself, its unit of measurement, the calculation methodology and the sources (e.g. input parameters) used for the calculation, and where relevant, the estimation methodology, including significant assumptions and limitations;

    (b) for ***value chain*** metrics, if applicable, the reliance on data from indirect sources or proxies and any planned ***actions*** to improve the data quality in the future (see ESRS 1 *General Requirements*, Chapter 5);

    (c) contextual information about the metric; and

    (d) significant changes in the performance compared to the previous reporting periods, including progress made in achieving the ***targets*** set by the undertaking, and, in the case of major acquisitions or disposals, how the transaction affects that progress.

APPLICATION REQUIREMENTS FOR GDR-M

AR 42 for para. 48	***Metrics*** include those defined in ESRS, as well as metrics identified on an entity-specific basis, whether taken from other sources or developed by the undertaking itself, such as for ESRS S2-S4 topical standards that do not prescribe specific metrics.
AR 43 for para. 49(a)	The European system of units of measurement stems from the International System of Units (SI). The units of measurement shall be expressed using the names and symbols set down in Directive 80/181/EEC, as amended by Directive 2009/3/EC. ***Metrics*** shall be disclosed using the units specified in the topical standards, which are aligned with that Directive. SI prefixes and their corresponding symbols may be used to designate certain decimal multiples or submultiples where appropriate, in order to present values at the level the undertaking considers most appropriate. For example, instead of reporting 1 200 000 tCO_2e, the undertaking may report 1.2 $MtCO_2e$.
AR 44 for para. 49(c)	Contextual information about a ***metric*** may include: (a) the reasons why the undertaking has chosen a particular measurement approach, as well as the reasons for the inputs and assumptions it uses; and

	(b) for environmental metrics, the specific environmental conditions and characteristics of the area where the ***impact*** is occuring that are necessary to understand the metric in question.

General Disclosure Requirement for targets – GDR-T

50. The objective of this GDR is to enable an understanding of how the undertaking sets ***targets***, as defined in terms of expected results for people, the environment or the undertaking itself, and of how the undertaking tracks the effectiveness of its ***policies*** and ***actions*** in relation to its material ***impacts, risks*** and ***opportunities***, as well as the overall progress and effectiveness towards the adopted targets over time. This includes – where applicable – whether the progress is aligned with a related action plan or whether any significant facts and circumstances related to the action plan affect the achievement of the target.

51. The undertaking shall disclose the measurable, time-bound, outcome-oriented qualitative or quantitative ***targets*** it has set related to its material ***impacts***, ***risks*** and ***opportunities***. For each target, the undertaking shall disclose:

    (a) a description of the relationship of the target to its ***policy*** objectives and ***actions***;

    (b) the defined target value (or level if the target is qualitative) to be achieved, including whether the target is absolute or relative if these are defined as such and in which unit it is measured;

    (c) the scope of the target, in terms of the undertaking's activities within its own operations or its upstream and downstream ***value chain***, as well as geographical boundaries;

    (d) the baseline value (or level if the target is qualitative) and the base year from which progress is measured, if defined by the undertaking;

    (e) the target year or period to which the target applies and a description of any milestones or interim targets that the undertaking has set;

    (f) the methodologies and significant assumptions used to define targets;

    (g) whether the target is required by law;

    (h) where applicable, the selected ***scenarios*** on which it is based, the key data sources and the level of compatibility with national, EU or international policy goals; and

    (i) whether the undertaking's targets related to environmental ***topics*** are based on conclusive scientific evidence.

52. If the undertaking has not set any measurable outcome-oriented ***targets***, it shall disclose whether and, if so, how it nevertheless tracks the effectiveness of its ***policies*** and ***actions*** in relation to its material ***impacts, risks*** and ***opportunities***.

APPLICATION REQUIREMENTS FOR GDR-T

AR 45 for para. 50	Information about progress and effectiveness towards the adopted ***targets*** over time is disclosed under GDR-M, paragraph 49(d).
AR 46 for para. 51	Outcome-oriented ***targets*** regarding material ***impacts*** are defined in terms of expected results for people and the environment.
AR 47 for para. 51(i)	'Based on conclusive scientific evidence' shall be understood as the use of robust, peer-reviewed or otherwise authoritative biophysical information that identifies relevant ***ecological thresholds*** or that quantifies conditions, trajectories, and constraints using empirical data, modelling, or recognised scientific frameworks. Such

	evidence shall enable the undertaking to set ecologically grounded, context-specific and measurable ***targets***.

Appendix A – *List of datapoints in cross-cutting and topical standards that derive from other EU legislation*

This Appendix is an integral part of ESRS 2 *General Disclosures* and provides a non-binding illustration of the datapoints in ESRS 2 *General Disclosures* and topical standards that derive from other EU legislation.

Table 1. *Datapoints in the main body of the Standard*

Disclosure Requirement and related datapoint in ESRS	SFDR[1] reference	Pillar 3[2] reference	Benchmark Regulation[3] reference	EU Climate Law[4] reference
ESRS 2 GOV-1 Percentage of board members who are independent			Delegated Regulation (EU) 2020/1816, Annex II	
ESRS 2 GOV-3 Statement on due diligence	Indicator number 10 Table #3 of Annex 1			
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities	Indicators number 4 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013 read in conjunction with Article 435 of that Regulation; Commission Implementing Regulation (EU) 2024/3172[5] Table 1:	Delegated Regulation (EU) 2020/1818, Article 12(1)	

[1] 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 or 'SFDR') (OJ L 317, 9.12.2019, p. 1, ELI: http://data.europa.eu/eli/reg/2019/2088/oj).

[2] Regulation (EU) No 575/2013 of the European Parliament and of the Council (Capital Requirements Regulation or 'CRR').

[3] 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 ('Climate Benchmark Regulation') (OJ L 171, 29.6.2016, p. 1, ELI: http://data.europa.eu/eli/reg/2016/1011/oj).

[4] 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, ELI: http://data.europa.eu/eli/reg/2021/1119/oj).

[5] Commission Implementing Regulation (EU) 2024/3172 of 29 November 2024 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard

Disclosure Requirement and related datapoint in ESRS	SFDR[1] reference	Pillar 3[2] reference	Benchmark Regulation[3] reference	EU Climate Law[4] reference
		Qualitative information on Environmental risk and Table 2: Qualitative information on Social risk; Template 1: Banking book- Indicators of potential climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity		
ESRS 2 SBM-1 Involvement in activities related to chemical production	Indicator number 9 Table #2 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II	
ESRS 2 SBM-1 Involvement in activities related to prohibited weapons	Indicator number 14 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1818[6], Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II	
ESRS 2 SBM-1 Involvement in activities related to cultivation and			Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation	

to public disclosures by institutions of the information referred to in Part Eight, Titles II and III, of that Regulation, and repealing Commission Implementing Regulation (EU) 2021/637.

[6] 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), as amended by Commission Delegated Regulation (EU) 2025/1775.

Disclosure Requirement and related datapoint in ESRS	SFDR[1] reference	Pillar 3[2] reference	Benchmark Regulation[3] reference	EU Climate Law[4] reference
production of tobacco			(EU) 2020/1816, Annex II	
ESRS 2 GDR-P Human rights policy	Indicator 11 of table #1 and indicator 9 of table #3 of Annex 1		Delegated Regulation (EU) 2020/1816 , Section 1 and 2 on Social factor in Annex II	
ESRS E1-1 Transition plan for climate change mitigation				Regulation (EU) 2021/1119, Article 2(1)
ESRS E1-6 GHG emission reduction targets	Indicator number 4 Table #2 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2024/3172 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 6	
ESRS E1-7 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors)	Indicator number 5 Table #1 and Indicator n. 5 Table #2 of Annex 1			
ESRS E1-7 Energy consumption and mix	Indicator number 5 Table #1 of Annex 1			
ESRS E1-8	Indicators number 1 and	Article 449a; Regulation (EU) No 575/2013; Commission	Delegated Regulation (EU) 2020/1818,	

Disclosure Requirement and related datapoint in ESRS	SFDR[1] reference	Pillar 3[2] reference	Benchmark Regulation[3] reference	EU Climate Law[4] reference
Gross Scope 1, 2, 3 GHG emissions	2 Table #1 of Annex 1	Implementing Regulation (EU) 2024/3172 Template 1: Banking book – Climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Article 5(1), 6 and 8(1)	
ESRS E1-9 GHG removals and carbon credits				Regulation (EU) 2021/1119, Article 2(1)
ESRS E1-11 Exposure of the benchmark portfolio to climate-related physical risks			Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II	
ESRS E1-11 Breakdown of the carrying value of its real estate assets by energy-efficiency classes		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2024/3172; Template 2:Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral		
ESRS E1-11 Degree of exposure of the portfolio to climate-related opportunities			Delegated Regulation (EU) 2020/1818	

Disclosure Requirement and related datapoint in ESRS	SFDR[1] reference	Pillar 3[2] reference	Benchmark Regulation[3] reference	EU Climate Law[4] reference
ESRS E2-4 Amount of material pollutants emitted to air, water and soil	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			
ESRS E3-1 Water-related policies	Indicator number 7 Table #2 of Annex 1			
ESRS E3-1 Policy covering areas with-water stress	Indicator number 8 Table 2 of Annex 1			
ESRS E3-4 Total water recycled and reused	Indicator number 6.2 Table #2 of Annex 1			
ESRS E4-5 Activities negatively affecting biodiversity-sensitive areas	Indicator number 7 Table #1 of Annex 1			
ESRS E4-2 Policy covering sites in or near	Indicator number 14.2 Table #2 of Annex 1			

Disclosure Requirement and related datapoint in ESRS	SFDR[1] reference	Pillar 3[2] reference	Benchmark Regulation[3] reference	EU Climate Law[4] reference
biodiversity-sensitive areas				
ESRS E5-5 Non-recycled waste	Indicator number 13 Table #2 of Annex 1			
ESRS E5-5 Hazardous waste and radioactive waste	Indicator number 9 Table #1 of Annex 1			
ESRS 2 IRO-2 Risk of incidents of forced labour	Indicator number 13 Table #3 of Annex I			
ESRS 2 IRO-2 Risk of incidents of child labour	Indicator number 12 Table #3 of Annex I			
ESRS 2 GDR-P Human rights policy commitments	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II	
ESRS S1-1 Processes and measures for preventing trafficking in human beings	Indicator number 11 Table #3 of Annex I			
ESRS S1-2 Grievance mechanism, including	Indicator number 5 Table #3 of Annex I and Indicator number 11			

Disclosure Requirement and related datapoint in ESRS	SFDR[1] reference	Pillar 3[2] reference	Benchmark Regulation[3] reference	EU Climate Law[4] reference
employee-related matters	Table #1 of Annex I			
ESRS S1-13 Health and safety management system	Indicator number 1 Table #3 of Annex I			
ESRS S1-13 Rate of work-related accidents	Indicator number 2 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Section 1 and 2 on Social in Annex II	
ESRS S1-13 Number of days lost to injuries, accidents, illness	Indicator number 3 Table #3 of Annex I			
ESRS S1-15 Unadjusted gender pay gap	Indicator number 12 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Section 1 and 2 on Social in Annex II	
ESRS S1-15 Annual total remuneration ratio	Indicator number 8 Table #3 of Annex I			
ESRS S1-16 Incidents of discrimination	Indicator number 7 Table #3 of Annex I			
ESRS S1-16 Human rights incidents	Indicator number 10 Table #1 and Indicator n. 14 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Section 1 and 2 on Social in Annex II	
ESRS S2-1	Indicator number 11			

Disclosure Requirement and related datapoint in ESRS	SFDR[1] reference	Pillar 3[2] reference	Benchmark Regulation[3] reference	EU Climate Law[4] reference
Processes and measures for preventing trafficking in human beings	Table #3 of Annex I			
ESRS S2-1 Code of conduct	Indicator number 4 Table #3 of Annex 1			
ESRS S3-2 Grievance mechanism	Indicator number 11 Table #1 of Annex I			
ESRS S2-3 Human rights incidents	Indicator number 10 Table #1 of Annex I and Indicator n. 14 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Section 1 and 2 on Social in Annex II	
ESRS S3-3 Human rights incidents	Indicator number 10 Table #1 of Annex I and Indicator n. 14 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Section 1 and 2 on Social in Annex II	
ESRS S4-2 Grievance mechanism	Indicator number 11 Table #1 of Annex I			
ESRS S4-3 Human rights incidents	Indicator number 10 Table #1 of Annex I and Indicator n. 14 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Section 1 and 2 on Social in Annex II	

Disclosure Requirement and related datapoint in ESRS	SFDR[1] reference	Pillar 3[2] reference	Benchmark Regulation[3] reference	EU Climate Law[4] reference
ESRS G1-1 Policies consistent with United Nations Convention against Corruption	Indicator number 15 Table #3 of Annex 1			
ESRS G1-1 Protection of whistle-blowers	Indicator number 6 Table #3 of Annex 1			
ESRS G1-2 Actions to address breaches of standards of anti-corruption and anti- bribery	Indicator number 16 Table #3 of Annex 1			
ESRS G1-4 Convictions and Fines for violation of anti-corruption and anti-bribery laws	Indicator number 17 Table #3 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II	

Table 2. *Methodological specifications in AR corresponding to EU legislation*

Application Requirement in Amended ESRS	SFDR[7] reference	Pillar 3[8] reference	Benchmark Regulation[9] reference	EU Climate Law[10] reference
ESRS 2 GOV-1 Board's gender diversity	Indicator number 13 of		Delegated Regulation (EU) 2020/1816, Annex II	

[7] Regulation (EU) 2019/2088 of the European Parliament and of the Council ('Sustainable Finance Disclosures Regulation' or 'SFDR').

[8] Regulation (EU) No 575/2013 of the European Parliament and of the Council ('Capital Requirements Regulation' or 'CRR').

[9] Regulation (EU) 2016/1011 of the European Parliament and of the Council ('Climate Benchmark Regulation').

[10] Regulation (EU) 2021/1119 of the European Parliament and of the Council ('European Climate Law').

Application Requirement in Amended ESRS	SFDR[7] reference	Pillar 3[8] reference	Benchmark Regulation[9] reference	EU Climate Law[10] reference
	Table #1 of Annex 1			
ESRS E1-11 Location of significant assets at material physical risk		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2024/3172; Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.		
ESRS E4-5 Land degradation, desertification, soil sealing	Indicator number 10 Table #2 of Annex 1			
ESRS E4-5 Natural species and protected areas	Indicator number 14.1 Table #2 of Annex 1			
ESRS E4-2 Sustainable land / agriculture practices or policies	Indicator number 11 Table #2 of Annex 1			
ESRS E4-2 Sustainable oceans / seas practices or policies	Indicator number 12 Table #2 of Annex 1			
ESRS E4-2 Policies to address deforestation	Indicator number 15 Table #2 of Annex 1			

ESRS E1 – Climate Change

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Objective

1. The objective of this Standard is to set out Disclosure Requirements (DRs) related to climate change, particularly with respect to the sub-***topics*** specified in paragraph 6 of this Standard. If not all the sub-topics prescribed by this Standard are to be reported following the ***materiality*** assessment, paragraph 30 of ESRS 1 *General Requirements* applies.

2. The ***sustainability statement*** shall provide information in relation to ESRS E1 *Climate Change* if this ***topic*** relates to material ***impacts, risks*** and ***opportunities***. Such information shall cover all the reporting areas listed in paragraph 5 of ESRS 1 *General Requirements*.

3. The DRs in this Standard complement the provisions in ESRS 2 *General Disclosures*, which require the undertaking to disclose information about ***topics*** related to material ***impacts***, ***risks*** and ***opportunities***, in particular:

   (a) ESRS 2 SBM 3 *Interaction of material impacts, risks and opportunities with strategy and business model, and financial effects*; and

   (b) ESRS 2 IRO 2 *Material impacts, risks and opportunities and disclosure requirements included in the sustainability statement*.

4. In this Standard, each DR is introduced by a disclosure objective except for ***policies***, ***actions*** and ***targets***, for which the provisions in ESRS 2 GDR-P, GDR-A and GDR-T provide the necessary framing for the relevant DRs.

5. This Standard takes into account the EU regulatory frameworks and other relevant frameworks, including the EU Climate Law (Regulation (EU) 2021/1119), the Climate Benchmark Standards Regulation (Regulation (EU) 2020/1818), the Sustainable Finance Disclosure Regulation (SFDR) (Regulation (EU) 2019/2088), the EU Taxonomy Regulation (Regulation (EU) 2020/852) and so-called 'Pillar 3' disclosures under the Capital Requirements Regulation (Regulation (EU) 2022/2453).

6. This Standard sets out DRs with respect to the following sub-topics: ***climate change mitigation***, ***climate change adaptation*** and energy.

7. ***Climate change mitigation*** relates to the undertaking's efforts to limit the increase in the global average temperature to 1.5°C above pre-industrial levels in line with the Paris Agreement and the objectives of the European Climate Law (Regulation (EU) 2021/1119). This Standard covers DRs related to how the undertaking addresses its ***GHG emissions*** as well as the associated ***transition risks***.

8. ***Climate change adaptation*** relates to the undertaking's process of adjustment to actual and expected consequences of climate change. This Standard covers DRs related to climate-related hazards that may lead to physical climate ***risks*** for the undertaking and its adaptation solutions for reducing these risks. It also covers ***transition risks*** stemming from the need to adapt to climate-related hazards.

9. The DRs related to energy cover all types of energy production and consumption.

Interaction with other ESRS

10. Social and environmental ***topics*** interact with each other. The main points of interaction between ESRS E1 *Climate Change* and the other topical standards are the following:

    (a) ESRS E1 *Climate Change* covers, but is not limited to, the seven GHGs: CO_2, CH_4, N_2O, HFCs, PFCs, SF_6 and NF_3. ESRS E2 *Pollution* addresses ***ozone-depleting substances*** (ODS), nitrogen oxides (NO_x) and sulphur oxides (SO_x), among other air ***emissions***, that are connected to climate change;

    (b) ***climate change mitigation*** and ***climate change adaptation*** are related to topics addressed in particular in ESRS E3 *Water* and ESRS E4 *Biodiversity and Ecosystems*. ESRS

E1 *Climate Change* addresses, among other things, acute and chronic ***physical risks*** arising from water and ocean-related hazards. ESRS E1 *Climate Change* also addresses ***GHG emissions*** from the use of natural resources, land-use and ***land-use change*** as well as removals of GHGs from the atmosphere, for example through ***nature-based solutions***. ***Biodiversity loss*** and ecosystem degradation caused or accelerated by climate change are addressed in ESRS E4 *Biodiversity and Ecosystems*;

(c) ***impacts*** on people that may arise from the transition to a climate-neutral economy are covered under ESRS S1 *Own Workforce*, ESRS S2 *Workers in the Value Chain*, ESRS S3 *Affected Communities* and ESRS S4 *Consumers and End-users.*

Disclosure Requirements

Strategy

Disclosure Requirement E1-1 – *Transition plan for climate change mitigation*

11. The objective of this DR is to enable an understanding of the undertaking's past, current and future mitigation efforts to ensure that its strategy and ***business model*** are compatible with the transition to a sustainable economy and with limiting global warming to 1.5°C in line with the Paris Agreement and the objectives of the European Climate Law (Regulation (EU) 2021/1119), including achieving climate neutrality by 2050.

12. The information about the ***transition plan for climate change mitigation***[1] shall include:

    (a) a description of its key features. This includes ***GHG emission reduction targets***, the ***decarbonisation levers***, key ***actions***, investments and funding needed to support the implementation of the plan, the approval of the plan by the ***administrative, management and supervisory bodies***, and how the plan is embedded in and aligned with the undertaking's overall business strategy. It shall also include information on how the undertaking's strategy and ***business model*** are or will be compatible, pursuant to the implementation of the plan, with the limiting of global warming to 1.5°C in line with the Paris Agreement and with the EU's objective of achieving climate neutrality by 2050;

    (b) CapEx amounts invested during the reporting period related to coal, oil and gas economic activities[2] if the undertaking has them;

    (c) information about key assumptions used and ***dependencies*** on which the plan relies;

    (d) a qualitative assessment and explanation of how potential ***locked-in GHG emissions*** from key physical assets and ***products*** may jeopardise the achievement of the plan and drive ***transition risk***; and

    (e) an explanation of the undertaking's progress in implementing the transition plan.

13. If the undertaking does not have in place a ***transition plan for climate change mitigation*** which includes the key features listed in paragraph 12(a), it shall disclose this fact and indicate whether and, if so, when it expects to adopt one.

[1] This information is aligned with the Regulation (EU) 2021/1119 of the European Parliament and of the Council ('EU Climate Law'), Article 2 (1).

[2] 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 or heat generation), (e) D.46.81 - Wholesale of solid, liquid and gaseous fuels and related products (limited to solid and liquid fuels).

APPLICATION REQUIREMENTS – ARs

AR 1 for para. 12 **(Transition plan for climate change mitigation)**	A ***transition plan for climate change mitigation*** sets out how the undertaking intends to transform its strategy and ***business model*** to ensure compatibility with the transition to a sustainable economy, and it includes the key features listed out in paragraph 12. The undertaking's transition plan for climate change mitigation can be either stand-alone or included in a broader ***transition plan*** covering both mitigation and adaptation aspects. If the undertaking's transition plan also covers adaptation, the disclosure shall specify this fact and cross-reference the information provided in accordance with ESRS E1-3 and E1-5.
AR 2 for para. 12(a) **(Key features description)**	In disclosing the key features referred to in paragraph 12(a), the undertaking shall refer, if applicable, to disclosures on ***policies***, ***actions***, ***resources*** and ***targets*** made elsewhere (e.g. ESRS E1-5 and E1-6 as well as ESRS 2 *General Disclosures*). The ***transition plan*** disclosure consolidates the key features of the undertaking's plan into a coherent description that demonstrates that they are strategically aligned to drive business transformation. The relevant disclosures under this paragraph are: (a) a statement on whether the ***GHG emission reduction*** targets are science-based and compatible with limiting global warming to 1.5°C (with reference to ESRS E1-6, paragraph 24, and the associated Application Requirements (ARs)). If the undertaking discloses information about a transition plan that refers to GHG emission reduction targets that are not compatible with limiting global warming to 1.5°C, it shall explain that in the statement, in particular by explaining how its target value(s) compare with the reference value(s) and how it has considered future developments; (b) ***decarbonisation levers*** identified (with reference to ESRS E1-5), including changes in the undertaking's ***product*** and service portfolio and the adoption of new technologies in its own operations, upstream or downstream ***value chain***; (c) the amount of significant financial resources (operational or capital expenditure) allocated or expected to be allocated for the implementation of its ***transition plan for climate change mitigation***, including an indicative range of future financial resources expected (with reference to ESRS E1-5 and ESRS 2 GDR-A). This disclosure can be limited to (a) the approved and announced key actions and action plans and (b) the planned funding sources for implementing those actions (ESRS 2 AR 41). The disclosure required by paragraph 12(a) focuses on providing the key elements necessary for demonstrating the coherence and credibility of the undertaking's transition plan for climate change mitigation. The undertaking is not required to disclose detailed internal information used to manage its transition plan for climate change mitigation beyond the scope of this disclosure.
AR 3 for para. 12(c) **(Key assumptions and dependencies)**	Information on ***dependencies*** relate to, for instance, deployment of certain technologies, workforce availability or ability to implement changes in the ***value chain***. If applicable, the undertaking shall include information in line with ESRS 2 GDR-A regarding dependencies on future financial resources and other resources and how these may constrain the ***actions*** of the ***transition plan for climate change mitigation***.

	Information on assumptions relate to, e.g., expectations about regulatory requirements or the ability of an undertaking to implement planned changes within its value chain.
AR 4 for para. 12(d) **(Locked-in emission assessment)**	The qualitative assessment of ***locked-in emissions*** seeks to ensure that these ***emissions*** are adequately considered by the undertaking in its ***transition plan for climate change mitigation***, explaining how the magnitude of the locked-in emissions can potentially put at risk the implementation of the ***transition plan***.
AR 5 for para. 12(e) **(Progress explanation)**	When explaining its progress in implementing the ***transition plan for climate change mitigation***, the undertaking shall explain quantitative and qualitative components such as the deployment of resources, the ***actions*** taken and the ***GHG emission reductions*** achieved or expected to be achieved. Information on progress shall include, where applicable, sector-specific ***metrics*** that can be used to track progress against specific climate ***targets*** that the undertaking may have set, using recognised sectoral decarbonisation standards.

Disclosure Requirement E1-2 – *Identification of climate-related risks and scenario analysis*

14. The objective of this DR is to enable an understanding of how the undertaking identifies and assesses ***climate-related risks*** and ***opportunities*** for ***financial materiality***.

15. The undertaking shall explain for each material climate-related ***risk*** identified (per ESRS 2 IRO-2, paragraph 37) whether it classifies the risk as a ***climate-related physical risk*** or a ***climate-related transition risk***.

16. In addition to the disclosure provided in accordance with ESRS 2 IRO-1, the undertaking shall disclose key elements of the methodology used to assess how its assets and business activities in its own operations and its upstream and downstream ***value chain*** may be exposed and be sensitive over the short, medium and long term to:

    (a) climate-related hazards; and

    (b) climate-related transition events and trends.

17. If climate-related ***scenario analysis*** is used, the undertaking shall disclose:

    (a) the ranges of scenarios applied, including:

        i. whether for ***climate-related physical risks*** at least one high-emission scenario was used;

        ii. whether for ***climate-related transition risks*** at least one scenario in line with limiting global warming to 1.5°C with no or limited overshooting was used; and

        iii. the associated global average temperature projection of the scenarios and why they are considered relevant;

    (b) the scope of operations used (e.g. operating locations, business units);

    (c) the key assumptions made (e.g. public policies, macroeconomic trends, national or regional variables, energy use and mix, technology developments); and

    (d) the time period when it was carried out.

APPLICATION REQUIREMENTS – ARs

AR 6 for paras. 16 and 17 **(Key elements of the methodology and scenario analysis)**	In conducting its climate-related ***risk*** analysis, the undertaking shall: (a) identify climate-related hazards (for ***climate-related physical risks***) or transition events (for ***climate-related transition risks***) over the short, medium and long term and screen its assets and business activities to assess whether they are exposed to such risks; and (b) assess the extent to which its assets and business activities are exposed and are sensitive to the identified climate-related hazards and transition events, taking into consideration their likelihood, magnitude and duration. In the case of climate-related hazards the company shall take into consideration the locations of its assets and business ***dependencies*** in its value-chain. The undertaking may use climate-related scenario analysis, for example if it uses such analysis to comply with other requirements or when applying another reporting framework or when the undertaking considers that such analysis helps identifying and assessing climate-related risks and opportunities for financial materiality.

Disclosure Requirement E1-3 – *Resilience in relation to climate change*

18. The objective of this DR is to enable an understanding of the extent to which the undertaking's strategy and ***business model*** are prepared for, and can adapt to, material climate-related ***risks.***

19. In addition to the disclosure in ESRS 2 SBM-3, the undertaking shall disclose the following information on the resilience of its strategy and ***business model*** to climate-related ***risks***:

    (a) the results of its analysis of ***climate resilience*** in relation to climate-related risks. The undertaking shall explain: (i) the implications of the assessment, if any, for its strategy and business model; (ii) how the effects identified through the climate-related ***scenario analysis***, if used, inform the undertaking's potential response to climate-related risks; and (iii) how its ***transition plan***, if existent, and its current and planned mitigation and adaptation ***actions*** (ESRS E1-5) contribute to its resilience to climate-related risks;

    (b) significant areas of uncertainty in the assessment of its climate resilience; and

    (c) its capacity to adjust or adapt its strategy and business model to climate change over the short, medium and long term.

APPLICATION REQUIREMENTS – ARs

AR 7 for para. 19	The analysis of ***climate resilience*** builds upon the identification of climate-related ***risks*** reported in ESRS E1-2, paragraph 15. Therefore, the scope of the analysis of climate resilience is aligned with that of the undertaking's material climate-related risks and informed by climate-related ***scenario analysis*** if performed. If climate-related scenario analysis is used specifically for the purpose of assessing climate resilience, the undertaking shall disclose the information prescribed under paragraphs 17 and 19.
AR 8 for para. 19 **(Resilience of strategy)**	When assessing the ***climate resilience*** of its strategy and business model, the undertaking shall consider the implications for its strategy and ***business model*** of the assessments performed in accordance with ESRS E1-2 and of the exposures at ***risk*** disclosed in accordance with ESRS E1-11 (***anticipated financial effects***),

	including ***actions*** required to respond to the climate-related risks and ***opportunities*** identified through climate-related ***scenario analysis*** if performed.
AR 9 for para. 19(a) **(Resilience of strategy)**	When disclosing the results and implications of its analysis of ***climate resilience*** in accordance with paragraph 19(a), the undertaking shall provide its assessment of its climate resilience as at the reporting date. An undertaking is not required to perform an analysis of climate resilience on an annual basis. If the undertaking has updated its assessment of climate-related ***impacts***, ***risks*** and ***opportunities*** (per ESRS E1-2), it shall update its analysis of resilience. When disclosing information in accordance with paragraph 19, financial institutions may make use of information that they report under the applicable prudential regulatory framework if it includes references to resilience analysis or to related concepts such as usage of ***scenarios*** in the context of sustainability risk plans.
AR 10 for para. 19(c) **(Resilience of strategy)**	When disclosing its capacity to adjust its strategy and ***business model*** in accordance with paragraph 19(c), the undertaking shall consider: (a) the availability of, and flexibility in, existing financial ***resources*** to manage the ***financial effects*** of climate-related ***risks*** and to capitalise on ***climate-related opportunities***; (b) its ability to redeploy, repurpose, upgrade or decommission existing assets in response to climate-related changes; (c) the effect of current and planned investments in ***climate change mitigation***, adaptation and transition ***opportunities*** for ***climate resilience***; (d) cross-referencing to its ***climate change mitigation*** and ***climate change adaptation actions***, disclosed in ESRS E1-5.

Impact, risk and opportunity management

Disclosure Requirement E1-4 – *Policies related to climate change mitigation and adaptation*

20. The undertaking shall disclose its ***climate change mitigation*** and ***climate change adaptation policies*** in accordance with the provisions of ESRS 2 GDR-P.

Disclosure Requirement E1-5 – *Actions and resources in relation to climate change mitigation and adaptation*

21. The undertaking shall disclose its key ***climate change mitigation*** and the ***climate change adaptation actions*** and resources allocated to their implementation, in accordance with the provisions of ESRS 2 GDR-A.

22. In addition to ESRS 2 GDR-A, when disclosing current and planned ***actions***, the undertaking shall disclose:

    (a) its key ***climate change mitigation*** actions by ***decarbonisation lever***; and

    (b) the achieved and expected ***GHG emission reduction*** by decarbonisation lever.

Metrics and targets

Disclosure Requirement E1-6 – *Targets related to climate change*

23. The undertaking shall disclose its ***climate change targets*** in accordance with the provisions of ESRS 2 GDR-T.

24. The undertaking shall disclose the ***GHG emission reduction targets***[3] it has set, including:

    (a) absolute GHG emission reduction targets for scopes 1, 2 and 3, either separately or combined, and where relevant, in intensity value. 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 and the share related to each respective GHG emission scope;

    (b) if the scope (geography, GHGs covered, entities included) of the GHG emission reduction target diverges from the scope of the GHG inventory (reported under ESRS E1-8), the percentages for scopes 1, 2 and 3 covered by the target, as well as which GHGs are covered; and

    (c) a statement on whether the GHG emission reduction targets are science-based and compatible with limiting global warming to 1.5°C. The undertaking shall state which framework and methodology has been used to determine these targets, including whether they are derived using a sectoral decarbonisation pathway, and the underlying climate and policy scenarios. As part of the critical assumptions used for setting GHG emission reduction targets, the undertaking shall briefly explain how it has considered future developments (e.g. changes in sales volumes, shifts in customer preferences and demand, regulatory factors, and new technologies) and how these will potentially impact both its GHG emissions and emissions reductions.

APPLICATION REQUIREMENTS – ARs

AR 11 for para. 23 **(Climate change targets)**	If the undertaking discloses a ***net-zero target*** separately to any ***GHG emission reduction targets*** it has set, as per ESRS 2 GDR-T, it shall explain how it intends to permanently neutralise any residual GHG emissions.
AR 12 for para. 24 **(GHG emission reduction targets)**	The ***GHG emission reduction targets*** shall be gross targets, meaning that the undertaking shall not include GHG removals, ***carbon credits*** or avoided emissions as means of achieving the GHG emission reduction targets. In accordance with ESRS 2 GDR-T, the undertaking shall provide information about the scope and methodologies used to define the target, including the method used to calculate ***scope 2 GHG emissions*** (i.e. either the location-based or market-based method).

[3] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 ('SFDR') because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #4 in Table 2 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Investments in companies without carbon emission reduction initiatives"). This information is also consistent with the requirements in Template 3: Banking book – Climate change transition risk: alignment metrics of Commission Implementing Regulation (EU) 2022/2453. This information is also aligned with Article 6 of the Commission Delegated Regulation (EU) 2020/1818 ('Climate Benchmark Regulation').

AR 13 for para. 24

(GHG emission reduction targets)

If the undertaking discloses intensity ***targets***, they shall be formulated as ratios of ***GHG emissions*** relative to a unit of physical activity or economic output. In cases where the undertaking has only set a GHG intensity reduction target, it shall disclose the associated absolute values for the target year and interim target year(s) – except for financial institutions scope 3, category 15 ***emissions***, as explained below. This may result in a situation where the undertaking is required to disclose an increase of absolute GHG emissions for the target year and interim target year(s), e.g. because it anticipates the organic growth of its business.

Financial institutions are exempted from disclosing absolute values for their scope 3, category 15 emission intensity targets, provided they:

(a) use physical or financial measures as denominators for intensity targets and disclose absolute financed emissions consistent wih the scope of those targets (such as targets for material high-impact sectors); and

(b) provide contextual information in accordance with GDR-M for the targets that have been set, describing the key factors influencing expected changes in absolute financed emissions over time and how they relate to the observed trends in the past 3 to 5 years.

AR 14 for para. 24

(GHG emissions reduction targets)

When applying ESRS 2 GDR-T:

(a) the baseline value and base year are not to be changed unless key changes occur in either the ***target*** or reporting boundary; and

(b) the undertaking shall select a recent and representative base year. The base year chosen by the undertaking may be either the currently applied base year for existing targets or the first year of application of the sustainability reporting requirements.

AR 15 for para. 24

(Presentation of targets and actions)

The undertaking may present its ***GHG emission reduction targets*** together with its ***climate change mitigation actions*** (see paragraph 22) showing the ***decarbonisation levers*** and their quantitative contributions to achieve the GHG emission reduction targets as a table (see, e.g., Figure 1) or graphic over time (see, e.g., Figure 2).

	Base year (e.g., 2025)	**2030 target**	**2035 target**	**…**	**Up to 2050 target**
GHG emissions ($ktCO_2eq$)	100	60	40		
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, substitution or modification of product	-	-8	-		

Phase out, substitution or modification of process	-	-5	-3		
Other	-	-			

Figure 1. ESRS E1 *Climate Change* – Table 1

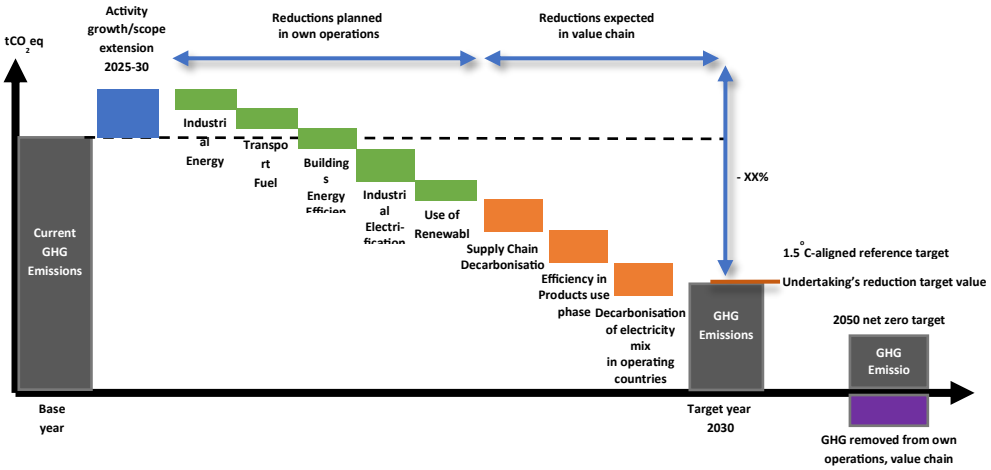

Figure 2. ESRS E1 *Climate Change* – Graphic 1

AR 16 for para. 24 **(GHG emission reduction targets)**	The undertaking shall adopt a reporting boundary for targets consistent with the one adopted for E1-8.
AR 17 for para. 24(c) **(GHG emission reduction targets compatible with 1.5°C)**	When disclosing the information required under paragraph 24(c), the undertaking shall explain how its ***target*** value(s) compare with a sector-specific (if available) or a cross-sector emission pathway compatible with limiting global warming to 1.5°C. For this purpose, the undertaking shall calculate a 1.5°C-aligned reference target value for scope 1 and 2, and a separate one for scope 3 if it has scope 3 ***GHG emission reduction*** targets, against which its own GHG emission reduction targets or interim targets in the respective scopes can be compared. The explanation of whether and how the targets are compatible is done by benchmarking the target value against the reference target value. Validation through an independent third party, including information on the third party, the methodology/standard applied and the trajectory used, can be valuable inputs to be considered in this explanation.

Disclosure Requirement E1-7 – *Energy consumption and mix*

25. The objective of this DR is to provide an understanding of the undertaking's energy consumption and mix.

26. The undertaking shall disclose its total energy consumption in megawatt hours (MWh) related to its own operations, disaggregated by:

(a) total energy consumption from fossil sources[4];

(b) total energy consumption from nuclear sources; and

(c) total energy consumption from renewable sources.

27. The undertaking with operations in ***high climate impact sectors*** shall further disaggregate its total energy consumption from fossil sources by:

(a) fuel consumption from coal and coal products;

(b) fuel consumption from crude oil and petroleum products;

(c) fuel consumption from natural gas;

(d) fuel consumption from other fossil sources; and

(e) consumption of ***purchased or acquired electricity, heat, steam, or cooling*** from fossil sources.

28. If the undertaking produces energy, it shall also disaggregate and disclose separately its ***non-renewable energy*** production and ***renewable energy*** production in MWh[5].

APPLICATION REQUIREMENTS – ARs

AR 18 for para. 26 **(Energy consumption and mix)**	When preparing the information on energy consumption required under paragraph 26, the undertaking shall adopt the following calculation approaches: (a) exclude feedstocks and fuels that are not combusted for energy purposes (e.g. natural gas to produce polymers). The undertaking that consumes fuel as feedstocks can disclose information on this consumption separately from the required disclosures; (b) use MWh in Lower Heating Value or net calorific value for all quantitative combustion-related information; (c) base all quantitative energy-related information on final energy consumption, therefore referring to the amount of energy the undertaking actually consumes; (d) avoid double counting fuel consumption when disclosing self-generated energy consumption**.** If the undertaking generates electricity from either a non-renewable or renewable fuel source and then consumes the generated electricity, the energy consumption shall be accounted only once under fuel consumption; (e) not offset energy consumption even if onsite generated energy is sold to and used by a third party;

[4] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts, as set out by Indicator #5 in Table 1 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Share of non- renewable energy consumption and production'). The breakdown serves as a reference for an additional indicator related to principal adverse impacts as set out by Indicator #5 in Table 2 of the same Annex ('Breakdown of energy consumption by type of non-renewable sources of energy').

[5] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by Indicator #5 in Table 1 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Share of non-renewable energy consumption and production').

	(f) not count energy that is sourced from within the organisational boundary under 'purchased or acquired' energy; (g) account for steam, heat or cooling received as 'waste energy' from a third party's industrial processes under 'purchased or acquired' energy; (h) account for renewable hydrogen as a renewable fuel. Hydrogen that is not completely derived from renewable sources shall be included under 'fuel consumption from other non-renewable sources'; and (i) adopt a conservative approach when splitting the electricity, steam, heat or cooling between renewable and non-renewable sources and indicate whether it derives the fraction of renewables from the market-based or location-based approach. The undertaking that relies on the market-based approach shall consider energy consumption as deriving from renewable sources only if the nature of the purchased environmental attribute is clearly defined in the contractual arrangements with its ***suppliers*** (i.e. renewable power purchasing agreement, standardised green electricity tariff, market instruments such as Guarantee of Origin from renewable sources in Europe[6] or similar instruments such as Renewable Energy Certificates in the US and Canada).

Disclosure Requirement E1-8 – *Gross scope 1, 2, 3 GHG emissions*

29. The objective of this DR is to enable an understanding of the undertaking's direct and indirect ***impacts*** on climate change as a result of activities in its own operations and in its upstream and downstream ***value chain.***

30. The undertaking shall:

    (a) disclose absolute gross ***GHG emissions*** generated during the reporting period, expressed as metric tonnes of ***CO_2eq*** classified as[7]:

        i. ***scope 1 GHG emissions***, including the percentage of scope 1 GHG emissions from the EU Emission Trading System (EU ETS) if it has ***emissions*** from this system;

        ii. ***scope 2 GHG emissions*** (location-based and market-based); and

        iii. ***scope 3 GHG emissions*** from each significant ***scope 3 category*** as a total and per category.

    (b) disclose the approach it uses to measure its ***GHG emissions*** in accordance with ESRS 2 GDR-M;

    (c) for scope 1 and scope 2 GHG emissions disclosed in accordance with paragraph 30(a)(i) and 30(a)(ii), disaggregate emissions between:

[6] Based on Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources.

[7] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by indicators #1 and #2 in Table 1 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("GHG emissions" and "Carbon footprint"). This information is also aligned with Commission Delegated Regulation (EU) 2020/1818 ('Climate Benchmark Regulation'), Articles 5 (1), 6 and 8 (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.

i. the consolidated accounting group (for example, for an entity applying IFRS Accounting Standards, this group would comprise the parent and its consolidated subsidiaries); and

ii. other emissions excluded from paragraph 30(c)(i).

31. The undertaking shall disclose its direct biogenic CO_2 ***emissions*** from the combustion or biodegradation of biomass separately from ***scope 1 GHG emissions***.

APPLICATION REQUIREMENTS – ARs

AR 19 for para. 30 **(GHG measurement approach)**	Chapter 5 of ESRS 1 *General Requirements* defines the reporting boundary to be applied, corresponding to financial control as per the GHG Protocol Corporate Accounting and Reporting Standard (2004). Alternatively, the undertaking may use the equity share or operational control approach as defined in the GHG Protocol Corporate Accounting and Reporting Standard (2004). The provisions in paragraphs 71 (leased assets), 72 (benefit schemes) and AR 36 for paragraph 61 (joint operations) of ESRS 1 *General Requirements* prevail over the provisions of this standard. The disaggregation referred to in paragraph 30 c) shall reflect the undertaking's approach to the reporting boundary.
AR 20 for paras. 29 and 30 **(Emissions reporting)**	When preparing the information for reporting ***GHG emissions***, the undertaking shall: (a) consider the GHG Protocol Corporate Accounting and Reporting Standard (2004). The undertaking may also consider Commission Recommendation (EU) 2021/2279[8] or EN ISO 14064-1:2018. In all cases, the requirements of ESRS take precedence over the above-mentioned GHG accounting standards (e.g. regarding reporting boundaries); (b) include ***emissions*** of CO_2, CH_4, N_2O, HFCs, PFCs, SF_6 and NF_3. Additional GHGs may be considered when significant; (c) use the most recent ***Global Warming Potential (GWP)*** values published by the Intergovernmental Panel on Climate Change (IPCC) based on a 100-year time horizon to calculate ***CO_2eq*** emissions of non-CO_2 gases. If emission factors based on older GWP values are the most suitable or available, the undertaking can use these and explain in accordance with ESRS 2 GDR-M, paragraph 49, which GWPs the GHG inventory is based on; (d) not include any removals, any purchased, sold or transferred ***carbon credits*** or any GHG allowances in the calculation of GHG emissions; and (e) not include biogenic emissions of CO_2 from the combustion or biodegradation of biomass in scope 1, 2 and 3. The undertaking shall include non-CO_2 GHG emissions, such as CH_4 and N_2O in the relevant scopes.
AR 21 for para. 30(a)	For activities covered by the EU Emissions Trading System (ETS), the undertaking shall report on scope 1 ***emissions*** following the EU ETS methodology. The EU ETS methodology may also be applied to activities in ***geographies*** and sectors that are

[8] Commission Recommendation (EU) 2021/2279 of 15 December 2021 on the use of the Environmental Footprint methods to measure and communicate the life cycle environmental performance of products and organisations (OJ L 471, 30.12.2021, p. 1).

(Scope 1 EU ETS emissions)	not covered by the EU ETS provided the methodology is aligned with local jurisdictional rules and relevant for the undertaking.
AR 22 for para. 30(a) **(Scope 1 emissions reporting)**	When preparing the information on the percentage of ***scope 1 GHG emissions*** from EU ETS required under paragraph 30(a), the undertaking shall: (a) consider ***GHG emissions*** from its emission sources that are subject to EU ETS; (b) ensure the same accounting period for gross scope 1 GHG emissions and GHG emissions regulated under the ETS; and (c) calculate the share by using the following formula: $\% = \frac{\text{GHG emisssions (tCO2eq)from emission sources subject to EU ETS}}{\text{Scope 1 GHG emissions (tCO2eq)}}$
AR 23 for para. 30(b) **(Scope 2 emissions reporting)**	When preparing the information on gross ***scope 2 GHG emissions*** required under paragraph 30, the undertaking shall: (a) consider the GHG Protocol scope 2 Guidance (Version 2015), particularly the scope 2 quality criteria in Chapter 7.1 relating to contractual instruments. The undertaking may also consider Commission Recommendation (EU) 2021/2279, Commission Recommendation (EU) 2024/2395 or the relevant requirements for the quantification of ***indirect GHG emissions*** from imported energy in EN ISO 14064-1:2018; and (b) in accordance with ESRS 2 GDR-M, provide information about any contractual instruments that is necessary to inform ***users***' understanding of the undertaking's scope 2 market based GHG emissions.
AR 24 for para. 30(c) **(Scope 3 emissions reporting)**	When preparing the information on gross ***scope 3 GHG emissions*** required under paragraph 30, the undertaking shall: (a) consider the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011). The undertaking can also consider Commission Recommendation (EU) 2021/2279 or the relevant requirements for the quantification of ***indirect GHG emissions*** from EN ISO 14064-1:2018; (b) screen its total scope 3 GHG emissions based on the 15 ***scope 3 categories*** identified by the GHG Protocol Corporate Standard and GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011), using relevant estimates. Alternatively, the undertaking may screen its ***indirect GHG emissions*** based on the categories provided by EN ISO 14064-1:2018, Clause 5.2.4 (excluding indirect GHG emissions from imported energy); (c) identify and disclose its significant scope 3 categories based on the magnitude of their estimated GHG emissions and other criteria provided by the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011, p. 61 and 65-68) or EN ISO 14064-1:2018, Annex H.3.2, such as financial spend, influence, related ***transition risks*** and ***opportunities*** or ***stakeholder*** views; (d) prioritise its inputs and assumptions based on the characteristics of the data (e.g. data from specific activities within the undertaking's upstream and downstream ***value chain***; timely data that faithfully represents the

jurisdiction of, and the technology used for, the upstream and downstream value chain activity and its GHG emissions; and data that has been verified);

(e) update scope 3 GHG emissions in each significant category every year on the basis of current activity data and update the full scope 3 GHG inventory at least every three years or on the occurrence of a significant event or a significant change in circumstances;

(f) consider the GHG Accounting and Reporting Standard for the Financial Industry from the Partnership for Carbon Accounting Financials (PCAF), specifically Part A *Financed Emissions* 'PCAF (2022). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition' , if it is a financial institution; and

(g) if applicable, disclose GHG emissions from purchased cloud computing and data centre services as a subset of the overarching scope 3, category 1 'upstream purchased goods and services'.

AR 25 for paras. 29 and 30

(Emissions disaggregation)

The undertaking shall disaggregate its ***GHG emissions*** in accordance with the provisions of ESRS 1 *General Requirements*, Chapter 3.3.2, if applicable. For example, it can disaggregate its GHG emissions by country or geography, operating segments, economic activity, subsidiary, GHG (CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, NF_3 and other GHGs considered by the undertaking) or source type (stationary combustion, mobile combustion, process emissions and fugitive emissions).

AR 26 for paras. 29 and 30

(Emissions disaggregation)

The undertaking may present its ***GHG emissions*** in accordance with the table below, populating the rows as relevant in line with its disclosures under paragraph 30. A comparison of the undertaking's ***emissions*** over time may be performed by comparing current year emissions to a meaningful comparative, e.g. a ***GHG emission reduction target*** base year, indicating the percentage change (reduction/increase) in the corresponding column.

	Comparative		**Current Year**	**% Change**
	Year	**Emissions**	**Emissions**	
Scope 1 GHG emissions				
Gross scope 1 GHG emissions (tCO_2eq)				
Percentage of scope 1 GHG emissions from the EU Emissions Trading System (EU ETS) (%)				
Scope 2 GHG emissions				
Gross location-based scope 2 GHG emissions (tCO_2eq)				

Gross market-based scope 2 GHG emissions (tCO_2eq)				
Significant scope 3 GHG emissions				
Total gross indirect (scope 3) GHG emissions (tCO_2eq)				
1. Purchased goods and services				
[sub-category: Cloud computing and data centre services				
2. Capital goods				
3. Fuel and energy-related activities (not included in scope 1 or scope 2)				
4. Upstream transportation and distribution				
5. Waste generated in operations				
6. Business traveling				
7. Employee commuting				
8. Upstream leased assets				
9. Downstream transportation				
10. Processing of sold products				
11. Use of sold products				
12. End-of-life treatment of sold products				
13. Downstream leased assets				
14. Franchises				
15. Investments				

	Direct biogenic scope 1 emissions				

Disclosure Requirement E1-9 – *GHG removals and GHG mitigation projects financed through carbon credits*

32. The objective of this DR is to enable an understanding of the undertaking's ***actions*** to reduce and permanently remove GHGs from the atmosphere and of the amount and quality of ***carbon credits*** it has purchased or intends to purchase from the voluntary market.

33. If it has implemented ***GHG removal and storage*** projects, the undertaking shall disclose information about the projects it has developed in its own operations or contributed to in its upstream and downstream ***value chain***[9], including:

    (a) a brief description of the GHG removal and storage projects;

    (b) the amount of GHG removals and storage resulting from each project;

    (c) how the ***risk*** of non-permanence is managed, including assumptions and determining and monitoring leakage and reversal events if applicable; and

    (d) disclose any reversals (in tCO_2eq) that may have occurred in the reporting period and decrease the amount of CO_2 removed and stored by the same amount.

34. The undertaking shall disclose information about any projects outside its own operations and its upstream and downstream ***value chain*** that it has financed or intends to finance through any purchase of ***carbon credits***[10], including:

    (a) the amount of carbon credits in tCO_2eq that are verified against ***recognised quality standards for carbon credits*** and cancelled in the reporting period;

    (b) the amount of carbon credits in tCO_2eq purchased in the reporting period and not cancelled yet; and

    (c) the share of carbon credits from removal projects (percentage of total carbon credit volume), with an explanation of whether they are from nature-based or technological sinks.

35. In the case where the undertaking has made public claims of GHG neutrality that involve the use of ***carbon credits***, it shall explain:

    (a) whether and how these claims and the reliance on carbon credits neither hinder nor undermine the achievement of its ***GHG emission reduction targets***; and

    (b) the credibility and integrity of the carbon credits used by referring to ***recognised quality standards for carbon credits*** and any other factors necessary to understand the credibility and integrity of the carbon credits the undertaking plans to use.

APPLICATION REQUIREMENTS – ARs

AR 27 for para. 33 **(GHG removals and storage)**	GHG removals and storage include both ***nature-based solutions*** as well as technological removals and storage. When preparing information on its projects, the undertaking shall:

[9] This information is aligned with the Regulation (EU) 2021/1119 of the European Parliament and of the Council ('EU Climate Law'), Article 2 (1).

[10] This information is aligned with the Regulation (EU) 2021/1119 of the European Parliament and of the Council ('EU Climate Law'), Article 2 (1).

	(a) apply consensus methods on accounting for GHG removals, such as the EU Carbon Removals and Carbon Farming Certification (CRCF) Regulation (Regulation (EU) 2024/3012); (b) include in the calculation the removals from operations that it owns, controls or contributes to that have not been sold to another party through ***carbon credits***, and that are not double counted or reported; (c) account for the ***GHG emissions*** associated with a removal activity, including transport and storage, under ESRS E1-8; and (d) include in the calculation the removal activities in the upstream and downstream ***value chain*** that the undertaking is actively contributing to, e.g., through a cooperation project with a ***supplier***.
AR 28 for para. 34 **(Carbon credits)**	When preparing the information on ***carbon credits***, the undertaking shall: (a) consider ***recognised quality standards for carbon credits***; (b) in order to avoid double counting, not include carbon credits issued from ***GHG emission reduction*** projects nor GHG emission removal projects within its own operations or upstream and downstream its ***value chain***; and (c) calculate the amount of carbon credits to be cancelled in the future as the sum of carbon credits in metric tonnes of ***CO_2eq*** over the duration of existing contractual agreements.

Disclosure Requirement E1-10 – *Internal carbon pricing*

36. The objective of this DR is to enable an understanding of the role of internal carbon pricing in guiding the undertaking's strategic and operational decision-making to reduce ***GHG emissions***.

37. The undertaking shall disclose information related to its use of ***internal carbon pricing schemes***, namely:

    (a) an explanation of whether and how the undertaking applies carbon pricing in decision-making (for example, investment decisions, transfer pricing and ***scenario analysis***) and the consistency of the prices used versus the prices used in the financial statement for impairment tests; and

    (b) the average carbon price per metric tonne of ***GHG emissions*** for each internal pricing scheme.

Disclosure Requirement E1-11 – *Anticipated financial effects from material physical and transition risks and material climate-related opportunities*

38. The objective of this DR is to enable an understanding of how material ***climate-related physical risks, climate-related transition risks*** and ***climate-related opportunities*** are expected to affect the undertaking's financial position and future performance. Paragraphs 39 and 42 of this Standard add topical specifications to ESRS 2 SBM 3. The information required for this DR is part of the information on current and ***anticipated financial effects*** required under ESRS 2 SBM-3.

39. The undertaking shall disclose the ***anticipated financial effects*** from ***material physical risks***[11], including:

[11] This information is aligned with Commission Delegated Regulation (EU) 2020/1818 ('Climate Benchmark Regulation') and with Commission Delegated Regulation (EU) 2020/1816.

(a) the carrying amount of assets at material physical risk before considering ***climate change adaptation actions***, including the relevant time horizons;

(b) the percentage of the carrying amount of assets at material physical risk addressed by adaptation ***actions*** at the reporting date; and

(c) the monetary amount of net revenue from its business activities at material physical risk, including the relevant time horizons.

40. The undertaking shall disclose the ***anticipated financial effects*** from material ***transition risks***, including:

(a) the carrying amount of assets at material transition risk, including the relevant time horizons, and a range of estimated potential ***stranded assets*** from the reporting year until the mid-term and long-term time horizons based on a ***scenario*** aligned with limiting climate change to 1.5°C;

(b) the percentage of the carrying amount of assets at material transition risk addressed by mitigation ***actions***;

(c) a breakdown of the carrying amount of its real estate assets that have been used as loan collaterals by energy-efficiency classes[12];

(d) the estimated potential liabilities related to climate transition that do not meet the accounting recognition criteria at the reporting date but that may have to be recognised in financial statements in future periods; and

(e) the monetary amount of net revenue from its business activities at material transition risk and, if applicable, the net revenue from its customers operating in coal-, oil- and gas-related activities, including the relevant time horizons.

41. The undertaking shall disclose the methodology applied to quantify the amounts specified in paragraphs 39 and 40, including the scope adopted in the calculation, critical assumptions, parameters and limitations, and whether the calculation leverages on the process (e.g. ***scenario analysis***) used to identify and assess ***transition risks***.

42. The undertaking shall disclose the amount of assets or revenue from its business activities related to the identified ***climate-related opportunities***[13], including their associated time horizons.

APPLICATION REQUIREMENTS – ARs

AR 29 for paras. 39–42 **(Calculation approaches)**	When disclosing the information required under paragraphs 39 to 42, the undertaking shall adopt the following approaches: (a) consider the time horizons (short-, medium- and long-term) over which the effects of ***climate-related risk and opportunities*** could reasonably be expected to occur; (b) include all of the types of the undertaking's own physical assets, including, in the case of a financial lease, the asset underlying the right-of-use; (c) present the monetary amounts (or percentages) as either a single amount or range;

[12] This disclosure requirement is consistent with the requirements included in Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2024/3172; Template 2: Banking book -Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral.

[13] This information is aligned with Commission Delegated Regulation (EU) 2020/1818 ('Climate Benchmark Regulation').

	(d) present the carrying amount of assets as of the reporting date and the net revenue related to the reporting period; (e) for paragraph 40(c), present the energy efficiency class in terms of either ranges of energy consumption in kWh/m^2 or the Energy Performance Certificate (EPC) label class. If the undertaking cannot obtain this information without undue cost and effort, it shall disclose the total carrying amount of the real estate assets for which the energy consumption is based on internal estimates; and (f) disclose net revenue and the carrying amount of assets, making it consistent with the financial statements.
AR 30 for paras. 39(c), 40(a) and 40(e) **(Gross vs net)**	When disclosing the information required in paragraph 39(c), 40(a) and 40(e), the undertaking shall explain whether the amount is assessed before or after mitigation ***actions***.
AR 31 for para. 40(d) **(Estimated potential liabilities)**	If the undertaking discloses the information prescribed in paragraph 40(d) in its financial statement, it shall refer to it.
AR 32 for paras. 41 **(Location of assets)**	When disclosing the methodology applied to quantify the amounts disclosed under paragraphs 39 and 40, the undertaking shall include where relevant the location of its assets at material ***physical risks*** aggregated in a way that supports faithful representation of its risks.[14]

[14] This information is consistent with the requirements included in Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2024/3172 - Template 5: banking book - Climate change physical risk: Exposures subject to physical risk.

ESRS E2 – Pollution

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Objective

1. The objective of this Standard is to set out Disclosure Requirements (DRs) related to ***pollution***, particularly with respect to the sub-***topics*** specified in paragraph 6 of this Standard. If not all the sub-topics prescribed by this Standard are to be reported following the ***materiality*** assessment, paragraph 30 of ESRS 1 *General Requirements* applies.

2. The ***sustainability statement*** shall provide information in relation to ESRS E2 *Pollution* if this ***topic*** relates to material ***impacts***, ***risks*** and ***opportunities***. Such information shall cover all the reporting areas listed in paragraph 5 of ESRS 1 *General Requirements*.

3. The DRs in this Standard complement the provisions in ESRS 2 *General Disclosures*, which require the undertaking to disclose information about ***topics*** related to material ***impacts***, ***risks*** and ***opportunities***, in particular:

   (a) ESRS 2 SBM 3 *Interaction of material impacts, risks and opportunities with strategy and business model, and financial effects*; and

   (b) ESRS 2 IRO 2 *Material impacts, risks and opportunities and disclosure requirements included in the sustainability statement*.

4. In this Standard, each DR is introduced by a disclosure objective except for ***policies***, ***actions*** and ***targets***, for which the provisions in ESRS 2 GDR-P, GDR-A and GDR-T provide the necessary framing for the relevant DRs.

5. This Standard takes account of EU regulatory frameworks, including: the EU Action Plan 'Towards a Zero Pollution for Air, Water and Soil'; the Chemicals Strategy for Sustainability 'Towards a Toxic-Free Environment'; the Kyiv Protocol on Pollutant Release and Transfer Registers; the E-PRTR (Regulation (EC) No 166/2006 on the European Pollutant Release and Transfer Register) and the IEPR amendments (Regulation (EU) 2024/1244 on the Industrial Emissions Portal); the IED (Directive 2010/75/EU on the Industrial Emissions Directive) and the IED 2.0 amendments (Directive (EU) 2024/1785 on the Industrial and Livestock Rearing Emissions); the REACH (Regulation (EC) No 1907/2006 on the Registration, Evaluation, Authorisation and Restriction of Chemicals) and REACH-SPM amendments (Commission Regulation (EU) 2023/2055 on Synthetic Polymer Microparticles); and the CLP (Regulation (EC) No 1272/2008 on the Classification, Labelling and Packaging of Substances and Mixtures).

6. This Standard sets out DRs with respect to the following sub-***topics***: pollution of air, pollution of water and pollution of ***soil***; ***microplastics***; and ***substances of concern (SoC)***, including ***substances of very high concern (SVHC)***.

7. ***Pollution*** of air, pollution of water, and pollution of ***soil*** refer to the undertaking's ***emissions*** to air, water and soil, as well as to the prevention, control and reduction of such emissions. Emissions to water include emissions to ***freshwater*** and to seawater.

8. DRs on ***SoC***, including ***SVHC***, set disclosure requirements to provide ***users*** with an understanding of the related ***actual impacts*** or ***potential impacts***, also considering possible restrictions on their production, use, distribution and commercialisation.

9. Context-specific considerations are particularly important in relation to ***pollution***. If material ***impacts***, ***risks*** or ***opportunities*** are related to specific ***geographies***, it is important to consider appropriate aggregation or disaggregation of the reported information, e.g. by ***site***, area with ***water stress*** or other level in accordance with ESRS 1 *General Requirements*, Chapter 3.3.2 *Level of Aggregation, Disaggregation*.

Interaction with other ESRS

10. Social and environmental ***topics*** interact with each other. The main points of interaction between ESRS E2 *Pollution* and the other topical standards are the following.

(a) ESRS E1 *Climate Change* addresses ***emissions*** to air from the following seven ***greenhouse gases (GHGs)***: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3). These GHG emissions are not addressed in ESRS E2 *Pollution*.

(b) ESRS E3 *Water* addresses the use of water resources, including through the volume of ***water discharge***. However, ***pollutants***, including ***microplastics***, emitted to water are addressed in ESRS E2 *Pollution.*

(c) ESRS E4 *Biodiversity and Ecosystems* addresses ***pollution*** as a direct ***driver of biodiversity and ecosystem change***, addressing the ***impacts*** of pollution on ***biodiversity*** and ***ecosystems***, while ***emissions*** of ***pollutants*** are addressed in ESRS E2 *Pollution.*

(d) ESRS E5 *Resource Use and Circular Economy* addresses ***resource use*** and the transition to a ***circular economy*** but does not address ***emissions*** of ***pollutants*** generated by ***waste*** or by resource extraction, transformation and use, which are covered by ESRS E2 *Pollution.*

(e) ESRS S3 *Affected Communities* addresses the undertaking's ***pollution***-related ***impacts***, as they may affect people and communities.

Disclosure Requirements

Impact, risk and opportunity management

Disclosure Requirement E2-1 – *Policies related to pollution*

11. The undertaking shall disclose its ***pollution***-related ***policies*** in accordance with the provisions of ESRS 2 GDR-P.

Disclosure Requirement E2-2 – *Actions and resources related to pollution*

12. The undertaking shall disclose its key ***pollution***-related ***actions*** and resources allocated to the implementation of those actions in accordance with the provisions of ESRS 2 GDR-A.

Metrics and targets

Disclosure Requirement E2-3 – *Targets related to pollution*

13. The undertaking shall disclose its ***pollution***-related ***targets*** in accordance with the provisions of ESRS 2 GDR-T.

Disclosure Requirement E2-4 – *Pollution of air, water and soil*

14. The objective of this DR is to enable ***users*** to understand the undertaking's ***emissions*** of ***pollutants*** to air, water and ***soil***, and its manufacturing, use, and release into the environment of ***microplastics***.

15. The undertaking shall disclose the amounts of material ***emissions*** of ***pollutants*** to air, water and ***soil*** from its own operations, including due to ***environmental accidents***, in the reporting period.[15]

[15] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by indicator #8 in Table 1 and indicators #1, #2 and #3 in Table 2 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Emissions to water', 'Emissions of inorganic pollutants', 'Emissions of air pollutants' and 'Emissions of ozone-depleting substances').

16. The undertaking shall disclose the amounts of primary ***microplastics*** manufactured or used in its ***products***, and separately, those directly released into the environment.

APPLICATION REQUIREMENTS – ARs

AR 1 for paras. 15 and 16 **(Pollution of air, water and soil)**	The ***pollutants*** and primary ***microplastics*** shall be presented in relevant mass units, e.g. tonnes or kilogrammes.
AR 2 for para. 15 **(Pollution of air, water and soil)**	Material ***emissions*** of ***pollutants*** shall be identified through a managerial assessment that considers the undertaking's activities and sector of operation. The pollutants listed in Annex II of Regulation (EC) No 166/2006 (E-PRTR), Regulation (EU) 2024/1244 (IEPR) and subsequent amendments that apply to the undertaking, together with other pollutants that the undertaking measures or monitors, are a valuable input for this assessment. When determining whether the emission of a specific pollutant is material, the undertaking can consider the thresholds for releases in Annex II of Regulation (EU) 2024/1244.
AR 3 for para. 15 **(Pollution of air, water and soil)**	Transfers of water ***pollutants*** to external treatment plants qualify as ***pollution*** within the undertaking's downstream ***value chain.*** When they are material, the undertaking is expected to report on transfers as entity-specific disclosures (see ESRS 1 *General Requirements*, paragraphs 11 and 12).

Disclosure Requirement E2-5 – *Substances of concern and substances of very high concern*

17. The objective of this DR is to enable ***users*** to understand the undertaking's material ***impacts***, ***risks*** and ***opportunities*** linked to the manufacturing, trading or use of ***SoC*** and ***SVHC***, including risks arising from changes in regulations.

18. ***Manufacturers of substances***, ***formulators*** of ***substances*** or ***importers*** of substances, whether on their own or in mixtures, shall disclose the total weight of ***SoC***, and separately, the total weight of ***SVHC*** that they:

    (a) procured as substances on their own or in mixtures;

    (b) manufactured as substances on their own or in mixtures;

    (c) ***placed on the market*** as substances on their own or in mixtures; and

    (d) directly released into the environment (air, water, and ***soil***), including unintentional releases from leaks or spills.

19. ***Users of substances***, whether on their own or in mixtures, shall disclose:

    (a) the total weight of ***SVHC*** that they used during production and during the delivery of services; and

    (b) the total weight of SVHC that they directly released into the environment.

20. ***Manufacturers of articles***, ***importers*** of ***articles*** or ***users of articles*** that contain ***SVHC*** shall disclose the names of the ***substances*** that are present in a concentration above 0.1% weight by weight (w/w), as per Article 33 of Regulation (EC) No 1907/2006 (REACH), in:

    (a) procured components or articles; and

    (b) components or articles ***placed on the market***.

APPLICATION REQUIREMENTS – ARs

AR 4 for paras. 18 and 19 **(SoC and SVHC)**	The requirements in paragraph 18 apply only to undertakings operating in the chemical sector, namely manufacturing chemical ***substances*** (e.g. NACE Rev.2.1 C20 and, if applicable, C21), formulating chemical mixtures (e.g. NACE Rev.2.1 C20.3, C20.4, C20.5) or operating in the wholesale of chemical substances (e.g. NACE Rev.2.1 G46.85). These requirements do not apply to undertakings whose main activity is the manufacture of non-chemical ***products***. The requirements in paragraph 19 apply only to undertakings that are outside the scope of paragraph 18.
AR 5 for paras. 18 and 19 **(SoC and SVHC)**	Undertakings reporting under paragraphs 18 or 19 shall present ***SVHC*** grouped by hazard class (as per CLP Regulation 1272/2008/EC). This implies that a single ***substance*** needs to be counted under all applicable hazard classes. However, in the total amounts of procured, manufactured, sold and released substances, double counting shall be avoided.
AR 6 for paras. 18 and 19 **(SoC and SVHC)**	The ***substances*** shall be presented in tonnes or kilogrammes, or other mass unit relevant to the quantity and types of ***pollutants*** being released.
AR 7 for paras. 18, 19 and 20 **(SoC and SVHC)**	The information provided under this DR may refer to information the undertaking is already required to report under other legislation (e.g. Directive 2010/75/EU, Regulation (EC) No 166/2006, their subsequent amendments, etc.).

ESRS E3 – Water

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Objective

1. The objective of this Standard is to set out Disclosure Requirements (DRs) related to water, particularly with respect to the sub-***topics*** specified in paragraph 6 of this Standard. If not all the sub-topics prescribed by this Standard are to be reported following the ***materiality*** assessment, paragraph 30 of ESRS 1 *General Requirements* applies.

2. The ***sustainability statement*** shall provide information in relation to ESRS E3 *Water* if this ***topic*** relates to material ***impacts***, ***risks*** and ***opportunities.*** Such information shall cover all the reporting areas listed in paragraph 5 of ESRS 1 *General Requirements*.

3. The DRs in this Standard complement the provisions in ESRS 2 *General Disclosures*, which require the undertaking to disclose information about ***topics*** related to material ***impacts***, ***risks*** and ***opportunities***, in particular:

   (a) ESRS 2 SBM 3 *Interaction of material impacts, risks and opportunities with strategy and business model, and financial effects*; and

   (b) ESRS 2 IRO 2 *Material impacts, risks and opportunities and disclosure requirements included in the sustainability statement*.

4. In this Standard, each DR is introduced by a disclosure objective, except for ***policies***, ***actions*** and ***targets***, for which the provisions in ESRS 2 *General Disclosures* GDR-P, GDR-A and GDR-T provide the necessary framing for the relevant DRs.

5. This Standard takes account of EU regulatory frameworks and other relevant frameworks, including EU Water Framework Directive (Directive 2000/60/EC), EU Drinking Water Directive (Directive 2020/2184/EU), Industrial Emissions Directive (Directive 2010/75/EU), EU Water Resilience Strategy, the Eco-Management and Audit Scheme (EMAS) Regulation (Regulation 1221/2009/EC), UN Watercourses Convention (1997) and UNECE Water Convention (1992).

6. This Standard sets out DRs with respect to the following sub-***topics***: water use, which includes ***water withdrawal***; ***water consumption***; ***water discharge*** and ***water stored***.

7. Water encompasses ***freshwater*** and other types of water, for example brackish water, from different sources, such as ***surface water***, ***groundwater***, seawater, produced water and third-party water.

8. Context-specific considerations are particularly important in relation to water. If material ***impacts, risks*** or ***opportunities*** are connected to specific ***geographies,*** it is important to consider appropriate aggregation or disaggregation of the reported information, e.g. by ***site***, basin, area with ***water stress*** or any other level in accordance with ESRS 1 *General Requirements*, Chapter 3.3.2 *Level of Aggregation, Disaggregation*.

Interaction with other ESRS

9. Social and environmental ***topics*** interact with each other. The main points of interaction between ESRS E3 *Water* and the other topical standards are the following.

   (a) ESRS E1 *Climate Change* addresses acute and chronic ***physical risks*** which arise from water and ocean-related hazards caused or exacerbated by ***climate change***, including increasing water temperature, changing precipitation patterns and types, precipitation or hydrological variability, ocean acidification, saline intrusion, sea level rise, drought, ***water stress***, heavy precipitation, floods and glacial lake outbursts.

   (b) ESRS E2 *Pollution* addresses the ***emissions*** to water, including emissions to seawater, and the manufacturing, use and release of ***microplastics***.

   (c) ESRS E4 *Biodiversity and Ecosystems* addresses ***impacts*** on marine and ***freshwater ecosystems*** and ***biodiversity*** connected to the use of water.

   (d) ESRS E5 *Resource Use and Circular Economy* addresses the type and ***circularity*** of ***resource inflows***, including ***marine resources***.

(e) ESRS S3 *Affected Communities* addresses material ***impacts*** on people and communities resulting from the undertaking's activities related to water, including changes in water availability, quality or access.

Disclosure Requirements

Impact, risk and opportunity management

Disclosure Requirement E3-1 – *Policies related to water*

10. The undertaking shall disclose its water-related ***policies*** in accordance with the provisions of ESRS 2 GDR-P.[16]

11. If the undertaking has ***sites*** located in areas with ***water stress*** that are not covered by its water-related ***policies***, it shall disclose this fact.[17]

APPLICATION REQUIREMENTS – ARs

AR 1 for paras. 11, 13, 14 and 16(b) **(Water stress)**	***Water stress*** encompasses quantity or availability (related to ***water scarcity***) together with water quality and accessibility considerations and provides a measure of basin pressure. Water stress is one component of physical water-related ***risks***, together with other factors not related to water stress, such as flooding and droughts. A comprehensive understanding of water-related risks considers all components of physical water-related risks (e.g. water stress, flooding, droughts) as well as regulatory and reputational water-related risks.
AR 2 for paras. 11, 13, 14 and 16(b) **(Areas with water stress)**	Global indicators (with associated datasets) and related thresholds to assess if an area is with ***water stress*** include: (a) baseline water stress – equal to or greater than 'High': 40–80%; (b) water depletion – greater than 'High': 25–75% (Seasonal); (c) baseline water depletion – equal to or greater than 'High': 50–75%; and (d) WEI+ (Water Exploitation Index plus) – equal to or greater than 40%. While these global indicators account for water stress in terms of the quantity of water resource available (related to ***water scarcity***), a comprehensive assessment of water stress encompasses all its dimensions (quantity, quality and accessibility). The assessment whether an area is exposed to water stress is typically done at the basin level as a minimum. Tailored methodologies may be used to assess whether an area is exposed to water stress and may leverage local knowledge.

[16] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by indicator #7 in Table 2 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Investments in companies without water management policies').

[17] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by indicator #8 in Table 2 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Exposure to areas of high water stress').

Disclosure Requirement E3-2 – *Actions and resources related to water*

12. The undertaking shall disclose its key water-related ***actions*** and resources allocated to their implementation in accordance with the provisions of ESRS 2 GDR-A.
13. The undertaking shall specify key ***actions*** and resources related to areas with ***water stress***.

Metrics and targets

Disclosure Requirement E3-3 – *Targets related to water*

14. The undertaking shall disclose its water-related ***targets*** in accordance with the provisions of ESRS 2 GDR-T.

APPLICATION REQUIREMENTS – ARs

AR 3 for para. 14 **(Targets on areas with water stress)**	In line with the scope considerations set out in ESRS 2 GDR-T, paragraph 51(c), the undertaking shall, where relevant, express water-related ***targets*** with reference to specific geographic areas, such as areas with ***water stress***.

Disclosure Requirement E3-4 – *Water metrics*

15. The objective of this DR is to enable ***users*** to understand the undertaking's water performance.
16. The undertaking shall disclose the following water ***metrics*** for its own operations:
    (a) total ***water consumption***;
    (b) total water consumption in areas with ***water stress***;
    (c) total ***water withdrawal***;
    (d) total ***water discharge***;
    (e) total ***water recycled and reused***;[18] and
    (f) total ***water stored***.

APPLICATION REQUIREMENTS – ARs

AR 4 for para. 16 **(Water metrics)**	***Water consumption*** (C) can be measured directly, modelled, estimated or calculated by subtracting total ***water discharge*** (D) from total ***water withdrawal*** (W) during the reporting period: C = W - D.
AR 5 for para. 16 **(Water metrics units)**	Water ***metrics*** under paragraph 16(a)–(f) shall be presented in cubic meters (m^3) or multiples thereof.

[18] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by indicator #6.2 in Table 2 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Weighted average percentage of water recycled and reused by investee companies').

ESRS E4 – Biodiversity and Ecosystems

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Objective

1. The objective of this Standard is to set out Disclosure Requirements (DRs) related to biodiversity and ecosystems, particularly with respect to the sub-***topics*** specified in paragraph 6 of this Standard. If not all the sub-topics prescribed by this Standard are to be reported following the materiality assessment, paragraph 30 of ESRS 1 *General Requirements* applies.

2. The ***sustainability statement*** shall provide information in relation to ESRS E4 *Biodiversity and Ecosystems* if this ***topic*** relates to material ***impacts***, ***risks*** and ***opportunities.*** Such information shall cover all the reporting areas listed in paragraph 5 of ESRS 1 *General Requirements*.

3. The DRs in this Standard complement the provisions in ESRS 2 *General Disclosures*, which require the undertaking to disclose information about ***topics*** related to material ***impacts***, ***risks*** and ***opportunities***, in particular:

   (a) ESRS 2 SBM 3 *Interaction of material impacts, risks and opportunities with strategy and business model, and financial effects*; and

   (b) ESRS 2 IRO 2 *Material impacts, risks and opportunities and disclosure requirements included in the sustainability statement*.

4. In this Standard, each DR is introduced by a disclosure objective except for ***policies***, ***actions*** and ***targets***, for which the provisions in ESRS 2 GDR-P, GDR-A and GDR-T provide the necessary framing for the relevant DRs.

5. This Standard takes account of EU regulatory frameworks and other relevant frameworks, including the vision of the Kunming-Montreal Global Biodiversity Framework and its relevant goals and ***targets***, relevant aspects of the EU Biodiversity Strategy for 2030, EU Birds and Habitats Directives (Directive 2009/147/EC of the European Parliament and of the Council and Council Directive 92/43/EEC), the Marine Strategy Framework Directive (Directive 2008/56/EC of the European Parliament and of the Council), the 2023 EU Marine Action Plan, the EU Water Framework Directive (Directive 2000/60/EC of the European Parliament), and the Nature Restoration Regulation (Regulation (EU) 2024/1991 of the European Parliament and of the Council).

6. This Standard sets out DRs with respect to the following sub-***topics***: ***drivers of biodiversity and ecosystem change***; the state of species; the condition and ***extent of terrestrial, freshwater and marine ecosystems***; and ***ecosystem services***.

7. The terms '***biodiversity***' and '***biological diversity***' refer to the variability among living organisms from all sources including, inter alia, terrestrial, ***freshwater***, marine and other aquatic ***ecosystems*** and the ecological complexes of which they are part.

8. Context-specific considerations are particularly important in relation to ***biodiversity*** and ***ecosystems***. If material ***impacts***, ***risks*** or ***opportunities*** are related to specific ***geographies,*** it is important to consider appropriate aggregation or disaggregation of the reported information, e.g. by ***site***, ecosystem or another level in accordance with ESRS 1 *General Requirements*, Chapter 3.3.2 *Level of Aggregation, Disaggregation*.

Interaction with other ESRS

9. Social and environmental ***topics*** interact with each other. For instance, direct ***drivers of biodiversity and ecosystem change*** are ***climate change***, ***pollution***, ***land-use change***, ***freshwater***-use change and sea-use change, direct exploitation of organisms and ***invasive alien species***. These drivers are covered in ESRS E4 *Biodiversity and Ecosystems* except for climate change and pollution, which are addressed by ESRS E1 *Climate Change* and ESRS E2 *Pollution* respectively**.** The main points of interaction between ESRS E4 *Biodiversity and Ecosystems* and the other topical standards are the following.

   (a) ESRS E1 *Climate Change* addresses ***climate change mitigation***, ***climate change adaptation*** and energy, whereas ***impacts*** on ***biodiversity*** and ***ecosystems*** related to

the undertaking's activities addressing climate mitigation and adaptation are addressed in ESRS E4 *Biodiversity and Ecosystems*.

(b) ESRS E2 *Pollution* addresses the ***emission*** of ***pollutants*** to air, water and ***soil*** and the manufacturing, use and release of ***microplastics***, whereas impacts of ***pollution*** on biodiversity and ecosystems are addressed in ESRS E4 *Biodiversity and Ecosystems.*

(c) ESRS E3 *Water* addresses the use of water, whereas impacts on biodiversity and ecosystems related to the use of water are addressed in ESRS E4 *Biodiversity and Ecosystems*.

(d) ESRS E5 *Resource Use and Circular Economy* addresses the type and ***circularity*** of ***resource inflows***, including ***marine resources***, ***waste*** and the implementation of ***circular economy principles***, whereas the impacts on biodiversity and ecosystems related to these topics are addressed in ESRS E4 *Biodiversity and Ecosystems*.

(e) ESRS S3 *Affected Communities* addresses material negative impacts on ***affected communities*** arising from biodiversity and ecosystems-related impacts attributable to the undertaking.

Disclosure Requirements

Strategy

Disclosure Requirement E4-1 – *Biodiversity and ecosystems transition plan*

10. The objective of this DR is to enable an understanding of the undertaking's response and contribution to the transition implied by the Kunming-Montreal Global Biodiversity Framework (GBF) if it has in place a ***biodiversity and ecosystems transition plan*** and has made public its key features.

11. If the undertaking has in place a ***biodiversity and ecosystems transition plan*** to transform its ***business model*** and strategy so that it contributes to the global goal of halting and reversing ***biodiversity loss***, as stated in the GBF, and it has made public the key features of such plan, it shall disclose those features.

APPLICATION REQUIREMENTS – ARs

AR 1 for para. 11 **(Biodiversity and ecosystems transition plan)**	***Biodiversity*** can also be part of an undertaking's broader ***transition plan*** that, for instance, addresses climate change. ***Biodiversity and ecosystems transition plans***, or plans that integrate biodiversity, contain information on ***targets***, key ***actions***, financial planning and governance. They are also expected to include a clear explanation of how the undertaking's strategy and ***business model*** will evolve to contribute to the global goal of halting and reversing global ***biodiversity loss*** set out in the GBF and can include the identification and management of synergies and trade-offs with other transition plan objectives, including any response and contribution to the transition implied by the Paris Agreement.
AR 2 for para. 11 **(Biodiversity and ecosystems transition plan)**	'Has made public' means that the undertaking has made the key features of its ***biodiversity and ecosystems transition plan*** available before or at the time of the release of its ***sustainability statement***, through accessible public channels such as its website or reports.

Impact, risk and opportunity management

Disclosure Requirement E4-2 – *Policies related to biodiversity and ecosystems*

12. The undertaking shall disclose its ***biodiversity*** and ***ecosystems policies*** in accordance with the provisions of ESRS 2 GDR-P.

13. In addition to the provisions of ESRS 2 GDR-P, the undertaking shall describe the content of its ***biodiversity*** and ***ecosystems***-related ***policies*** with respect to:

    (a) supporting the traceability of ***products***, components and ***raw materials*** that have ***actual*** or ***potential*** material ***impacts*** on biodiversity and ecosystems in its ***value chain***; and

    (b) ***sites*** in its own operations in or near a ***biodiversity-sensitive area.***[19]

APPLICATION REQUIREMENTS – ARs

AR 3 for para. 12 **(Policies related to biodiversity and ecosystems)**	When describing the content of its ***policies***, the undertaking shall specify, where applicable, whether they address sustainable land or agricultural practices, sustainable oceans or seas practices, and deforestation.[20]
AR 4 for para. 12 **(Policies related to biodiversity and ecosystems)**	***Biodiversity*** and ***ecosystems scenario analysis*** can inform the identification, assessment and management of material ***risks*** and ***opportunities*** over short-, medium- and long-term time horizons. The undertaking can consider the use of scenario analysis when defining its ***policies***, ***actions*** and ***targets***.
AR 5 for para. 13(b) **(Policies related to biodiversity and ecosystems)**	If the undertaking's ***site*** is in or near a ***biodiversity-sensitive area***, its activities can be related to material negative ***impacts*** on the biodiversity-sensitive area. Whether an undertaking's site outside a biodiversity-sensitive area is near such an area shall be determined by defining the site's area of influence. The area of influence can be determined by applying buffer distances specific to the undertaking's type of activity following regulatory requirements, science-based recommendations and industry best practice.

Disclosure Requirement E4-3 – *Actions and resources related to biodiversity and ecosystems*

14. The undertaking shall disclose its key ***biodiversity***- and ***ecosystems***-related ***actions*** and resources allocated to their implementation in accordance with the provisions of ESRS 2 GDR-A.

[19] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by indicator #14.2 in Table 2 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Share of investments in investee companies without a biodiversity protection policy covering operational sites owned, leased, managed in, or adjacent to, a protected area or an area of high biodiversity value outside protected areas').

[20] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from mandatory indicators related to principal adverse impacts as set out by indicators #11, #12, and #15 in Table 2 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Investments in companies without sustainable land/agriculture practices', 'Investments in companies without sustainable oceans/seas practices', and 'Deforestation').

15. In addition to the provisions of ESRS 2 GDR-A, the undertaking shall describe any ***biodiversity offsets*** used as part of its ***actions***, including the aim of the offsets, the financing effects in monetary terms, the area, type and quality criteria applied, and the standards with which the biodiversity offsets comply.

APPLICATION REQUIREMENTS – ARS

AR 6 for para. 14 **(Actions related to biodiversity and ecosystems)**	***Actions*** to be disclosed under paragraph 14 shall consider the right to ***free, prior and informed consent*** of ***indigenous peoples*** (see also ESRS S3-2).

Metrics and Targets

Disclosure Requirement E4-4 – *Targets related to biodiversity and ecosystems*

16. The undertaking shall disclose its ***biodiversity*** and ***ecosystems targets*** in accordance with the provisions of ESRS 2 GDR-T.
17. If the undertaking uses ***biodiversity offsets*** in setting its ***targets***, it shall disclose how these offsets were used.

APPLICATION REQUIREMENTS – ARs

AR 7 for para. 16 **(Targets related to biodiversity and ecosystems)**	***Biodiversity***-related ***targets***: (a) typically address 'pressures' on nature and aim at reducing the ***drivers of biodiversity and ecosystem change***, e.g. avoiding ***land-use change*** due to the conversion of forest land. They also typically address the 'state of nature' and aim to improve the extent and condition of species and ***ecosystems***, e.g. increasing the population size of species at extinction risk or restoring a landscape condition compared to a baseline level; (b) are most effective if they are science-based and aligned with ***ecological thresholds*** and contribute to the targets of the GBF; (c) can be set at different levels (see ESRS 2 *General Disclosures*, paragraph 51(c)), e.g. at ***site***, landscape, company or upstream ***value chain*** level, depending on the goal of the target and the capacity of the undertaking to influence its achievement; (d) are typically implemented in accordance with the mitigation hierarchy: avoidance, minimisation, restoration and compensation.

Disclosure Requirement E4-5 – *Metrics related to biodiversity and ecosystems change*

18. The objective of this DR is to enable an understanding of the performance of the undertaking against material ***biodiversity*** and ***ecosystems*** change-related ***impacts***, ***risks*** and ***opportunities***.
19. The undertaking shall disclose the following information for material ***biodiversity*** and ***ecosystem*** change-related ***impacts***, ***risks*** or ***opportunities***:
    (a) the locations in its own operations to which the material impacts, risks or opportunities relate;
    (b) for those locations, a list of ***biodiversity-sensitive area***(s) (name and type) related to the undertaking's material negative impacts, if any; and

(c) the undertaking's activities that are related to material negative impacts on the biodiversity-sensitive areas described in (b) above.[21]

20. In addition to paragraph 19, and in accordance with ESRS 2 GDR-M, the undertaking shall report ***metrics*** related to its material impacts on ***biodiversity*** and ***ecosystems***.

APPLICATION REQUIREMENTS – ARs

AR 8 for para. 19 **(Metrics related to biodiversity and ecosystems change)**	To inform the prioritisation for disclosure and the level of aggregation or disaggregation, the undertaking shall consider locations where its own operations are related to material negative ***impacts*** on ***biodiversity-sensitive areas***. The undertaking is not necessarily expected to provide an exhaustive list of all individual ***sites*** or locations where its own operations interact with biodiversity-sensitive areas or to provide information for each of its individual sites. The undertaking can aggregate information to relevant groups of sites related to its material impacts, ***risks*** and ***opportunities***, for example based on the same biodiversity-sensitive area or cluster of areas in a region affected by multiple sites. The level of detail, aggregation or disaggregation of information shall be determined in accordance with the principles set out in ESRS 1 *General Requirements*, Section 3.3.2, taking into account the nature of the material impacts, risks and opportunities, the similarity of sites or areas affected, and the decision-usefulness of the information provided. Accordingly, the undertaking may present information at an aggregated level for groups of sites or areas that are subject to similar biodiversity-related impacts, risks or opportunities, provided that such aggregation does not obscure material information.
AR 9 for para. 20 **(Metrics related to biodiversity and ecosystems change)**	When providing the description of material ***impacts*** in accordance with ESRS 2 IRO-2, the undertaking shall indicate which material impacts concern ***land degradation***, ***desertification*** or ***soil sealing*** and operations that affect ***threatened species*** or ***ecosystems***.[22]
AR 10 for para. 2 **(Metrics related to biodiversity and ecosystems change)**	Depending on which sub-***topic*** is material, the undertaking shall include ***metrics*** in relation to: (a) ***drivers of biodiversity and ecosystem change***; (b) the state of ***species*** (e.g. related to extinction ***risk***); (c) the condition and ***extent of terrestrial, freshwater, and marine ecosystems*** (e.g. related to ***site*** condition and landscape condition); and (d) ***ecosystem services***.
AR 11 for para. 20	Primary data on the state of nature ***metrics*** collected at location-level or through remote sensing is the best means to help determine ***impacts*** on ***biodiversity*** and ***ecosystems***. Using primary data on the state of nature is especially relevant where

[21] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by indicator #7 in Table 1 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Activities negatively affecting biodiversity- sensitive areas').

[22] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from mandatory indicators related to principal adverse impacts as set out by indicators #10 and #14.1 in Table 2 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Land degradation, desertification, soil sealing' and 'Share of investments in investee companies whose operations affect threatened species').

(Metrics related to biodiversity and ecosystems change)	the undertaking's ***sites*** are in or near ***biodiversity-sensitive areas***. The undertaking can also estimate its impacts by using data on impact drivers or secondary data on the state of nature.
AR 12 for para. 20 **(Metrics related to biodiversity and ecosystems change)**	When identifying ***metrics*** to disclose, the undertaking shall consider: (a) the frequency of monitoring and the baseline condition or value and baseline year or period; and (b) whether the metrics enable ***users*** to understand how they relate to the material ***impacts***.

ESRS E5 – Resource Use and Circular Economy

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Objective

1. The objective of this Standard is to set out Disclosure Requirements (DRs) related to resource use and circular economy, particularly with respect to the sub-***topics*** specified in paragraphs 6 of this Standard. If not all the sub-topics prescribed by this Standard are to be reported following the ***materiality*** assessment, paragraph 30 of ESRS 1 *General Requirements* applies.

2. The ***sustainability statement*** shall provide information in relation to ESRS E5 *Resource Use and Circular Economy* if this ***topic*** relates to material ***impacts***, ***risks***, and ***opportunities.*** Such information shall cover all the reporting areas listed in paragraph 5 of ESRS 1 *General Requirements*.

3. The DRs in this Standard complement the provisions in ESRS 2 *General Disclosures*, which require the undertaking to disclose information about topics related to material ***impacts***, ***risks*** and ***opportunities***, in particular:

   (a) ESRS 2 SBM 3 *Interaction of material impacts risks and opportunities with strategy and business model, and financial effects*; and

   (b) ESRS 2 IRO 2 *Material impacts, risks and opportunities and disclosure requirements included in the sustainability statement*.

4. In this Standard, each DR is introduced by a disclosure objective except for ***policies, actions*** and ***targets***, for which the provisions in ESRS 2 GDR-P, GDR-A and GDR-T provide the necessary framing for the relevant DRs.

5. This standard takes account of EU policy and regulatory frameworks, including the EU Circular Economy Action Plan (2020), the European Clean Industrial Deal (2025), the Eco-design for Sustainable Products Regulation (Regulation (EU) 2024/1781), the Waste Framework Directive (Directive 2008/98/EC), the Right to Repair Directive (EU) 2024/1799) and the Critical Raw Materials Act (Regulation (EU) 2024/1252).

6. This Standard sets out DRs with respect to the following sub-***topics***: ***resource inflows***; ***resource outflows*** related to ***products*** and services; resource outflows related to ***waste***.

Interaction with other ESRS

7. Environmental and social ***topics*** interact with each other. The points of interaction between ESRS E5 *Resource Use and Circular Economy* and the other topical standards are listed below:

   (a) ESRS E1 *Climate Change* addresses ***climate change mitigation***, ***climate change adaptation*** and energy consumption, whereas ESRS E5 *Resource Use and Circular Economy* addresses inflows of materials (including ***fossil fuels*** not used for energy), resource extraction and ***circular economy*** practices that can reduce ***GHG emissions*** (carbon footprint) and energy intensity.

   (b) ESRS E2 *Pollution* addresses ***emissions*** of ***pollutants*** to air, water and ***soil*** (including ***microplastics***), and ***substances of concern (SoC)***, including ***substances of very high concern (SVHC)***, whereas ESRS E5 *Resource Use and Circular Economy* addresses **resource use** and ***waste*** management practices that may generate or mitigate such emissions in the ***value chain***.

   (c) ESRS E3 *Water* addresses the use and management of water as a physical resource and the operations of the undertaking in areas with ***water stress***, whereas ESRS E5 *Resource Use and Circular Economy* addresses ***marine resources*** and water-intensive processes through which circular measures can reduce consumption and improve efficiency.

   (d) ESRS E4 *Biodiversity and Ecosystems* addresses ***biodiversity*** and ***ecosystems impacts***, whereas ESRS E5 *Resource Use and Circular Economy* addresses resource use, waste management and ***circular economy*** activities that may contribute to or alleviate such impacts.

   (e) ESRS S3 *Affected Communities* addresses material ***impacts*** on people and communities arising from the undertaking's activities, including those linked to resource use, ***products*** and services,

and waste, whereas ESRS E5 *Resource Use and Circular Economy* addresses these activities from a technical perspective in terms of ***resource inflows***, ***resource outflows***, waste and ***circular economy*** practices.

(f) ESRS S4 *Consumers and End-users* addresses information-related impacts on ***consumers*** or ***end-users***, their personal safety and their social inclusion, whereas ESRS E5 addresses resource use, waste management and ***circularity*** aspects of those same products and services***.*** Disclosures under ESRS E5 *Resource Use and Circular Economy* on these aspects are relevant for understanding the information-related and inclusion impacts on consumers and end-users that are reported under ESRS S4 *Consumers and End-users*.

Disclosure Requirements

Impacts, risks and opportunities' management

Disclosure Requirement E5-1 – *Policies related to resource use and circular economy*

8. The undertaking shall disclose its ***resource use*** and ***circular economy policies*** in accordance with the provisions of ESRS 2 GDR-P.

9. In addition to the information required under ESRS 2 GDR-P, if the undertaking integrates ***circular economy principles*** or ***eco-design requirements*** in its ***key products*** and ***circular economy services***, it shall explain how this is done.

Disclosure Requirement E5-2 – *Actions and resources related to resource use and circular economy*

10. The undertaking shall disclose its key ***resource use*** and ***circular economy actions*** in accordance with the provisions of ESRS 2 GDR-A.

Metrics and Targets

Disclosure Requirement E5-3 – *Targets related to resource use and circular economy*

11. The undertaking shall disclose its ***resource use*** and ***circular economy targets*** in accordance with the provisions of ESRS 2 GDR-T.

Disclosure Requirement E5-4 – *Resource inflows*

12. The objective of this DR is to provide an understanding of the undertaking's ***resource inflows***. This includes information about the types and ***circularity*** of resources entering the undertaking.

13. The undertaking shall disclose the following information:

    (a) the ***key materials*** used, providing for each a concise description and specifying any ***critical raw materials*** and ***strategic raw materials*** it contains;

    (b) the total weight of all key materials;

    (c) a breakdown of each key material, expressed in weight or as a percentage of the total weight of all key materials; and

    (d) the ***secondary resources*** used, expressed in weight or as a percentage of the total weight of key materials.

APPLICATION REQUIREMENTS – ARs

AR 1 for para. 13(a)	When reporting the information required by paragraph 13(a):

(Resource inflows)	(a) the undertaking shall provide a concise description of each ***key material***, reflecting its role and relevance in the context of the undertaking's operations; (b) if the distinction between ***technical material*** and ***biological material*** is relevant to undertstanding the undertaking's ***impacts***, ***risks*** or ***opportunities***, it shall reflect this distinction in the description of its key materials.
AR 2 for para. 13(a) **(Resource inflows)**	***Critical raw materials*** and ***strategic raw materials***, as identified in Annex I and Annex II of the Critical Raw Materials Act (Regulation (EU) 2024/1252), may be part of the undertaking's ***key materials***. Where this is the case, the undertaking shall specify so. For example, an undertaking may identify a battery as a key material for its operations and specify that it contains lithium, which is classified as a critical and strategic raw material.

Disclosure Requirement E5-5 – *Resource outflows*

14. The objective of this DR is to provide an understanding of how the undertaking contributes to the ***circular economy*** by designing, manufacturing and providing ***products*** and services in accordance with ***circular economy principles***, and by effectively managing ***waste***.

Products

15. The undertaking shall disclose:
    (a) qualitative or quantitative information on the expected ***durability*** of its ***key products***;
    (b) qualitative or quantitative information on the extent to which its key products are ***repairable***;
    (c) the ***designed recyclability rate*** of its key products and their ***packaging***.

Waste

16. The undertaking shall disclose the following information on ***waste*** from its own operations:
    (a) a description of the undertaking's ***waste streams***;
    (b) the total weight of waste generated;
    (c) the proportion of waste diverted from disposal, expressed as a percentage of total waste generated, with a breakdown between ***hazardous waste*** and non-hazardous waste, and a breakdown by the following operation types:
        i. ***preparation*** for ***reuse***;
        ii. ***recycling;***
        iii. other ***recovery*** operations;
    (d) the proportion of waste directed to disposal, expressed as a percentage of total waste generated[1], with a breakdown between hazardous waste and non-hazardous waste[2], and a breakdown by the following operation types:

[1] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by indicator #13 in Table 2 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Non-recycled waste ratio').

[2] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by indicator #9 in Table 1 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Hazardous waste and radioactive waste ratio').

i. incineration;

ii. ***landfill***;

iii. other disposal operations;

(e) the proportion of waste for which the final destination is unknown, expressed as a percentage of total waste generated.

17. The undertaking shall disclose the total amount of radioactive ***waste*** it generates, in accordance with the definition of radioactive waste in Article 3(7) of Council Directive 2011/70/Euratom.[3]

APPLICATION REQUIREMENTS – ARs

AR 3 for para. 15(c) **(Products)**	When disclosing information in accordance with paragraph 15(c), the undertaking shall use the following equation: (a) for ***products***: $\text{Designed recyclability rate} = \frac{total\ weight\ of\ recyclable\ materials\ incorporated\ in\ the\ product_x}{total\ weight\ of\ the\ product_x} \times 100$ (b) for ***packaging***: $\boldsymbol{Designed\ recyclability\ rate} = \frac{total\ weight\ of\ recyclable\ \ materials\ incorporated\ in\ the\ packaging_x}{total\ weight\ of\ the\ packaging_x} \times 100$
AR 4 for para. 16(a) **(Waste)**	When reporting in accordance with paragraph 16(a) on ***waste streams***, it is sufficient to provide a name (for example, in accordance with the European List of Waste by Commission Decision 2000/532/EC) and an indication of the ***key materials*** that are included in the waste stream, such as biomass, metals, non-metallic minerals, plastics, textiles, ***critical raw materials***, rare earths, etc.
AR 5 for paras. 16(b)–(d) and 17 **(Waste)**	When reporting in accordance with paragraphs 16(b)–(d) and 17, the data shall reflect the material's weight in its original state and shall not be presented with further data manipulation, such as reporting it as 'dry' weight.
AR 6 for para. 16(c)(iii) **(Waste)**	A list of ***recovery*** operations is found in Annex II, Directive 2008/98/EC on ***waste*** (Waste Framework Directive). 'Other recovery operations' shall meet the definitions and requirements of the WFD. When reporting Waste in accordance with paragraph 16(c)(iii), the undertaking shall specify, if relevant, what these 'other recovery operations' are. Incineration with energy recovery is considered an 'other recovery operation' only when it meets the conditions of point R1 in Annex II 'Recovery operations' of the WFD.

[3] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by indicator #9 in Table 1 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Hazardous waste and radioactive waste ratio').

AR 7 for para. 16(d)(iii) **(Waste)**	A list of disposal operations is found in Annex I, Directive 2008/98/EC on ***waste*** (Waste Framework Directive).

ESRS S1 – Own Workforce

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Objective

1. The objective of this Standard is to set out Disclosure Requirements (DRs) related to own workforce, particularly with respect to the sub-***topics*** specified in paragraph 6 of this Standard. If not all the sub-topics prescribed by this Standard are to be reported following the ***materiality*** assessment, paragraph 30 of ESRS 1 *General Requirements* applies except for:

   (a) Disclosure Requirement ('DR') ESRS S1-5, which the undertaking shall apply if it concludes that its own workforce is to be reported following the materiality assessment material; and

   (b) ESRS S1-6, which the undertaking shall apply if it concludes that non-employees in its own workforce are connected to material impacts, risks or opportunities.

   The filter of materiality of information defined in ESRS 1 General Requirements, paragraph 23, remains applicable also to these two DRs.

2. The ***sustainability statement*** shall provide information in relation to ESRS S1 *Own Workforce* if this ***topic*** relates to material ***impacts***, ***risks*** and ***opportunities.*** Such information shall cover all the reporting areas listed in paragraph 5 of ESRS 1 *General Requirements*.

3. The DRs in this Standard complement the provisions in ESRS 2 *General Disclosures*, which require the undertaking to disclose information about ***topics*** related to material ***impacts***, ***risks*** and ***opportunities***, in particular:

   (a) ESRS 2 SBM 3 *Interaction of material impacts risks and opportunities with strategy and business model, and financial effects*; and

   (b) ESRS 2 IRO 2 *Material impacts, risks and opportunities and disclosure requirements included in the sustainability statement*.

4. In this Standard, each DR is introduced by a disclosure objective except for ***policies***, ***actions*** and ***targets***, for which the provisions in ESRS 2 GDR-P, GDR-A and GDR-T provide the necessary framing for the relevant DRs.

5. This Standard takes into account the international and European human rights instruments and conventions, including the International Bill of Human Rights; the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises; the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and ILO fundamental conventions; the UN Convention on the Right of Persons with Disabilities; the European Convention of Human Rights; the revised European Social Charter; the Charter of Fundamental Rights of the European Union (EU); the EU policy priorities as set out by the European Pillar of Social Rights; and EU legislation, including the EU labour law acquis.

6. This Standard sets out DRs with respect to the following sub-***topics***:

   (a) working conditions (including ***adequate wages***, ***work-life balance***, working time, secure employment, ***social protection***);

   (b) ***social dialogue***, freedom of association, works councils, participation rights of workers and ***collective bargaining***;

   (c) health and safety;

   (d) ***training*** and skills development;

   (e) diversity and ***equal treatment*** (including gender equality, equal ***pay*** for work of equal value, employment and inclusion of ***people with disabilities***, non-discrimination, anti-harassment); and

   (f) other labour-related human rights (including ***child labour***, ***forced labour***, privacy and adequate housing).

7. The undertaking's ***own workforce*** includes (i) people who are in an employment relationship with the undertaking ('***employees***') and (ii) people who, for the purposes of reporting under ESRS, are called

'***non-employees***' in the undertaking's own workforce. The latter comprise people with contracts with the reporting undertaking to supply labour ('self-employed people') or people provided by undertakings primarily engaged in 'employment activities' (NACE Code 078). Information about the persons referred to as 'non-employees' in the undertaking's own workforce in accordance with this Standard shall not affect their status under applicable labour law. This Standard does not cover workers in the undertaking's upstream or downstream ***value chain***. These workers are covered in ESRS S2 *Workers in the Value Chain*.

8. The definitions of self-employed people and of people provided by undertakings primarily engaged in 'employment activities' are based on national legislation. Examples of ***non-employees*** in the undertaking's ***own workforce*** that could fall within the scope of own workforce are:

   (a) self-employed persons in the undertaking's own workforce, which could include:

      i. self-employed persons hired by the undertaking to perform work that would otherwise be carried out by an ***employee*** or in a public area (e.g. on the street);

      ii. self-employed persons hired by the undertaking to deliver work or a service directly at the workplace of a client of the undertaking;

   (b) people employed by a third party engaged in 'employment activities', which could include people who perform the same work that employees carry out, such as those who fill in for employees who are temporarily absent or who may be dispatched temporarily from another EU Member State to work for the undertaking ('posted workers').

Interaction with other topical ESRS

9. Social and environmental ***topics*** interact with each other. The points of interaction between ESRS S1 *Own Workforce* and the other topical standards are the following:

   (a) all the social standards, i.e. ESRS S1 *Own Workforce*, ESRS S2 *Workers in the Value Chain*, ESRS S3 *Affected Communities* and ESRS S4 *Consumers and End-users*, are aligned in terms of content and structure and are related to each other. ESRS S2 *Workers in the Value Chain* covers the same sub-topics as ESRS S1 *Own Workforce* for those workers in the upstream and downstream ***value chain*** who are not in the undertaking's ***own workforce***. The disclosures in the social standards address material information needed for reporting on ***impacts***, ***risks*** and ***opportunities*** related to each ***stakeholder*** group, including in relation to sustainability due diligence;

   (b) this Standard interacts with ESRS E1 *Climate Change* to the extent that the transition to a low-carbon and climate-resilient economy is a source of impacts, risks and opportunities for ESRS S1 *Own Workforce*; and

   (c) this Standard interacts with ESRS E2 *Pollution* to the extent that ***pollution*** can cause material negative ***impacts*** with regard to health and safety in the workplace.

Disclosure Requirements

Impacts, risks and opportunities management

Disclosure Requirement S1-1 – *Policies related to own workforce*

10. The undertaking shall describe its ***policies*** for managing material ***impacts***, ***risks*** and ***opportunities*** related to its ***own workforce*** in accordance with ESRS 2 GDR-P. It shall state whether these policies cover specific groups within its own workforce (for example, ***employees*** working in a particular factory or geography or self-employed people) or all of its own workforce.

11. The undertaking shall state whether its ***policies*** in relation to its ***own workforce*** address trafficking in human beings[4], ***forced labour*** or compulsory labour, and ***child labour***.

APPLICATION REQUIREMENTS – ARs

AR 1 for para. 10 **(Policies related to own workforce)**	Examples of ***policy*** aspects to disclose are the means of communication the undertaking uses to communicate its policies to the individuals, groups of individuals or entities for whom they are relevant, either because they are expected to implement them (for example, the undertaking's ***employees***, contractors and ***suppliers***) or because they have a direct interest in their implementation (for example, people in its ***own workforce***, investors).

Disclosure Requirement S1-2 – *Engagement with own workforce and workers' representatives, existence of channels for own workforce to raise concerns or needs and approaches to remedy*

12. The objective of this DR is to enable an understanding of the undertaking's general approach to engagement with its ***own workforce***, including the availability of ***channels to raise concerns or needs*** such as ***grievance mechanisms***, and its approach to ***remedy***.

13. The undertaking shall disclose how it engages directly with its ***own workforce*** or ***workers' representatives*** and how the perspectives of its own workforce inform its decisions or activities aimed at managing the ***actual*** and ***potential impacts*** on its own workforce during the reporting year. This shall include:

    (a) how the undertaking gains insight into the perspectives of people in its own workforce who may be particularly vulnerable to ***impacts*** and/or who are marginalised (for example, women, migrants, ***persons with disabilities***) if the undertaking takes action to understand those perspectives; and

    (b) the ***Global Framework Agreements*** **(*GFA*)** or other outcomes that the undertaking has reached with workers' representatives related to the respect of human rights of its own workforce if there are any such agreements or outcomes.

14. The undertaking shall describe the channels available to its ***own workforce*** to bring their concerns or needs directly to its attention and have them addressed. In particular, it shall state whether it has a ***grievance mechanism*** in place.[5] It shall also explain how it assesses the effectiveness of these channels.

15. The undertaking shall describe its general approach to and ***processes to provide or cooperate in remediation*** where it has caused or contributed to a material negative ***impact*** on people in its ***own workforce***.

[4] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts, as set out by indicator #11 in Table 3 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Lack of processes and measures for preventing trafficking in human beings').

[5] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts, as set out by indicator #5 in Table 3 of Annex I and by Indicator #11 in Table 1 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Lack of grievance/complaints handling mechanisms related to employee matters' and 'Lack of processes and compliance mechanisms to monitor compliance with the UNGPs and the OECD Guidelines for Multinational Enterprises').

APPLICATION REQUIREMENTS – ARs

AR 2 for para. 13 **(Engagement)**	Engagement with the undertaking's ***own workforce*** can take different forms, such as information sessions, consultation or participation, and take place at different intervals.
AR 3 for para. 14 **(Grievance mechanism)**	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, can be used for assessing the effectiveness of the channels. If the undertaking has ***policies*** for protecting individuals that use these channels against retaliation, including ***workers' representatives***, and they are disclosed under ESRS G1-1, the undertaking may refer to that disclosure.

Disclosure Requirement S1-3 – *Actions and resources related to own workforce*

16. The undertaking shall describe the key ***actions*** and resources used to manage its material positive and negative ***impacts***, ***risks*** and ***opportunities*** related to its ***own workforce*** in accordance with ESRS 2 GDR-A.

17. In relation to material negative ***impacts*** on its ***own workforce***, the undertaking shall describe:

    (a) its key ***actions*** taken, planned or underway to prevent, mitigate, bring to an end, minimise and remediate material negative impacts on its own workforce, including its approach in situations where tensions arise between such actions and other business pressures; and

    (b) how it tracks and assesses the effectiveness of these actions in delivering outcomes for its own workforce. This disclosure can be omitted if the undertaking discloses how it tracks the effectiveness of its actions in accordance with ESRS 2 GDR-T or GDR-M. In that case, a reference to that disclosure is sufficient.

APPLICATION REQUIREMENTS – ARs

AR 4 for para. 17 **(Key actions)**	The ***actions*** taken by the undertaking differ depending on its connection to the ***impact*** and how it has identified the actions as appropriate for addressing material impacts. This disclosure requirement also applies to key actions to provide, cooperate in, or enable ***remediation*** in cases of actual negative impacts. Key actions to prevent, mitigate, bring to an end, minimise or remediate impacts include the use of different types of ***leverage*** and/or collective actions taken through multi-stakeholder and/or industry initiatives.
AR 5 for para. 17 **(Climate transition)**	The undertaking shall present its ***actions*** in a way that enables ***users*** to understand the connections that exist between different ***topics*** in accordance with Chapters 3.3 and 9.1 of ESRS 1 *General Requirements*. This applies to measures taken to mitigate negative ***impacts*** on its ***own workforce*** that may arise from the transition to a low-carbon and climate-resilient economy. For example, downscaling or mass dismissal may occur when a factory is closed, and this could lead to measures such as intra-company placements or early retirement plans with an impact on the ***employees***.

Metrics and targets

Disclosure Requirement S1-4 – *Targets related to own workforce*

18. The undertaking shall disclose qualitative and/or quantitative ***targets*** related to its ***own workforce*** in accordance with ESRS 2 GDR-T.

APPLICATION REQUIREMENTS – ARs

AR 6 for para. 18 **(Tracking performance)**	Engagement with the undertaking's ***own workforce*** or ***workers' representatives*** can inform the undertaking's tracking and assessment of the effectiveness of its ***actions*** disclosed under paragraph 17(b), including the development of ***metrics***, target-setting and/or tracking of performance against those metrics and ***targets***. In particular, in relation to the tracking of performance, such engagement can inform the understanding of the effectiveness of the undertaking's management of material negative ***impacts*** and the identification of lessons learnt or improvements.

Disclosure Requirement S1-5 – *Characteristics of the undertaking's employees*

19. The objective of this DR is to provide insight into the undertaking's approach to employment practices, including security of employment for its ***own workforce***. It also serves as the basis for calculating certain quantitative ***metrics*** required by other DRs in this Standard and provides contextual information for those metrics.

20. The undertaking shall disclose:

    (a) the total number of ***employees*** by headcount, with a breakdown by gender;

    (b) the number of employees by headcount for each of the countries in which it has 50 or more employees and that are the ten largest countries in terms of employee numbers;

    (c) the total number by headcount or full time equivalent (FTE) of:

        i. permanent employees with a breakdown by gender;

        ii. temporary employees with a breakdown by gender;

        iii. non-guaranteed hours employees;

    (d) the rate of turnover of permanent employees in the reporting period; and

    (e) a qualitative explanation in case there is an inconsistency between information reported under point (a) above and the most representative number reported in the financial statements.

APPLICATION REQUIREMENTS – ARs

AR 7 for para. 20(b) **(Definition of distinct types of employees)**	The definitions of permanent, temporary and ***non-guaranteed hours employees*** differ among countries. If the undertaking has ***employees*** in more than one country, it shall use the definitions as per the national laws of the countries where the employees are based to calculate country-level data. Country-level data shall then be added up to calculate the total numbers.

AR 8 for para. 20

(Methodological context information)

In accordance with ESRS 2 GDR-M, the undertaking shall disclose the method used to calculate and compile ***employee*** data (for example, at the end of the reporting year or as an average) and provide contextual information.

AR 9 for para. 20(a) and 20(b)

(Presentation tables – employee headcount)

The undertaking shall present the requested disclosures either in a narrative format or in the following tabular formats.

Table 1. *Template for presenting information on headcount by gender*

Gender	Number of employees (headcount) – current reporting period	Number of employees (headcount) – previous reporting period
Male		
Female		
Other		
Not reported		
Total employees		

In some Member States, it is possible for persons to legally register themselves as having a third gender, which is categorised as 'other' in the table above. However, if the third gender is not permitted by law, the undertaking may explain this and indicate that the 'other' category is not applicable.

Table 2. *Template for presenting the number of employees by headcount for each of the countries in which it has 50 or more employees and that are the ten largest countries in terms of employee numbers*

Country	Number of employees (headcount) – current reporting period	Number of employees (headcount) – previous reporting period
Country A		
Country B		
Country C		
Country D		

AR 10 for para. 20(c)

(Presentation table – employee headcount breakdown)

The undertaking shall present the information either as narrative text or using the following table.

Table 3. *Template for presenting information on employees by contract type, broken down by gender (headcount or FTE)*

FEMALE	MALE	OTHER*	NOT REPORTED	TOTAL
Number of permanent employees (headcount / FTE) – Current reporting period				
Number of permanent employees (headcount / FTE) – Previous reporting period				
Number of temporary employees (headcount / FTE) – Current reporting period				
Number of temporary employees (headcount / FTE) – Previous reporting period				
Number of non-guaranteed hours employees (headcount / FTE)				
n/a	**n/a**	**n/a**	**n/a**	
In some Member States, it is possible for persons to legally register as having a third gender, which is categorised as 'other' in the table above. However, if the third gender is not permitted by law, the undertaking, may explain this and indicate that the 'other' category is not applicable.				

In some countries, non-guaranteed hours contracts may be considered permanent or temporary contracts in accordance with national legislation.

AR 11 for para. 20(d) **(Calculation employee turnover)**	For the ***employee*** turnover calculation, the undertaking shall divide the number of employees who leave voluntarily or due to dismissal, retirement or death in service by the average employee headcount.

Disclosure Requirement S1-6 – *Characteristics of non-employees in the undertaking's own workforce*

21. The objective of this DR is to enable an understanding of how much the undertaking relies on ***non-employees*** as part of its ***own workforce.***
22. The undertaking shall disclose the total number of ***non-employees*** in the undertaking's ***own workforce***.

APPLICATION REQUIREMENTS – ARs

AR 12 for para. 22 **(Materiality considerations for non-employees)**	This DR is applicable if ***non-employees*** within the undertaking's ***own workforce*** are connected to material ***impacts***, ***risks*** and ***opportunities*** related to own workforce. This situation arises if non-employees are critical to undertaking's ***business model***, for example if they are used to provide flexible labour or if they are used in core processes. ***Dependencies*** on non-employees due to the business model can be a risk for the undertaking, particularly if the reliance on non-employees is increasing, for example due to changes in labour market regulations. The use of non-employees can also be connected to material negative impacts if non-employees make up a substantial proportion of the undertaking's own workforce or if potential or actual negative impacts are material in relation to non-employees.
AR 13 for para. 22 **(Calculation method and use of estimates)**	The total number of ***non-employees*** shall be calculated either in terms of headcount or full-time equivalents (FTE), and it shall be reported either as of the end of the reporting period or as an average over the entire reporting period. Explaining which of these options the undertaking has chosen may constitute material contextual information. If the undertaking cannot report exact figures, it shall apply the provisions in ESRS 1 *General Requirements* regarding estimates.

Disclosure Requirement S1-7 – *Collective bargaining coverage and social dialogue*

23. The objective of this DR is to enable an understanding of the coverage of ***collective bargaining*** agreements and ***social dialogue*** for the undertaking's ***employees***.

24. The undertaking shall disclose the following information in relation to ***collective bargaining***:

    (a) the percentage of its total ***employees*** covered by collective bargaining agreements;

    (b) in the European Economic Area (EEA), whether it has one or more collective bargaining agreements and, if so, the overall percentage of its employees covered by such agreement(s) for each country in which it has significant employment, which are the EEA countries disclosed in paragraph 20(b) above; and

    (c) outside the EEA, the percentage of its employees covered by collective bargaining agreements by region.

25. The undertaking shall disclose the following information in relation to ***social dialogue*** for EEA countries:

    (a) the percentage of ***employees*** covered by ***workers' representatives***, reported at the country level for each EEA country in which the undertaking has significant employment, as calculated in accordance with paragraph 24(b) above; and

    (b) the existence of any agreements with its employees for representation by a European Works Council (EWC), a Societas Europaea (SE) Works Council or a Societas Cooperativa Europaea (SCE) Works Council.

APPLICATION REQUIREMENTS – ARs

AR 14 for para. 24(a)	The percentage of ***employees*** covered by ***collective bargaining*** agreements shall be calculated using the following formula, based on employee headcount:

(Calculation collective bargaining coverage)

$$\frac{\textit{Number of employees covered by collective bargaining agreements}}{\textit{Number of employees}} \; x\ 100$$

Employees in the undertaking's ***own workforce*** covered by collective bargaining agreements are those individuals to whom the undertaking is obliged to apply the agreement. This means that if none of the employees are covered by a collective bargaining agreement, the percentage reported is zero. Any employee in the undertaking's own workforce covered by more than one collective bargaining agreement shall only be counted once.

AR 15 for paras. 24 and 25

(Presentation table – collective bargaining coverage)

The undertaking shall present the information required by paragraphs 24(b) and 24(c) in a narrative format or using the table below.

Table 4. *Reporting template for collective bargaining coverage and social dialogue*

	Collective Bargaining Coverage				**Social dialogue**	
Coverage Rate	Employees – EEA (for countries with > 50 employees included in the ten largest countries)		Employees – non-EEA		Workplace representation (EEA only) (for the EEA countries with > 50 employees included in the ten largest countries)	
	Current reporting period	Previous reportin g period	Current reportin g period	Previous reportin g period	Current reporting period	Previous reportin g period
0–19%			Region A			
20–39%	Country A		Region B			
40–59%	Country B				Country A	
60–79%					Country B	
80–100%						

AR 16 for para. 25(a)

(Calculation social dialogue coverage)

For calculating the information required by paragraph 25(a), the undertaking shall identify in which EEA countries it has significant employment. For each of these countries, it shall report the percentage of ***employees*** which are employed in establishments in which employees are represented by ***workers' representatives***.

'Establishment' is defined as any place of operations where the undertaking carries out a non-transitory economic activity with human means and goods. Examples include a factory, a branch of a retail chain or an undertaking's headquarters. For countries in which there is only one establishment, the percentage reported shall be either 100 or 0.

	$$\frac{\text{Number of employees working in establishments with workers' representatives}}{\text{Number of employees}} \times 100$$

Disclosure Requirement S1-8 – *Gender diversity in top management*

26. The objective of this DR is to enable an understanding of gender diversity at top management level.
27. The undertaking shall disclose the gender distribution in number (headcount) and percentage at top management level.

APPLICATION REQUIREMENTS

AR 17 for para. 27 **(Calculation gender distribution at top management level)**	For the purposes of calculating the gender distribution at top management level, 'top management' is defined as the two levels below the administrative and supervisory bodies. Alternatively, the undertaking may use its own definition of 'top management', in which case it shall disclose the definition it has used.

Disclosure Requirement S1-9 – *Adequate wages*

28. The objective of this DR is to enable an understanding of whether or not the undertaking's ***employees*** are paid an ***adequate wage*** and the benchmark the undertaking uses for its assessment.
29. The undertaking shall disclose whether or not its ***employees*** are paid an ***adequate wage*** and the benchmark or benchmarks it uses to determine adequate wages with an indication of the countries for which a given benchmark is used. If employees are not paid an adequate wage, the undertaking shall disclose the countries and the percentage of employees concerned.

APPLICATION REQUIREMENTS – ARs

AR 18 for para. 29 **(Adequate wages)**	If all ***employees*** are paid an ***adequate wage***, stating this and the benchmarks used for its assessment is sufficient to fulfil this requirement.
AR 19 for para. 29 **(Calculation of adequate wage)**	The basis of this calculation is the lowest ***wage*** among the undertaking's ***employees***, excluding interns and apprentices. This means basic wage plus any fixed additional payments that are guaranteed to all employees. The lowest wage shall be considered separately for each country in which the undertaking has operations, except if the relevant adequate minimum wage is defined at sub-national level.
AR 20 for para. 29	The ***adequate wage*** benchmark used for comparison with the lowest wage shall not be lower than:

(Adequate wage benchmarks)	(a) in the EU: the wage level established through ***collective bargaining*** or the statutory minimum wage set in accordance with Directive (EU) 2022/2041 of the European Parliament and of the Council on adequate minimum wages in the EU; (b) outside of the EU: the adequate minimum wage, established by legislation or collective bargaining, which provides a decent standard of living taking into account the ILO principles on estimating a living wage as a minimum level (without prejudice to higher standards of adequacy of wage); or i. any living wage estimate, including estimates produced by ILO or an institution mandated by the public authorities of the country where the workers are based, which takes into account the ILO principles on estimating a living wage.

Disclosure Requirement S1-10 – *Social protection*

30. The objective of this DR is to enable an understanding of whether the undertaking's ***employees*** are covered by ***social protection*** against loss of income due to major life events and, if not, the countries where this is not the case.

31. If the undertaking's ***employees*** lack ***social protection*** through public programmes or through benefits offered by the undertaking itself, it shall disclose the countries of operation where the following major life events are not covered by existing social protection programmes:

    (a) sickness;

    (b) unemployment starting from when the ***employee*** is working for the undertaking;

    (c) employment injury and acquired disability; and

    (d) maternity leave.

Disclosure Requirement S1-11 – *Persons with disabilities*

32. The objective of this DR is to enable an understanding of the extent to which ***persons with disabilities*** are included among the undertaking's ***employees***.

33. The undertaking shall disclose the percentage of ***persons with disabilities*** amongst its ***employees***, subject to legal restrictions on the collection of data.

APPLICATION REQUIREMENTS – ARs

AR 21 for para. 33 **(Data collection for persons with disabilities)**	The DR about ***persons with disabilities*** only requires the undertaking to report data that can be lawfully collected. Disability status depends on national legal definitions, but the undertaking may use the same definition across the various countries where it operates or may use applicable national definitions. In accordance with ESRS 2 GDR-M, the undertaking shall disclose the calculation methodology, data types and sources used as input. This may consist, for example, of voluntary ***employee*** surveys or information from mandatory disability quotas reported by the undertaking.

Disclosure Requirement S1-12 – *Training and skills development metrics*

34. The objective of this DR is to enable an understanding of the ***training*** and skills development-related activities that have been offered to ***employees*** within the context of continuous professional growth to upgrade their skills and facilitate continued employability.

35. The undertaking shall disclose the following information for the reporting period:

    (a) the percentage of ***employees*** that participated in formalised performance and career development reviews; and

    (b) the average number of ***training*** hours per employee.

APPLICATION REQUIREMENTS – ARs

AR 22 for para. 35(a) **(Calculation performance review)**	A formalised performance and career development review is defined as a review based on criteria known to the ***employee*** and his or her superior(s), undertaken with the knowledge of the employee, at least once per year. The review can include an evaluation by the employee's direct superior, peers or a wider range of employees. The review can also involve the human resources department. In order to disclose the information required by paragraph 35(a), the undertaking shall use the employee headcount figures from ESRS S1-5 in the denominator as follows: $(\#\ employees\ who\ participated\ in\ formalised\ performance\ and\ career\ development\ review\ /\ \#\ employees\ according\ to\ S1-5) * 100.$
AR 23 for para. 35(b) **(Calculation average training hours)**	The average number of ***training*** hours required by paragraph 35(b) shall be calculated as follows: total number of training hours offered to and completed by ***employees*** divided by total number of employees. For the calculation of the total average training hours, the headcount figures for total employment reported in ESRS S1-5 shall be used.

Disclosure Requirement S1-13 – *Health and safety metrics*

36. The objective of this DR is to enable an understanding of the coverage, quality and performance of the ***occupational safety and health management system*** established to prevent work-related accidents, ill-health and fatalities.

37. The undertaking shall disclose the following information for the reporting period:

    (a) the percentage of people in its ***own workforce*** who are covered by the undertaking's ***occupational safety and health management system*** based on legal requirements and/or on recognised standards or guidelines[6];

    (b) subject to legal restrictions, the sum of:

[6] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impact, as set out by indicator #1 in Table 3 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Investments in companies without workplace accident prevention policies').

i. the number of fatalities from ***recordable work-related accidents*** among all people in the undertaking's own workforce as well as workers who work on the undertaking's ***sites,*** but are not part of its own workforce; and

ii. the number of fatalities from ***recordable work-related ill health*** among its ***employees***;

(c) the number and rate of recordable work-related accidents among its own workforce;[7]

(d) with regard to the undertaking's employees, the number of cases of recordable work-related ill health, subject to legal restrictions on the collection of data; and

(e) with regard to the undertaking's employees, the number of days lost to recordable work-related accidents and recordable work-related ill health.[8]

If the undertaking assesses ESRS S1-6 to be material, it shall include in the information under point (b)(i) and (c) also the cases among the ***non-employees*** in its own workforce. Where applicable, it shall break this information down between employees and non-employees.

APPLICATION REQUIREMENTS – ARs

AR 24 for para. 37(a) **(Occupational safety and health management system coverage)**	The percentage of the undertaking's ***own workforce*** that is covered by its ***occupational safety and health management system*** shall be disclosed on a headcount basis rather than a full-time equivalent basis.
AR 25 for para. 37(c) **(Calculation of recordable work-related accidents)**	When computing the rate of ***recordable work-related accidents***, the undertaking shall divide the number of cases by the number of total hours worked by people in its ***own workforce***, multiplied by 1 000 000. This represents the number of cases per one million hours worked and roughly corresponds to the total hours worked by 500 full-time workers in one year. If national law in the countries where the undertaking's ***employees*** work defines 'work-related accidents' in a different way than the ESRS Glossary definition of 'recordable work-related accident', the undertaking may use the national definition. In that case, it shall disclose this fact in accordance with ESRS 2 GDR-M. If the undertaking uses estimates, it shall use normal or standard hours of work, taking into account entitlements to periods of paid leave of absence from work (for example, paid vacations, paid sick leave, public holidays) and explain this in its disclosures.

[7] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts, as set out by indicator #2 in Table 3 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Rate of accidents'), and benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816, as set out by indicator 'Weighted average ratio of accidents, injuries, fatalities' in Sections 1 and 2 on Social of Annex II.

[8] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts, as set out by indicator #3 in Table 3 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Number of days lost to injuries, accidents, fatalities or illness').

AR 26 for para. 37(c) **(Fatalities from recordable work-related accidents)**	Fatalities that result from ***recordable work-related accidents*** are included in this figure.
AR 27 for para. 37(d) **(Cases of recordable work-related ill health)**	'Cases of recordable work-related ill health' in paragraph 37(d) refers to cases of work-related ill-health about which the undertaking has been informed by the affected people, compensation agencies or healthcare professionals or to cases that it has identified through medical surveillance during the reporting period. In this context, work-related musculoskeletal disorders are covered under work-related ill health (and not under work-related accidents).
AR 28 for para. 37(e) **(Days lost)**	The number of days lost shall include the first full day and the last day of absence. Calendar days shall be used for the count. Days on which the affected individual is not scheduled for work (for example weekends, public holidays) will therefore count as days lost.

Disclosure Requirement S1-14 – *Work-life balance metrics*

38. The objective of this DR is to enable an understanding of the entitlement of the undertaking's ***employees*** to take ***family-related leave***, which includes maternity leave, paternity leave, parental leave and carers' leave.

39. The undertaking shall disclose the percentage of ***employees*** entitled to take ***family-related leave*** during the reporting period.

APPLICATION REQUIREMENTS – ARs

AR 29 for para. 39 **(Family leave entitlement)**	If all of the undertaking's ***employees*** are entitled to all four types of ***family-related leave*** through social ***policy*** and/or ***collective bargaining*** agreements, it is sufficient to disclose the overall percentage to comply with paragraph 39. Contextual information, as per ESRS 2 GDR-M, may address the types of family-related leave entitlements, for example, in case the undertaking's employees are only entitled to two of the four types.
AR 30 for para. 39 **(Employees entitled to family leave)**	For the purposes of paragraph 39, ***employees*** entitled to ***family-related leave*** are those who are covered by regulations, organisational ***policies***, agreements, contracts or ***collective bargaining*** agreements that contain family-related leave entitlements.

Disclosure Requirement S1-15 – *Remuneration metrics*

40. The objective of this DR is to enable an understanding of the gap in ***pay*** between women and men amongst the undertaking's ***employees*** and of the level of remuneration inequality within the undertaking.

41. The undertaking shall disclose:

(a) the gender ***pay*** gap defined as the difference in average pay levels between female and male ***employees***, expressed as a percentage of the average pay level of male employees;[9] and

(b) the ***annual total remuneration*** ratio of the highest-paid individual to the median annual total remuneration for all employees (excluding the highest-paid individual).[10]

APPLICATION REQUIREMENTS – ARs

AR 31 for para. 41(a) **(Calculation of gender pay gap)**	The gender ***pay*** gap disclosure in accordance with paragraph 41(a) shall include all male and female ***employees***' gross hourly pay level and be calculated as follows: $\frac{(Average\ gross\ hourly \text{ pay level } of\ male\ employees\ - average\ gross\ hourly \text{ pay level } of\ female\ employees)}{Average\ gross\ hourly \text{ pay level } of\ male\ employees}\ x\ 100$
AR 32 for para. 41(a) **(Calculation of gender pay gap)**	When compiling the information required by paragraph 41(a), the undertaking shall: (a) include all male and female ***employees***; (b) include the ordinary basic salary; and (c) include any other remuneration made available to all employees, whether in cash or in-kind, which the employee receives directly or indirectly (complementary or variable components) in respect of his/her employment from his/her employer.
AR 33 for para. 41(a) **(Unadjusted gender pay gap)**	Paragraph 41(a) requires a disclosure of the unadjusted gender pay gap, which measures the overall difference in average ***pay*** between male and female ***employees*** but does not account for specific factors that can further explain these differences in pay. The adjusted gender pay gap by employee category and/or broken down by country may provide additional contextual information that complements the unadjusted gender pay gap.
AR 34 for para. 41(a)(b) **(Methodological context information)**	In accordance with ESRS 2 GDR-M, the undertaking shall disclose the methodology it used for compiling the data and/or how the data has been compiled.

[9] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts, as set out by indicator #12 in Table 1 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Unadjusted gender pay gap'), and benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816, as set out by indicator 'Weighted average gender pay gap' in Sections 1 and 2 on Social of Annex II.

[10] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts, as set out by Indicator #8 in Table 3 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Excessive CEO pay ratio').

AR 35 for para. 41(b) **(Annual total remuneration calculation)**	When compiling the information required by paragraph 41(b), the undertaking shall: (a) include all ***employees***; (b) include base salary, which is the sum of guaranteed, short-term and non-variable cash compensation; (c) include, depending on the undertaking's remuneration ***policies***, all of the following: i. benefits in cash, such as cash allowances, bonuses, commissions, cash profit-sharing and other forms of variable cash payments; ii. benefits in-kind, such as cars, private health insurance, life insurance and wellness programs; and iii. total fair value of all annual long-term incentives (for example, stock option awards, restricted stock shares or units, performance stock shares or units, phantom stock shares, stock appreciation rights and long-term cash awards); (d) apply the following formula for the ***annual total remuneration*** ratio: $\frac{\textit{Annual total}\ \text{remuneration}\ \textit{for the undertaking's highest paid individual}}{\textit{Median employee annual total}\ \text{remuneration}\ (\textit{excluding the highest} - \textit{paid individual})}$

Disclosure Requirement S1-16 – *Incidents of discrimination and other human rights incidents*

42. The objective of this DR is to allow an understanding of the extent to which ***incidents of discrimination*** and other ***human rights incidents*** affect the undertaking's ***own workforce.***

43. For material sub-***topics*** the undertaking shall disclose:

    (a) subject to relevant privacy regulations, the number of substantiated ***incidents of discrimination*** at work on the grounds of gender, racial or ethnic origin, nationality, religion or belief, disability, age, sexual orientation, or other relevant forms of ***discrimination***, including ***harassment***, identified in the reporting period;[11]

    (b) subject to relevant privacy regulations, the number of substantiated ***human rights incidents*** connected to its ***own workforce*** identified in the reporting period, excluding those that relate to discrimination, which are reported according to paragraph 43(a);[12] and

11 This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts, as set out by indicator #7 in Table 3 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Incidents of discrimination').

12 This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory and additional indicator related to principal adverse impacts, as set out by indicator #10 in Table 1 of Annex I, and by indicator #14 in Table 3 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Violations of the UNGPs and OECD Guidelines for Multinational Enterprises' and 'Number of identified cases of severe human rights issues and incidents'),

(c) the total amount of fines, penalties and compensation for damages recognised during the reporting period in the financial statements for incidents of discrimination and other human rights incidents.

APPLICATION REQUIREMENTS – ARs

AR 36 for para. 43(b) **(Human rights incidents)**	The ***human rights incidents*** in scope for this disclosure are those that relate to not respecting internationally recognised human rights as defined in Directive (EU) 2022/2464 (CSRD), Article 29b(2)(b)(iii). These incidents are understood as the number of substantiated instances registered by the undertaking of: (a) judicial and non-judicial proceedings (such as cases before domestic courts and tribunals, mediation and complaints filed with the National Contact Points for OECD Multinational Enterprises); and (b) other incidents, including those it identified through its internal processes. For the purpose of this disclosure, only substantiated and verified instances are to be reported. An instance is substantiated when it is evidenced by objective, factual and verifiable information. An instance is verified when a Court, the OECD or an administrative authority has made a formal finding that the instance occurred. Not all ongoing judicial or non-judicial proceedings, and not all other instances registered by the undertaking, are necessarily substantiated instances.
AR 37 for para. 43(a) **(Incidents of discrimination)**	The ***incidents of discrimination*** in scope for this disclosure are those that relate to ***discrimination.*** These incidents are understood as the number of substantiated instances registered by the undertaking of: (a) judicial and non-judicial proceedings (such as cases before domestic courts and tribunals, mediation and complaints filed with the National Contact Points for OECD Multinational Enterprises); and (b) other incidents, including those it identified through its internal processes. For the purpose of this disclosure, only substantiated and verified instances are to be reported. An instance is substantiated when it is evidenced by objective, factual and verifiable information. An instance is verified when a Court, the OECD or an administrative authority has made a formal finding that the instance occurred. Not all ongoing judicial or non-judicial proceedings, and not all other instances registered by the undertaking, are necessarily substantiated instances.
AR 38 for para. 43(a) and (b)	When applying the filter of information materiality (paragraph 23 of ESRS 1 *General Requirements*) to the information about incidents referred to under

and the information needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816, as set out by indicator 'Number of benchmark constituents subject to social violations' (absolute number and relative divided by all benchmark constituents), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law' in Sections 1 and 2 on Social of Annex II.

(Human rights incidents and incidents of discrimination)	paragraph 43(a) and (b), the undertaking's assessment is primarily based on the severity of the ***impacts*** on its ***own workforce***.
AR 39 for para. 43 **(Human rights incidents and incidents of discrimination)**	If the undertaking considers that changes in ***human rights incidents*** and ***incidents of discrimination*** are relevant for understanding the effectiveness and availability of ***channels to raise concerns or needs***, including ***grievance mechanisms***, it may cross-reference paragraph 43(b) and paragraph 14. In accordance with ESRS 2 GDR-M, the undertaking shall disclose the methodology it used to compile the data on the incidents referred to in paragraph 43(a) and (b).
AR 40 for para. 43(a)(b) **(Remedy or actions related to incidents disclosed)**	The way the undertaking has addressed or is addressing incidents referred to in paragraph 43(a) and (b) may be cross-referenced to information disclosed in accordance with ESRS S1-3.
AR 41 for para. 43(c) **(Connectivity with financial statement data)**	This figure derives from the monetary amount recognised in the financial statements and it shall be disclosed in accordance with ESRS 1 paragraphs 115 and 116. 'Fines, penalties and compensation' refers to those imposed on the undertaking through judicial and non-judicial proceedings.

ESRS S2 – Workers in the Value Chain

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Objective

1. The objective of this Standard is to set out Disclosure Requirements (DRs) related to workers in the value chain, particularly with respect to the sub-***topics*** specified in paragraph 6 of this Standard. If not all the sub-topics prescribed by this Standard are to be reported following the materiality assessment, paragraph 30 of ESRS 1 General Requirements applies.

2. The ***sustainability statement*** shall provide information in relation to ESRS S2 *Workers in the Value Chain* if this ***topic*** relates to material ***impacts***, ***risks*** and ***opportunities.*** Such information shall cover all the reporting areas listed in paragraph 5 of ESRS 1 *General Requirements*.

3. The DRs in this Standard complement the provisions in ESRS 2 *General Disclosures*, which require the undertaking to disclose information about ***topics*** related to material ***impacts***, ***risks*** and ***opportunities***, in particular:

   (a) ESRS 2 SBM 3 *Interaction of material impacts, risks and opportunities with strategy and business model, and financial effects*; and

   (b) ESRS 2 IRO 2 *Material impacts, risks and opportunities and disclosure requirements included in the sustainability statement*.

4. In this Standard, each DR is introduced by a disclosure objective except for ***policies***, ***actions*** and ***targets***, for which the provisions in ESRS 2 GDR-P, GDR-A and GDR-T provide the necessary framing for the relevant DRs.

5. This Standard takes into account the international and European human rights instruments and conventions, including the International Bill of Human Rights; the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises; the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and ILO fundamental conventions; the UN Convention on Persons with Disabilities; the European Convention on Human Rights and the revised European Social Charter; and the Charter of Fundamental Rights of the European Union.

6. This Standard sets out the DRs with respect to the following sub-***topics***:

   (a) working conditions (including ***adequate wages, work-life balance,*** working time, secure employment, ***social protection***);

   (b) ***social dialogue***, freedom of association, works councils, participation rights of workers and ***collective bargaining***;

   (c) health and safety;

   (d) ***training*** and skills development;

   (e) diversity and ***equal treatment*** (including gender equality, equal ***pay*** for work of equal value, employment and inclusion of ***people with disabilities***, non-discrimination, anti-harassment); and

   (f) other labour-related human rights (including ***child labour, forced labour***, privacy, adequate housing and water and sanitation).

7. This Standard covers all workers in the undertaking's upstream and downstream ***value chain*** who are or can be materially impacted by the undertaking. Such ***impacts*** may be connected with the undertaking's own operations or its upstream and downstream value chain. They include impacts connected to the undertaking's ***products*** and services, as well as through its ***business relationships***. This standard covers workers who are not included in the scope of '***own workforce***' as set out in ESRS S1 *Own Workforce* (people who are in an employment relationship with the undertaking ('***employees***') and people who, for the purposes of ESRS reporting, are called '***non-employees***' in the undertaking's own workforce).

8. Examples of workers who could fall within the scope of this Standard are:

(a) workers of outsourced services working in the workplace of the undertaking (for example, third-party catering or security workers);

(b) workers of a ***supplier*** contracted by the undertaking who work on the supplier's premises using the supplier's work methods or workers of a 'downstream' entity which purchases goods or services from the undertaking;

(c) workers of an equipment supplier to the undertaking who, at a workplace controlled by the undertaking, perform regular maintenance on the supplier's equipment as stipulated in the contract between the equipment supplier and the undertaking; and

(d) workers deeper in the ***supply chain*** who are extracting commodities that are then processed into components that go in the undertaking's ***products***.

Interaction with other topical ESRS

9. Social and environmental ***topics*** interact with each other. The points of interaction between ESRS S2 *Workers in the Value Chain* and the other topical standards are the following:

   (a) all the social standards, i.e. ESRS S1 *Own Workforce*, ESRS S2 *Workers in the Value Chain*, ESRS S3 *Affected Communities* and ESRS S4 *Consumers and End-users*, are aligned in terms of content and structure and are related to each other. ESRS S2 *Workers in the Value Chain* covers the same sub-topics as ESRS S1 *Own Workforce* for those workers in the upstream and downstream ***value chain*** who are not in the undertaking's ***own workforce***. The disclosures in the social standards address material information needed for reporting on ***impacts*** on people, ***risks*** and ***opportunities*** related to each ***stakeholder*** group, including in relation to sustainability due diligence;

   (b) this Standard interacts with ESRS E1 *Climate Change* to the extent that the transition to a low-carbon and climate-resilient economy is a source of impacts, risks and opportunities for ESRS S2 *Workers in the Value Chain*; and

   (c) this Standard interacts with ESRS E2 *Pollution* to the extent that ***pollution*** can cause material negative ***impacts*** with regard to health and safety at the workplace.

Disclosure Requirements

Impacts, risks and opportunities management

Disclosure Requirement S2-1 – *Policies related to workers in the value chain*

10. The undertaking shall describe its ***policies*** for managing material ***impacts***, ***risks*** and ***opportunities*** related to ***workers in the value chain*** in accordance with ESRS 2 GDR-P. It shall state whether these policies cover specific groups of workers in the value chain (for example, particular age groups or workers in a particular factory or country) or all workers in the value chain.

11. The undertaking shall state whether its ***policies*** in relation to ***workers in the value chain*** address trafficking in human beings[1], ***forced labour*** or compulsory labour, and ***child labour***.

12. The undertaking shall also state whether it has a ***supplier*** code of conduct.[2]

[1] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #11 in Table 3 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Lack of processes and measures for preventing trafficking in human beings').

[2] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #4 in Table 3 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Lack of a supplier code of conduct').

APPLICATION REQUIREMENTS – ARs

AR 1 for para. 10 **(Policies related to workers in the value chain)**	Examples of ***policy*** aspects to disclose are the means of communication the undertaking uses to communicate its policies to the individuals, groups of individuals or entities for whom they are relevant, either because they are expected to implement them (for example, the undertaking's ***employees***, contractors and ***suppliers***), or because they have a direct interest in their implementation (for example, ***workers in the value chain***, investors).

Disclosure Requirement S2-2 – *Engagement with workers in the value chain, existence of channels for workers in the value chain to raise concerns or needs and approaches to remedy*

13. The objective of this DR is to enable an understanding of the undertaking's general approach to engagement with ***workers in the value chain***, including the availability of ***channels to raise concerns or needs*** such as ***grievance mechanisms***, and its approach to ***remedy***.

14. The undertaking shall disclose how it engages directly with ***workers in the value chain***, their ***legitimate representatives*** or with ***credible proxies***, and how the perspectives of its workers in the value chain inform its decisions or activities aimed at managing the ***actual*** and ***potential impacts*** on workers in the value chain during the reporting year. This shall include:

    (a) how the undertaking gains insight into the perspectives of workers in the value chain who may be particularly vulnerable to impacts and/or who are marginalised (for example, women workers, migrant workers, workers with disabilities) if the undertaking takes action to understand those perspectives; and

    (b) any ***Global Framework Agreements (GFA)*** or other outcomes that the undertaking has reached with representatives of workers in the value chain related to the respect of human rights.

15. The undertaking shall describe the channels available to ***workers in the value chain*** to bring their concerns or needs directly to its attention and have them addressed. In particular, it shall state whether it has a ***grievance mechanism*** in place.[3] It shall also explain how it assesses the effectiveness of these channels.

16. The undertaking shall describe its general approach to and ***processes to provide or cooperate in remediation*** where it has caused or contributed to a material negative ***impact*** on ***workers in the value chain***.

APPLICATION REQUIREMENTS – ARs

AR 2 for para. 14 **(Engagement)**	Engagement with ***workers in the value chain*** can take different forms, such as information sessions, consultation or participation, and take place at different intervals.
AR 3 for para. 15 **(Grievance mechanism)**	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, can be used for assessing the effectiveness of the channels.

[3] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by Indicator #11 in Table 1 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Lack of processes and compliance mechanisms to monitor compliance with the UNGPs and the OECD Guidelines for Multinational Enterprises').

	If the undertaking has ***policies*** for protecting individuals that use these channels against retaliation, and they are disclosed under ESRS G1-1, the undertaking may refer to that disclosure.

Disclosure Requirement S2-3 – *Actions and resources related to workers in the value chain*

17. The undertaking shall describe the key ***actions*** and resources used to manage its material positive and negative ***impacts***, ***risks*** and ***opportunities*** related to ***workers in the value chain*** in accordance with ESRS 2 GDR-A.

18. In relation to material negative ***impacts*** on ***workers in the value chain***, the undertaking shall describe:

    (a) its key ***actions*** taken, planned or underway to prevent, mitigate, bring to an end, minimise and remediate material negative impacts on workers in the value chain, including its approach in situations where tensions arise between such actions and other business pressures (for example, in procurement or sales); and

    (b) how it tracks and assesses the effectiveness of these actions in delivering outcomes for workers in the value chain. This disclosure can be omitted if the undertaking discloses how it tracks the effectiveness of its actions in accordance with ESRS 2 GDR-T or GDR-M. In that case, a reference to that disclosure is sufficient.

19. For the sub-***topics*** assessed as material for this Standard, subject to the relevant privacy regulation, the undertaking shall disclose ***human rights incidents*** connected to ***workers in the value chain*** identified in the reporting period.[4]

APPLICATION REQUIREMENTS – ARs

AR 4 for para. 18 **(Key actions)**	The ***actions*** taken by the undertaking differ depending on its connection to the ***impact*** and how it has identified the actions as appropriate for addressing material impacts. This DR also applies to key actions to provide, cooperate in, or enable ***remediation*** in cases of actual negative impacts. Key actions to prevent, mitigate, bring to an end, minimise or remediate impacts include the use of different types of ***leverage*** or collective actions taken through multi-stakeholder or industry initiatives.
AR 5 for para. 18 **(Climate transition)**	The undertaking shall present its ***actions*** in a way that allows an understanding of the connections that exist between different ***topics***, in accordance with Chapters 3.3 and 9.1 of ESRS 1 *General Requirements*. This applies to measures taken to mitigate negative ***impacts*** on its ***workers in the value chain*** that arise from the transition to a low-carbon and climate-resilient economy. For example, innovation and restructuring can lead to mine closures or increased mining of minerals needed for the transition to a sustainable economy. Conversely, positive impacts may arise from initiatives such as

[4] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory and additional indicator related to principal adverse impacts, as set out by indicator #10 in Table 1 of Annex I, by indicator #14 in Table 3 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Violations of the UNGPs and the OECD Guidelines for Multinational Enterprises" and "Number of identified cases of severe human rights issues and incidents"), and the information needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator 'Number of benchmark constituents subject to social violations (absolute number and relative divided by all benchmark constituents), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law' in Section 1 and 2 of Annex II.

	updating purchasing practices or ***training supply chain*** workers. Other examples include current and/or expected external developments that influence ***dependencies*** that are sources of just ***transition risks***.
AR 6 for para. 19 **(Human rights incidents)**	The ***human rights incidents*** in scope for this disclosure are those that relate to not respecting internationally recognised human rights as defined in Directive (EU) 2022/2464 (CSRD), Art. 29b (2) (b) (iii). These incidents are understood as the substantiated instances registered by the undertaking of: (a) judicial and non-judicial proceedings (such as cases before domestic courts and tribunals, mediation, complaints filed with the National Contact Points for OECD Multinational Enterprises); and (b) other incidents, including those it identified through its internal processes. For the purpose of this disclosure, only substantiated and verified instances are to be reported. An instance is substantiated when it is evidenced by objective, factual and verifiable information. An instance is verified when a Court, the OECD or an administrative authority has made a formal finding that the instance occurred. Not all ongoing judicial or non-judicial proceedings, and not all other instances registered by the undertaking, are necessarily substantiated instances.
AR 7 for para. 19 **(Human rights incidents)**	When applying the filter of information materiality (paragraph 23 of ESRS 1 *General Requirements*) to the information about incidents referred to under paragraph 19, the undertaking's assessment is primarily based on the severity of the ***impacts*** on its ***workers in the value chain***.
AR 8 for para. 19 **(Human rights incidents)**	The undertaking is not expected to disclose a list of each ***human rights incident***, and may aggregate the information provided, such as by relevant types of incidents and/or ***workers in the value chain*** affected.
AR 9 for para. 19 **(Cross-referencing)**	If the undertaking considers that changes in ***human rights incidents*** are relevant for understanding the effectiveness and availability of ***channels to raise concerns or needs***, including ***grievance mechanisms***, it may cross-reference to paragraph 19 and paragraph 15. The way the undertaking has addressed or is addressing human rights incidents may be cross-referenced to information disclosed in accordance with paragraph 18.

Metrics and Targets

Disclosure Requirement S2-4 – *Targets related to workers in the value chain*

20. The undertaking shall disclose qualitative or quantitative ***targets*** related to ***workers in the value chain*** in accordance with ESRS 2 GDR-T.

APPLICATION REQUIREMENTS – ARs

AR 10 for para. 20 **(Tracking performance)**	Engagement with ***workers in the value chain***, their ***legitimate representatives***, or with ***credible proxies*** can inform the undertaking's tracking and assessment of the effectiveness of its ***actions*** disclosed under

	paragraph 18(b), including the development of ***metrics***, target-setting or tracking of performance against those metrics and ***targets***. In particular, in relation to the tracking of performance, such engagement can inform the understanding of the effectiveness of the undertaking's management of material negative ***impacts*** and the identification of lessons learnt or improvements.

ESRS S3 – Affected Communities

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Objective

1. The objective of this Standard is to set out Disclosure Requirements (DRs) related to affected communities, particularly with respect to the sub-***topics*** specified in paragraph 6 of this Standard. If not all the sub-topics prescribed by this Standard are to be reported following the materiality assessment, paragraph 30 of ESRS 1 General Requirements applies.

2. The ***sustainability statement*** shall provide information in relation to ESRS S3 *Affected Communities* if this ***topic*** relates to material ***impacts***, ***risks*** and ***opportunities.*** Such information shall cover all the reporting areas listed in paragraph 5 of ESRS 1 *General Requirements*.

3. The DRs in this Standard complement the provisions in ESRS 2 *General Disclosures*, which require the undertaking to disclose information about topics related to material ***impacts***, ***risks*** and ***opportunities***, in particular:

   (a) ESRS 2 SBM 3 *Interaction of material impacts, risks and opportunities with strategy and business model, and financial effects*; and

   (b) ESRS 2 IRO 2 *Material impacts, risks and opportunities and disclosure requirements included in the sustainability statement*.

4. In this Standard, each DR is introduced by a disclosure objective except for ***policies***, ***actions*** and ***targets***, for which the provisions in ESRS 2 GDR-P, GDR-A and GDR-T provide the necessary framing for the relevant DRs.

5. This Standard takes into account the international and European human rights instruments and conventions, including the International Bill of Human Rights; the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises; and the UN Declaration on the Rights of Indigenous Peoples.

6. This Standard sets out DRs with respect to the following sub-topics:

   (a) communities' economic, social and cultural rights (including land-related ***impacts***, security-related impacts, adequate housing and food, water and sanitation);

   (b) communities' civil and political rights (including freedom of expression, freedom of assembly, impacts on human rights defenders); and

   (c) rights of ***indigenous peoples*** (including ***free, prior and informed consent (FPIC)***), self-determination, cultural rights).

Interaction with other topical ESRS

7. Social and environmental ***topics*** interact with each other. The points of interaction between ESRS S3 *Affected Communities* and the other topical standards are the following:

   (a) all the social standards, i.e. ESRS S1 *Own Workforce*, ESRS S2 *Workers in the Value Chain*, ESRS S3 *Affected Communities* and ESRS S4 *Consumers and End-users*, are aligned in terms of content and structure and are related to each other. The disclosures in the social standards address material information needed for reporting on ***impacts*** on people, ***risks*** and ***opportunities*** related to each ***stakeholder*** group, including in relation to sustainability due diligence; and

   (b) this Standard is related to the environmental standards (ESRS E1 to E5) because impacts on ***affected communities*** may stem from environmental impacts, risks and opportunities that the undertaking discloses under those standards. For example, the undertaking's climate or biodiversity ***transition plan*** may affect the lands, territories and natural resources of ***indigenous peoples***.

Disclosure Requirements

Impacts, risks and opportunities management

Disclosure Requirement S3-1 – *Policies related to affected communities*

8. The undertaking shall describe its ***policies*** for managing the material ***impacts***, ***risks*** and ***opportunities*** related to ***affected communities*** in accordance with ESRS 2 GDR-P. It shall state whether these policies cover specific affected communities (for example, a community of ***indigenous peoples*** or a community living around a ***site***) or all affected communities.

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

APPLICATION REQUIREMENTS – ARs

AR 1 for para. 8 **(Policies related to affected communities)**	Examples of ***policy*** aspects to disclose are the means of communication the undertaking uses to communicate its policies to the individuals, groups of individuals or entities for whom they are relevant, either because they are expected to implement them (for example, the undertaking's ***employees***, contractors and ***suppliers***) or because they have a direct interest in their implementation.

Disclosure Requirement S3-2 – *Engagement with affected communities, existence of channels for affected communities to raise concerns or needs and approaches to remedy*

10. The objective of this DR is to enable an understanding of the undertaking's general approach to engagement with ***affected communities***, including the availability of ***channels to raise concerns or needs*** such as ***grievance mechanisms***, and its approach to ***remedy***.

11. The undertaking shall disclose whether and how it engages directly with ***affected communities***, their ***legitimate representatives***, or with ***credible proxies*** and how the perspectives of affected communities inform its decisions or activities aimed at managing the ***actual*** and ***potential impacts*** on affected communities during the reporting year. This shall include how the undertaking gains insight into the perspectives of affected communities who may be particularly vulnerable to impacts and/or who are marginalised (for example, women, girls, migrants, ***persons with disabilities***), if the undertaking takes action to understand those perspectives.

12. Where ***affected communities*** are ***indigenous peoples***, the undertaking shall 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 (FPIC)*** with regard to: their cultural, intellectual, religious and spiritual property; activities affecting their lands and territories; and legislative or administrative measures that affect them. Where engagement occurs with indigenous peoples the undertaking shall also disclose whether and how indigenous peoples have been consulted on the mode and parameters of engagement (for example, in designing the agenda, nature, and timeliness of engagement).

13. The undertaking shall describe the channels available to ***affected communities*** to bring their concerns or needs directly to its attention and have them addressed. In particular, it shall state whether it has a ***grievance mechanism*** in place[1]. It shall also explain how it assesses the effectiveness of these channels.

[1] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts, as set out by indicator #11 in Table 1 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable

14. The undertaking shall describe its general approach to and ***processes to provide or cooperate in remediation*** where it has caused or contributed to a material negative ***impact*** on ***affected communities***.

APPLICATION REQUIREMENTS – ARs

AR 2 for para. 11 **(Engagement)**	Engagement with ***affected communities*** can take different forms, such as information sessions, consultation or participation, and take place at different intervals.
AR 3 for para. 12 **(Engagement with indigenous peoples)**	Examples of the engagement disclosure in paragraph 12 include the process to obtain consent from ***indigenous peoples*** and to ensure good faith negotiations where the undertaking affects lands, territories or resources through relocation or occupation.
AR 4 for para. 13 **(Grievance mechanism)**	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, can be used for assessing the effectiveness of the ***channels***. If the undertaking has ***policies*** for protecting individuals that use these channels against retaliation, and they are disclosed under ESRS G1-1, the undertaking may refer to that disclosure.

Disclosure Requirement S3-3 – *Actions and resources related to affected communities*

15. The undertaking shall describe the key ***actions*** and resources used to manage its material positive and negative ***impacts***, ***risks*** and ***opportunities*** related to ***affected communities*** in accordance with ESRS 2 GDR-A.

16. In relation to material negative ***impacts*** on ***affected communities***, the undertaking shall describe:

    (a) its key ***actions*** taken, planned or underway to prevent, mitigate, bring to an end, minimise and remediate material negative impacts on affected communities, including its approach in situations where tensions arise between such actions and other business pressures (for example, its practices in relation to planning and land acquisition or in relation to the exploitation and financing of raw materials); and

    (b) how it tracks and assesses the effectiveness of these actions in delivering outcomes for affected communities. This disclosure can be omitted if the undertaking discloses how it tracks the effectiveness of its actions in accordance with ESRS 2 GDR-T or GDR-M. In that case, a reference to that disclosure is sufficient.

17. For the sub-***topics*** assessed as material for this Standard, subject to the relevant privacy regulation, the undertaking shall disclose ***human rights incidents*** connected to ***affected communities*** identified in the reporting period[2].

investments ('Lack of processes and compliance mechanisms to monitor compliance with the UNGPs and the OECD Guidelines for Multinational Enterprises').

[2] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory and additional indicator related to principal adverse impacts, as set out by Indicator #10 in Table 1 of Annex I, by indicator #14 in Table 3 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Violations of the UNGPs and the OECD Guidelines for Multinational Enterprises" and "Number of identified cases of severe human rights issues and incidents"), and the information needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator 'Number of benchmark constituents subject to social violations (absolute number and relative divided by all benchmark constituents), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law' in Section 1 and 2 on Social of Annex II.

APPLICATION REQUIREMENTS – ARs

AR 5 for para. 16 **(Key actions)**	The ***actions*** taken by the undertaking differ depending on its connection to the ***impact*** and how it has identified the actions as appropriate for addressing material impacts. This disclosure requirement also applies to key actions to provide, cooperate in, or enable ***remediation*** in cases of actual negative impacts. Key actions to prevent, mitigate, bring to an end, minimise or remediate impacts include the use of different types of ***leverage*** and/or collective actions taken through multi-stakeholder and/or industry initiatives.
AR 6 for para. 16 **(Climate transition)**	The undertaking shall present its ***actions*** in a way that enables ***users*** to understand the connections that exist between different ***topics*** in accordance with Chapters 3.3 and 9.1 of ESRS 1 *General Requirements*. This applies to measures taken to mitigate negative ***impacts*** on ***affected communities*** that arise from the transition to a low-carbon and climate-resilient economy. For example, innovation and restructuring can lead to mine closures or increased mining of minerals that are needed for the transition to a sustainable economy.
AR 7 for para. 17 **(Human rights incidents)**	The ***human rights incidents*** in scope for this disclosure are those that relate to not respecting internationally recognised human rights as defined in Directive (EU) 2022/2464 (CSRD), Art. 29b (2) (b) (iii). These incidents are understood as the substantiated instances registered by the undertaking of: (a) judicial and non-judicial proceedings (such as cases before domestic courts and tribunals, mediation, complaints filed with the National Contact Points for OECD Multinational Enterprises); and (b) other incidents, including those it identified through its internal processes. For the purpose of this disclosure, only substantiated and verified instances are to be reported. An instance is substantiated when it is evidenced by objective, factual and verifiable information. An instance is verified when a Court, the OECD or an administrative authority has made a formal finding that the instance occurred. Not all ongoing judicial or non-judicial proceedings, and not all other instances registered by the undertaking, are necessarily substantiated instances.
AR 8 for para. 17 **(Human rights incidents)**	When determining the ***human rights incidents*** connected to ***affected communities***, the undertaking shall consider any legal disputes related to land rights and to the ***free, prior and informed consent (FPIC)*** of ***indigenous peoples***.
AR 9 for para. 17 **(Human rights incidents)**	When applying the filter of information materiality (paragraph 23 of ESRS 1 *General Requirements*) to the information about incidents referred to under paragraph 17, the undertaking's assessment is primarily based on the severity of the ***impacts*** on ***affected communities***.
AR 10 for para. 17 **(Human rights incidents)**	The undertaking is not expected to disclose a list of each ***human rights incident***, and may aggregate the information provided, such as by relevant types of incidents and/or communities affected.

AR 11 for para. 17 **(Cross-referencing)**	If the undertaking considers that changes in ***human rights incidents*** are relevant for understanding the effectiveness and availability of ***channels to raise concerns or needs***, including ***grievance mechanisms***, it may cross-reference paragraph 17 and paragraph 13. The way the undertaking has addressed or is addressing human rights incidents may be cross-referenced to information disclosed in accordance with paragraph 16.

Metrics and Targets

Disclosure Requirement S3-4 – *Targets related to affected communities*

18. The undertaking shall disclose qualitative and/or quantitative ***targets*** related to ***affected communities*** in accordance with ESRS 2 GDR-T.

APPLICATION REQUIREMENTS – ARs

AR 12 for para. 18 **(Tracking performance)**	Engagement with ***affected communities***, their ***legitimate representatives***, or with ***credible proxies***, can inform the undertaking's tracking and assessment of the effectiveness of its ***actions*** disclosed under paragraph 16(b), including the development of ***metrics***, target-setting and/or tracking of performance against those metrics and ***targets***. In particular, in relation to the tracking of performance, such engagement can inform the understanding of the effectiveness of the undertaking's management of material negative ***impacts*** and the identification of lessons learnt or improvements.

ESRS S4 – Consumers and End-users

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Objective

1. The objective of this Standard is to set out Disclosure Requirements (DRs) related to consumers and end-users, particularly with respect to the sub-***topics*** specified in paragraph 6 of this Standard. If not all the sub-topics prescribed by this Standard are to be reported following the materiality assessment, paragraph 30 of ESRS 1 General Requirements applies.

2. The ***sustainability statement*** shall provide information in relation to ESRS S4 *Consumers and End-users* if this ***topic*** relates to material ***impacts, risks*** and ***opportunities.*** Such information shall cover all the reporting areas listed in paragraph 5 of ESRS 1 *General Requirements*.

3. The DRs in this Standard complement the provisions in ESRS 2 *General Disclosures*, which require the undertaking to disclose information about topics related to material ***impacts***, ***risks*** and ***opportunities***, in particular:

   (a) ESRS 2 SBM 3 *Interaction of material impacts, risks and opportunities with strategy and business model, and financial effects*; and

   (b) ESRS 2 IRO 2 *Material impacts, risks and opportunities and disclosure requirements included in the sustainability statement*.

4. In this Standard, each DR is introduced by a disclosure objective except for ***policies***, ***actions*** and ***targets***, for which the provisions in ESRS 2 GDR-P, GDR-A and GDR-T provide the necessary framing for the relevant DRs.

5. This Standard takes account of the international and European human rights instruments and conventions, including the International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

6. This Standard sets out DRs with respect to the following sub-***topics***:

   (a) information-related ***impacts*** on consumers and end-users (including privacy, access to information, freedom of expression);

   (b) personal safety of consumers and end-users (including health and safety, protection of children, security of a person); and

   (c) social inclusion of consumers and end-users (including access to ***products*** and services, responsible marketing practices, non-discrimination).

7. The misuse or unlawful use of the undertaking's ***products*** and services by ***consumers*** and ***end-users*** fall outside the scope of this Standard.

Interaction with other topical ESRS

8. Social and environmental ***topics*** interact with each other. The points of interaction between ESRS S4 *Consumers and End-users* and the other topical standards are the following:

   (a) all the social standards, i.e. ESRS S1 *Own Workforce*, ESRS S2 *Workers in the Value Chain*, ESRS S3 *Affected Communities*, ESRS S4 *Consumers and End-users*, are aligned in terms of content and structure and are related to each other. The disclosures in the social standards address material information needed for reporting on ***impacts*** on people, ***risks*** and ***opportunities*** related to each ***stakeholder*** group, including in relation to sustainability due diligence;

   (b) this Standard interacts with ESRS E1 *Climate Change* to the extent that the transition to a low-carbon and climate-resilient economy can give rise to material impacts, risks or opportunities with regard to ***consumers*** and ***end-users***; and

   (c) this Standard interacts with ESRS E5 *Resource Use and Circular Economy* to the extent that consumers and end-users are informed about the ***resource use***, ***waste*** management or ***circular economy*** aspects of the ***products*** or services they buy.

Disclosure Requirements

Impacts, risks and opportunities management

Disclosure Requirement S4-1 – *Policies related to consumers and end-users*

9. The undertaking shall describe its ***policies*** for managing material ***impacts***, ***risks*** and ***opportunities*** related to ***consumers*** and ***end-users*** in accordance with ESRS 2 GDR-P. It shall state whether these policies cover specific groups (for example, particular age groups) or all consumers and end-users.

APPLICATION REQUIREMENTS – ARs

AR 1 for para. 9 **(Policies related to consumers and end-users)**	Examples of ***policy*** aspects to disclose are the means of communication the undertaking uses to communicate its policies to the individuals, groups of individuals or entities for whom they are relevant, either because they are expected to implement them (for example, the undertaking's ***employees***, contractors and ***suppliers***) or because they have a direct interest in their implementation.

Disclosure Requirement S4-2 – *Engagement with consumers and end-users, existence of channels for consumers and end-users to raise concerns or needs and approaches to remedy*

10. The objective of this DR is to enable an understanding of the undertaking's general approach to engagement with ***consumers*** and ***end-users***, including the availability of ***channels to raise concerns or needs*** such as ***grievance mechanisms***, and its approach to ***remedy***.

11. The undertaking shall disclose how it engages directly with ***consumers*** and ***end-users***, their ***legitimate representatives***, or with ***credible proxies***, and how the perspectives of consumers and end-users inform its decisions or activities aimed at managing the ***actual*** and ***potential impacts*** on consumers and end-users during the reporting year. This shall include how the undertaking gains insight into the perspectives of consumers and end-users who may be particularly vulnerable to impacts and/or who are marginalised (for example, ***persons with disabilities***, children) if the undertaking takes action to understand those perspectives.

12. The undertaking shall describe the channels available to ***consumers*** and ***end-users*** to bring their concerns or needs directly to its attention and have them addressed. In particular, it shall state whether it has a ***grievance mechanism*** in place[1]. It shall also explain how it assesses the effectiveness of these channels.

13. The undertaking shall describe its general approach to and ***processes to provide or cooperate in remediation*** where it has caused or contributed to a material negative ***impact*** on ***consumers*** and ***end-users***.

APPLICATION REQUIREMENTS – ARs

AR 2 for para. 11 **(Engagement)**	Engagement with ***consumers*** and ***end-users*** can take different forms, such as information sessions, consultation or participation, and take place at different intervals.

[1] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #11 in Table 1 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Lack of processes and compliance mechanisms to monitor compliance with the UNGPs and the OECD Guidelines for Multinational Enterprises').

AR 3 for para. 12 **(Grievance mechanism)**	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, can be used for assessing the effectiveness of the channels. If the undertaking has ***policies*** for protecting individuals that use these channels against retaliation, and they are disclosed under ESRS G1-1, the undertaking may refer to that disclosure.

Disclosure Requirement S4-3 – *Actions and resources related to consumers and end-users*

14. The undertaking shall describe the key ***actions*** and resources used to manage its material positive and negative ***impacts***, ***risks*** and ***opportunities*** related to ***consumers*** and ***end-users*** in accordance with ESRS 2 GDR-A.

15. In relation to material negative ***impacts*** on ***consumers*** and ***end-users***, the undertaking shall describe:

    (a) its key ***actions*** taken, planned or underway to prevent, mitigate, bring to an end, minimise and ***remediate*** material negative impacts on consumers and end-users, including its approach in situations where tensions arise between such actions and other business pressures (for example, practices related to marketing, sales and data use); and

    (b) how it tracks and assesses the effectiveness of these actions in delivering outcomes for consumers and end-users. This disclosure can be omitted if the undertaking discloses how it tracks the effectiveness of its actions in accordance with ESRS 2 GDR-T or GDR-M. In that case, a reference to that disclosure is sufficient.

16. For the sub-***topics*** assessed as material for this Standard, subject to relevant privacy regulation, the undertaking shall disclose ***human rights incidents*** connected to its ***consumers*** and ***end-users*** identified in the reporting period.[2]

APPLICATION REQUIREMENTS – ARs

AR 4 for para. 15 **(Key actions)**	The ***actions*** taken by the undertaking differ depending on its connection to the ***impact***, and how it has identified the actions as appropriate for addressing material impacts. This disclosure requirement also applies to key actions to provide, cooperate in, or enable ***remediation*** in cases of actual negative impacts. Key actions to prevent, mitigate, bring to an end, minimise or remediate impacts include the use of different types of ***leverage*** and/or collective actions taken through multi-stakeholder and/or industry initiatives.
AR 5 for para. 16 **(Human rights incidents)**	The ***human rights incidents*** in scope for this disclosure are those that relate to not respecting internationally recognised human rights as defined in Directive (EU) 2022/2464 (CSRD), Art. 29b (2) (b) (iii). These incidents are understood as the substantiated instances registered by the undertaking of:

[2] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory and additional indicator related to principal adverse impacts, as set out by indicator #10 in Table 1 of Annex I, by indicator #14 in Table 3 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Violations of the UNGPs and the OECD Guidelines for Multinational Enterprises" and "Number of identified cases of severe human rights issues and incidents"), and the information needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator 'Number of benchmark constituents subject to social violations (absolute number and relative divided by all benchmark constituents), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law' in Section 1 and 2 on Social of Annex II.

	(a) judicial and non-judicial proceedings (such as cases before domestic courts and tribunals, mediation, complaints filed with the National Contact Points for OECD Multinational Enterprises); and (b) other incidents, including those it identified through its internal processes. For the purpose of this disclosure, only substantiated and verified instances are to be reported. An instance is substantiated when it is evidenced by objective, factual and verifiable information. An instance is verified when a Court, the OECD or an administrative authority has made a formal finding that the instance occurred. Not all ongoing judicial or non-judicial proceedings, and not all other instances registered by the undertaking, are necessarily substantiated instances.
AR 6 for para. 16 **(Human rights incidents)**	When applying the filter of information materiality (paragraph 23 of ESRS 1 *General Requirements*) to the information about incidents referred to under paragraph 16, the undertaking's assessment is primarily based on the severity of the ***impacts*** on ***consumers*** and ***end-users***.
AR 7 for para. 16 **(Human rights incidents)**	The undertaking is not expected to disclose a list of each ***human rights incident***, and may aggregate the information provided, such as by relevant types of incidents and ***consumers*** and ***end-users*** affected.
AR 8 para. 16 **(Cross-referencing)**	If the undertaking considers that changes in ***human rights incidents*** are relevant for understanding the effectiveness and availability of ***channels to raise concerns or needs***, including ***grievance mechanisms,*** it may cross-reference to paragraph 16 and paragraph 12. The way the undertaking has addressed or is addressing human rights incidents may be cross-referenced to information disclosed in accordance with paragraph 15.

Metrics and Targets

Disclosure Requirement S4-4 – *Targets related to consumers and end-users*

17. The undertaking shall disclose qualitative and/or quantitative ***targets*** related to ***consumers*** and ***end-users*** in accordance with ESRS 2 GDR-T.

APPLICATION REQUIREMENTS – ARs

AR 9 for para. 17 **(Tracking performance)**	Engagement with ***consumers*** and ***end-users***, their ***legitimate representatives***, or with ***credible proxies***, can inform the undertaking's tracking and assessment of the effectiveness of its ***actions*** disclosed under paragraph 15 (b), including the development of ***metrics***, target-setting and/or tracking of performance against those metrics and ***targets***. In particular, in relation to the tracking of performance, such engagement can inform the understanding of the effectiveness of the undertaking's management of material negative ***impacts*** and the identification of lessons learnt or improvements.

ESRS G1 – Business Conduct

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Objective

1. The objective of this Standard is to set out Disclosure Requirements (DRs) related to business conduct, particularly with respect to the sub-***topics*** specified in paragraph 5 of this Standard. If not all the sub-topics prescribed by this Standard are to be reported following the materiality assessment, paragraph 30 of ESRS 1 General Requirements applies.

2. The ***sustainability statement*** shall provide information in relation to ESRS G1 *Business Conduct* if this ***topic*** relates to material ***impacts***, ***risks*** and ***opportunities. Such information shall*** cover the reporting areas listed in paragraph 5 of ESRS 1 *General Requirements*.

3. The DRs in this Standard complement the provisions in ESRS 2 *General Disclosures*, which require the undertaking to disclose information about ***topics*** related to material ***impacts***, ***risks*** and ***opportunities***, in particular:

   (a) ESRS 2 SBM 3 *Interaction of material impacts risks and opportunities with strategy and business model, and financial effects*; and

   (b) ESRS 2 IRO 2 *Material impacts, risks and opportunities and disclosure requirements included in the sustainability statement*.

4. In this Standard, each DR is introduced by a disclosure objective, except for ***policies***, ***actions*** and ***targets***, for which the provisions in ESRS 2 GDR-P, GDR-A and GDR-T provide the necessary framing for the relevant disclosures.

5. This Standard sets out DRs with respect to the following sub-***topics***:

   (a) ***corporate culture***, including anti-***corruption*** and anti-***bribery***, the protection of whistleblowers and animal welfare;

   (b) the management of relationships with ***suppliers***, including payment practices***,*** especially late payment to small and medium-sized undertakings (SMEs); and

   (c) political influence, including ***lobbying activities***.

Disclosure Requirements

Impact, risk and opportunity management

Disclosure Requirement G1-1 – *Policies related to business conduct*

6. The undertaking shall disclose its business conduct ***policies*** in accordance with the provisions of ESRS 2 GDR-P.

7. In addition to the information required by ESRS 2 GDR-P, the undertaking shall disclose:

   (a) whether or not it has anti-***corruption*** and anti-***bribery policies*** consistent with the United Nations Convention against Corruption[3];

   (b) whether or not it has ***policies*** on the protection of whistle-blowers[4]; and

[3] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #15 in Table 3 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments ('Lack of anti-corruption and anti-bribery policies').

[4] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #6 in Table 3 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments ('Insufficient whistleblower protection').

(c) the functions or roles within the undertaking that are most at risk in respect of ***corruption*** *or* ***bribery.***

APPLICATION REQUIREMENTS – ARs

AR 1 for para. 6 **(corruption or bribery – definition)**	For purposes of this Standard, the undertaking shall apply the ESRS definition of ***corruption*** and ***bribery*** (see ESRS Glossary), which is generic, to overcome the differing definitions found in local laws or in laws applicable in the jurisdiction of the parent company and to ensure comparability across reporting undertakings.
AR 2 for para. 7(b) **(whistleblowers)**	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 whistleblowers, can comply with the disclosure specified in paragraph 6(b) by stating that they are subject to those legal requirements.
AR 3 for para. 7(c) **(corruption or bribery)**	When disclosing information under paragraph 7(c), 'functions or roles most at risk' means those functions or roles deemed to be most at risk of ***corruption*** or ***bribery*** as a result of their tasks and responsibilities within the undertaking, such as those operating in high-risk countries or interacting with public authorities and governments.

Disclosure Requirement G1-2 – *Actions related to business conduct*

8. The undertaking shall disclose its ***actions*** related to *business conduct* in accordance with the provisions of ESRS 2 GDR-A.

9. In addition to the information required by ESRS 2 GDR-A, the undertaking shall disclose information about the following ***actions***:

   (a) the management of relationships with suppliers, including:

      i. if the undertaking takes into account sustainability performance in the selection of its suppliers, how this is done;

      ii. ***training*** on sustainability provided to the procurement team, if any; and

      iii. engagement with suppliers for the improvement of their sustainability performance; and

   (b) the undertaking's procedures to prevent, detect, investigate and respond to allegations or incidents related to ***corruption*** or ***bribery***, including:

      i. anti-corruption and anti-bribery training given to functions or roles most at risk within the undertaking, including members of the ***administrative, management and supervisory bodies***; and

      ii. any actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery[5].

[5] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts, as set out in in indicator #16 of Table 3 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments ('Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery').

APPLICATION REQUIREMENTS – ARs

AR 4 for para. 9(a) **(relationships with suppliers)**	In presenting the information in accordance with paragraph 9(a), the undertaking may consider cross-referring to the information about the existence of a ***supplier*** code of conduct in accordance with ESRS S2 *Workers in the Value Chain*, paragraph 11.

Metrics and Targets

Disclosure Requirement G1-3 – *Targets related to business conduct*

10. The undertaking shall disclose its business conduct ***targets*** in accordance with the provisions of ESRS 2 GDR-T.

Disclosure Requirement G1-4 – *Metrics related to corruption or bribery*

11. The objective of this DR is to enable transparency on the convictions and sanctions, including fines, related to ***corruption*** or ***bribery*** during the reporting period and the related outcomes.
12. The undertaking shall disclose the number of convictions and sanctions, including the total amount of fines, for violation of anti-***corruption*** and anti-***bribery*** laws[6] during the reporting period.

APPLICATION REQUIREMENTS – ARs

AR 5 for para. 12 **(corruption or bribery – convictions and sanctions)**	Convictions for the violation of anti-***corruption*** and anti-***bribery*** laws refer to final decisions issued by a criminal court against an individual or undertaking in respect of a criminal offence related to corruption or bribery, where these court decisions are entered in the criminal record of the convicting European Union Member State or, if outside the EU, in the equivalent register or record of the jurisdiction concerned. Sanctions for the violation of anti-corruption and anti-bribery laws refer to final decisions issued by administrative or regulatory authorities against an individual or undertaking in respect of corruption or bribery.
AR 6 for para. 12 **(corruption or bribery – fines)**	Fines issued for the violation of anti-***corruption*** and anti-***bribery*** laws refer to mandatory monetary penalties resulting from violations of anti-corruption and anti-bribery laws imposed by a court, administrative or regulatory authority, which are paid to a public treasury, and which are recognised in the undertaking's financial statements during the reporting period.

[6] This information supports the information needs of: financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts, as set out in indicator #17 of Table 3 of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments ('Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws'); and benchmark administrators to disclose ESG factors subject to Commission Delegated Regulation (EU) 2020/1816 as set out by indicator 'Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws' in sections 1 and 2 of Annex II.

Disclosure Requirement G1-5 – *Metrics related to political influence, including lobbying activities*

13. The objective of this DR is to enable an understanding of the undertaking's activities and commitments related to exerting its political influence through political contributions and ***lobbying activities***.

14. The undertaking shall disclose the total monetary value of financial and in-kind political contributions made directly and indirectly by the undertaking during the reporting period, disaggregated by country or geographical area where relevant, as well as the type of recipient/beneficiary.

15. The undertaking shall disclose the main issues covered by its ***lobbying activities*** and the main positions taken, including explanations of how its lobbying activities interact with its material ***impacts***, ***risks***, and ***opportunities***.

16. The undertaking shall disclose information about the appointment of any members of the ***administrative, management, and supervisory bodies*** during the current reporting period who held a comparable position in public administration (including regulators) in the two preceding years.

APPLICATION REQUIREMENTS – ARs

AR 7 for para. 14 **(political contributions)**	For purposes of this Standard, 'political contribution' means financial or in-kind support provided directly to political parties, their elected representatives or persons seeking political office. Financial contributions can include donations, loans, sponsorships, advance payments for services, or the purchase of tickets for fundraising events, and other similar practices. In-kind contributions can include advertising, use of facilities, design and printing, donation of equipment, provision of board membership, employment or consultancy work for elected politicians or candidates for office.
AR 8 for para. 14 **(indirect political contribution)**	For purposes of this Standard, 'indirect political contribution' refers to those political contributions made through an intermediary organisation such as a lobbyist or charity, or support given to an organisation such as a think tank or trade association linked to or supporting particular political parties or causes.
AR 9 for para. 16 **(political influence)**	When determining 'comparable position' in this Standard, the undertaking shall factor in the level of responsibility and scope of the activities undertaken.

Disclosure Requirement G1-6 – *Metrics related to payment practices*

17. The objective of this DR is to enable an understanding of ***standard payment terms*** and of the undertaking's performance with regard to payment, especially late payment to SMEs.

18. The undertaking shall disclose:

    (a) a description of the undertaking's ***standard payment terms*** in number of days by main category of ***suppliers***, specifying those that apply to SMEs if they are different from those applied to other suppliers;

    (b) the percentage of its payments aligned with these standard terms; and

    (c) the number of legal proceedings currently outstanding for late payments.

APPLICATION REQUIREMENTS – ARs

AR 10 for para. 18(b) **(payment practices)**	If late payment to SMEs is a material ***topic*** for the undertaking, paragraph 11 of ESRS 1 *General Requirements* applies; therefore, the undertaking shall provide an entity-specific ***metric***, if material.

Annex II

‘ANNEX II – *Acronyms and Glossary of Terms*’

This Annex presents all the acronyms (Table 1) as well as all the terms defined in the Amended ESRS (Table 2).

Table 1 – *Acronyms*

AR	Application Requirements
BP-1	Disclosure Requirement – Basis for preparation of the sustainability statements
BP-2	Disclosure Requirement – Specific information if the undertaking uses phasing-in options
CapEx	Capital Expenditure
CH_4	Methane
CLP	Classification, Labelling and Packaging of substances and mixtures (Regulation (EC) No 1272/2008 of the European Parliament and of the Council)
CO_2	Carbon Dioxide
CRR	Capital Requirements Regulation (Regulation (EU) 575/2013 of the European Parliament and of the Council)
CSRD	Corporate Sustainability Reporting Directive (Directive (EU) 2022/2464 of the European Parliament and of the Council)
DRs	Disclosure Requirements
EC	European Commission
EEA	European Economic Area
EFRAG	European Financial Reporting Advisory Group
EFRAG SRB	European Financial Reporting Advisory Group – Sustainability Reporting Board
E-PRTR	European Pollutant Release and Transfer Register (Regulation (EC) No 166/2006 of the European Parliament and of the Council)
ESG	Environmental, Social and Governance
ESRS	European Sustainability Reporting Standards
ESRS 1	European Sustainability Reporting Standard 1 *General Requirements*
ESRS 2	European Sustainability Reporting Standard 2 *General Disclosures*
ESRS E1	European Sustainability Reporting Standard E1 *Climate Change*
ESRS E2	European Sustainability Reporting Standard E2 *Pollution*
ESRS E3	European Sustainability Reporting Standard E3 *Water*
ESRS E4	European Sustainability Reporting Standard E4 *Biodiversity and Ecosystems*
ESRS E5	European Sustainability Reporting Standard E5 *Resource Use and Circular Economy*
ESRS G1	European Sustainability Reporting Standard G1 *Business Conduct*

ESRS S1	European Sustainability Reporting Standard S1 *Own Workforce*
ESRS S2	European Sustainability Reporting Standard S2 *Workers in the Value Chain*
ESRS S3	European Sustainability Reporting Standard S3 *Affected Communities*
ESRS S4	European Sustainability Reporting Standard S4 *Consumers and End-users*
EU	European Union
EU ETS	European Union Emissions Trading System (Directive (EU) 2023/959 of the European Parliament and of the Council)
FPIC	Free, Prior and Informed Consent
FTE	Full-time equivalent
GBF	The Kunming-Montreal Global Biodiversity Framework
GDR	General Disclosure Requirement
GDR-A	General Disclosure Requirement for actions and resources
GDR-M	General Disclosure Requirement for metrics
GDR-P	General Disclosure Requirement for policies
GDR-T	General Disclosure Requirement for targets
GHG	Greenhouse Gas
GOV-1	Disclosure Requirement – The role of the administrative, management and supervisory bodies in relation to sustainability
GOV-2	Disclosure Requirement – Integration of sustainability-related performance in incentive schemes
GOV-3	Disclosure Requirement – Statement on due diligence
GOV-4	Disclosure Requirement – Risk management and internal controls over sustainability reporting
GRI	Global Reporting Initiative
GWP	Global Warming Potential
HFCs	Hydrofluorocarbons
IEPR	Industrial Emissions Portal Regulation (Regulation (EU) 2024/1244 of the European Parliament and of the Council)
IFRS	International Financial Reporting Standards
ILO	International Labour Organisation

IRO-1	Disclosure Requirement – ESRS 2 IRO-1 Description of the process to identify and assess material impacts, risks and opportunities and material information to be reported
IRO-2	Disclosure Requirement – ESRS 2 IRO-2 Material impacts, risks and opportunities and Disclosure Requirements included in the sustainability statement
ISO	International Organization for Standardization
IUCN	International Union for Conservation of Nature
KBA	Key Biodiversity Areas
LEAP	Locate Evaluate Assess Prepare
MWh	Megawatt-hours
N_2O	Nitrous Oxide
NACE	Statistical Classification of Economic Activities in the European Community
NF_3	Nitrogen trifluoride
NGOs	Non-Governmental Organisations
NOX	Nitrogen oxides
OECD	Organisation for Economic Co-operation and Development
OpEx	Operating Expenditure
PFCs	Perfluorocarbons
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals (Regulation (EC) No 1907/2006 of the European Parliament and of the Council)
SBM-1	Disclosure Requirement – ESRS 2 SBM-1 Strategy, business model and value chain
SBM-2	Disclosure Requirement – ESRS 2 SBM-2 Interests and views of stakeholders
SBM-3	Disclosure Requirement – ESRS 2 SBM-3 Interaction of material impacts risks and opportunities with strategy and business model, and financial effects
SDGs	Sustainable Development Goals
SFDR	Sustainable Finance Disclosures Regulation (Regulation (EU) 2019/2088 of the European Parliament and of the Council)
SF_6	Sulphur hexafluoride
SMEs	Small- and medium-sized undertakings
SoC	Substances of concern
SOX	Sulphur oxides
SVHC	Substances of Very High Concern

UN	United Nations
WRI	World Resources Institute

Table 2 – *Glossary of terms defined in ESRS*

This table defines the terms to be used as reference for the preparation of the ***sustainability statements*** in accordance with ESRS.

Defined term	*Definition*
Action	***Actions*** refer to: (a) actions and action plans (including ***transition plans***) that are undertaken to ensure that the undertaking delivers against ***targets*** set and through which the undertaking seeks to address material ***impacts***, ***risks*** and ***opportunities***; and (b) decisions to support these with financial, human or technological resources. Actions can be individual actions, taken only by the undertaking, or collective actions, that is, collaborative efforts by a group of ***stakeholders*** – such as undertakings, governments, civil society, or communities – to address shared challenges or achieve common goals, particularly when those goals cannot be effectively achieved by any single actor working alone.
Actual impact	***Actual impacts*** are those ***impacts*** that have manifested in the reporting period. They include those that have originated in the previous reporting periods and continue to exist in the current reporting period.
Adequate wage	A ***wage*** that provides for the satisfaction of the needs of the worker and their family in light of national economic and social conditions.
Administrative, management and supervisory body	The ***administrative, management and supervisory bodies*** refer to the governance bodies with the highest decision-making authority in the undertaking, including its committees. If in the governance structure, there are no members of the administrative, management or supervisory bodies of the undertaking, the CEO, and if such function exists, the deputy CEO, should be included.
Affected community	People or group(s) living or working in the same area who have been or may be affected by a reporting undertaking's operations or through its upstream and downstream ***value chain***. ***Affected communities*** can range from those living adjacent to the undertaking's operations (local communities) to those living at a distance. Affected communities include actually and potentially affected ***indigenous peoples***.
Annual total remuneration	***Annual total remuneration*** to ***own workforce*** includes salary, bonus, stock awards, option awards, non-equity incentive plan compensation, change in pension value, and nonqualified deferred compensation earnings provided over the course of a year.
Anticipated financial effect	***Financial effects*** that do not meet the recognition criteria for inclusion in the financial statement line items in the reporting period and that are not captured by the ***current financial effects***.

Defined term	*Definition*
Article (for the purposes of ESRS E2)	An object, which during production is given a special shape, surface or design that determines its function to a greater degree than does its chemical composition (Regulation (EC) No 1907/2006).
Banned product	***Banned products*** are goods or materials whose manufacture, sale, distribution, import, export, or use is prohibited by law or regulation due to ***risks*** they pose to health, safety, the environment, or public order.
Banned service	***Banned services*** are services that are prohibited by law or regulation from being offered, provided, or used because they are considered unsafe, illegal, unethical, or otherwise contrary to public interest or ***policy***.
Biodiversity and ecosystems transition plan	A ***biodiversity and ecosystems transition plan*** is an aspect of an organisation's overall business strategy that lays out the organisation's goals, ***targets***, ***actions***, accountability mechanisms and intended resources to respond and contribute to the transition implied by the Global Biodiversity Framework, where: (a) ***biodiversity loss*** is halted and reversed by 2030; and (b) ***biodiversity*** is valued, conserved, restored and wisely used, maintaining ***ecosystem services***, sustaining a healthy planet and delivering benefits essential for all people by 2050. Biodiversity can also be part of an undertaking's broader ***transition plan***. It should respect human rights and, among others, can include the identification and management of synergies and trade-offs with other transition plan objectives, including any response and contribution to the transition implied by the Paris Agreement (***transition plan for climate change mitigation***). See also the definition of 'transition plan.'
Biodiversity / biological diversity	The variability among living organisms from all sources, including, inter alia, terrestrial, marine and other aquatic ***ecosystems*** and the ecological complexes of which they are a part; this includes diversity within species, between species and of ecosystems.
Biodiversity loss	The reduction of any aspect of ***biological diversity*** (i.e. diversity at the genetic, species and ***ecosystem*** levels) in a particular area through death (including extinction), destruction or physical removal; it can refer to many scales, from global extinctions to population extinctions, resulting in decreased total diversity at the same scale.
Biodiversity offset	***Biodiversity offsets*** are measurable conservation outcomes designed to compensate for adverse and unavoidable ***impacts*** on ***biodiversity*** and ***ecosystems*** of the undertaking's activities, in addition to prevention and mitigation measures already implemented. In the context of the mitigation hierarchy (i.e. contributing to avoidance, minimisation, restoration and compensation), biodiversity offsets are typically considered a measure of last resort.

Defined term	*Definition*
Biodiversity-sensitive area	***Biodiversity-sensitive areas*** are: (a) areas protected through legal or other effective means, including Natura 2000, UNESCO Natural World Heritage Sites, Ramsar ***sites***, and other protected areas, for instance defined by national legislation sources; and (b) areas included under ***Key Biodiversity Areas (KBAs)***, Ecologically or Biologically Significant Marine Areas, IUCN Red List of Ecosystems or habitats of species listed in the IUCN Red List of Threatened Species (which are scientifically recognised for their importance for ***biodiversity***).
Biological materials	Materials that are derived from living organisms, such as plants, animals, or microorganisms, and that can safely return to the biosphere after use without causing harm to the environment. These include both living and dead organic materials, such as trees, crops, grasses, algae, animals, and biological ***waste*** like manure. ***Biological materials*** can be virgin/non-virgin and ***renewable***/non-renewable. Materials of biological origin, embedded in geological formations or transformed into fossilised material are not considered biological materials (e.g. ***fossil fuels***).
Bribery	Dishonestly persuading someone to act in your favour by giving them a gift of money or another inducement.
Business model	The undertaking's system of transforming inputs through its activities into outputs and outcomes that aims to fulfil the undertaking's strategic purposes and create value over the short, medium and long term. ESRS use the term '***business model***' in the singular, although it is recognised that undertakings may have more than one business model.
Business relationship	The relationships the undertaking has with business partners, entities in its ***value chain***, and any other non-State or State entity directly linked to its business operations, ***products*** or services. ***Business relationships*** are not limited to direct contractual relationships. They include indirect business relationships in the undertaking's value chain beyond the first tier, and shareholding positions in joint ventures or associates as well as other investments.
Carbon credit	A transferable or tradable instrument that represents one metric tonne of ***CO_2eq emission*** reduction or removal and is issued and verified according to recognised quality standards.
Carbon dioxide equivalent (CO_2 eq)	The universal unit of measurement to indicate the ***global warming potential*** (***GWP***) of each ***greenhouse gas***, expressed in terms of the GWP of one unit of carbon dioxide. It is used to evaluate releasing (or avoiding releasing) different ***greenhouse gases*** on a common basis.

Defined term	*Definition*
Channel to raise concerns or needs	***Channels to raise concerns or needs*** are formal structures established by the undertaking or a third party (for example, governments, NGOs, industry associations), including its ***business relationships***, with dedicated processes through which affected ***stakeholders*** can raise their concerns or needs. Such structures typically include steps or criteria that are followed to ensure that concerns or needs are adequately addressed. They can also include, if applicable, ***processes to provide or cooperate in remediation*** for ***actual impacts***. Examples of channels to raise concerns or needs include ***grievance mechanisms***, hotlines, trade union or community representatives at workplace or local level, works councils, dialogue processes, community or ***consumer*** complaints mechanisms as well as whistleblowing mechanisms, to the extent that they enable people to raise any concerns or needs regarding actual or ***potential impacts*** that affect them or other stakeholders.
Child labour	Work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development. It refers to work that: (a) is mentally, physically, socially or morally dangerous and harmful to children; and/or (b) interferes with their schooling by depriving them of the opportunity to attend school; obliges them to leave school prematurely, or requires them to attempt to combine school attendance with excessively long and heavy work. A child is defined as a person under the age of 18. Whether or not particular forms of 'work' can be called '***child labour***' depends on the child's age, the type and hours of work performed and the conditions under which it is performed. The answer varies from country to country, as well as among sectors within countries. The minimum age of work should not be less than the minimum age of completion of compulsory schooling, and, in any case, should not be less than 15 years according to International Labour Organization (ILO) Convention No. 138 on Minimum Age. Exceptions can occur in certain countries where economies and educational facilities are insufficiently developed, and a minimum age of 14 years applies. These countries of exception are specified by the ILO in response to a special application by the country concerned and in consultation with representative organisations of employers and workers. National laws may permit the employment of persons aged 13 to 15 in light work as long as it is not likely to be harmful to their health or development and does not prejudice their attendance at school or participation in vocational or ***training*** programmes. The minimum age for admission into work, which by its nature or the circumstances in which it is carried out is likely to jeopardise the health, safety or morals of young persons, shall not be less than 18 years.
Circularity	Degree of alignment with the principles of a ***circular economy***.
Circular economy	An economic system in which the value of resources in the economy is maintained for as long as possible, enhancing the efficiency in production and consumption, thereby

Defined term	*Definition*
	reducing the environmental ***impact*** of their use, minimising ***waste*** and the release of hazardous ***substances*** at all stages of their life cycle, including through the application of the waste hierarchy.
Circular economy principle	The ***circular economy principles*** are: (a) eliminate ***waste*** and ***pollution*** by designing ***products*** and materials that can go back into the economy after their use; (b) circulate products and materials (at their highest value) by maintaining, reusing, and refurbishing them; and (c) regenerate nature by focussing on improving natural environments and restoring key ecological functions.
Circular economy service	As per Annex II of the EU Taxonomy (Commission Delegated Regulation (EU) 2023/2486 supplementing Regulation (EU) 2020/852), the following economic services activities (CEY 5.1 – CEY 5.6) are considered to substantially contribute to the transition towards a ***circular economy***: (a) maintenance and repair; (b) ***reuse*** and redistribution; (c) product-as-a-service; (d) ***recycling*** and resource ***recovery***; and (e) sustainable design and consultation services.
Climate change adaptation	The process of adjustment to actual and expected climate change and its ***impacts***.
Climate change mitigation	The process of reducing ***GHG emissions*** and holding the increase in the global average temperature to 1.5°C above pre-industrial levels, in line with the Paris Agreement.
Climate-related opportunity	Potential positive effects related to climate change for the undertaking. Efforts to mitigate and adapt to climate change can produce ***opportunities*** for undertakings. ***Climate-related opportunities*** will vary depending on the region, market, and industry where an undertaking operates.
Climate-related physical risk (Physical risk from climate change)	***Risks*** resulting from climate change that can be event-driven (acute) or from longer-term shifts (chronic) in climate patterns. Acute ***physical risks*** arise from particular hazards, especially weather-related events such as storms, floods, fires or heatwaves. Chronic physical risks arise from longer-term changes in the climate, such as temperature changes, and their effects on rising sea levels, reduced water availability, ***biodiversity loss*** and changes in land and ***soil*** productivity.

Defined term	*Definition*
Climate-related transition risk	***Risks*** that arise from the transition to a low-carbon and climate-resilient economy. They typically include ***policy*** risks, legal risks, technology risks, market risks and reputational risks.
Climate resilience	The capacity of an undertaking to adjust to climate changes, and to developments or uncertainties related to climate change. ***Climate resilience*** involves the capacity to manage climate-related ***risks*** and benefit from ***climate-related opportunities***, including the ability to respond and adapt to ***transition risks*** and ***physical risks***. An undertaking's climate resilience includes both its strategic resilience and its operational resilience to climate-related changes, developments or uncertainties associated with climate change.
Collective bargaining	All negotiations which take place between an employer, a group of employers or one or more employers' organisations, on the one hand, and one or more trade unions or, in their absence, the representatives of the workers duly elected and authorised by them in accordance with national laws and regulations, on the other, for: (a) determining working conditions and terms of employment; and/or (b) regulating relations between employers and workers; and/or (c) regulating relations between employers or their organisations and a workers' organisation or workers' organisations.
Consumer	Individuals who acquire, consume or use goods and services for personal use, either for themselves or for others, and not for resale, commercial or trade, business, craft or profession purposes.
Corporate culture	***Corporate culture*** expresses goals through values and beliefs. It guides the undertaking's activities through shared assumptions and group norms such as values or mission statements or a code of conduct.
Corruption	Abuse of entrusted power for private gain, which can be instigated by individuals or organisations. It includes practices such as facilitation payments, fraud, extortion, collusion, and money laundering. It also includes an offer or receipt of any gift, loan, fee, reward, or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust in the conduct of the undertaking's business. This can include cash or in-kind benefits, such as free goods, gifts, and holidays, or special personal services provided for the purpose of an improper advantage, or that can result in moral pressure to receive such an advantage.
Credible proxy	Individuals with sufficiently deep experience in engaging with affected ***stakeholders*** from a particular region or context (for example, women workers on farms, ***indigenous peoples*** or migrant workers) who can help to effectively convey their likely

Defined term	*Definition*
	concerns. In practice, this can include development and human rights NGOs, international trade unions and local civil society, including faith-based organisations.
Critical raw materials	***Critical raw materials*** are materials that have high economic importance and are subject to supply ***risk***, due to factors such as geographic concentration, economic or geopolitical limitations, low end-of-life recycling input rates or difficulties in substitution. Critical raw materials are those listed in Annex II, Section 1 in the Critical Raw Materials Acts (2023).
Current financial effect	***Financial effects*** for the current reporting period that are recognised in the primary financial statements.
Decarbonisation lever	Aggregated types of mitigation ***actions*** such as energy efficiency, electrification, fuel switching, use of ***renewable energy***, ***products*** change, and ***supply chain*** decarbonisation that fit with undertakings' specific actions.
Dependency	The situation of an undertaking being dependent on natural, human and/or social resources for its business processes. ***Dependencies*** may be sources of ***risks*** or ***opportunities***, irrespective of the undertaking's ***potential impacts*** on the natural, human and social resources it relies on.
Desertification	***Land degradation*** in arid, semi-arid and dry sub-humid areas resulting from various factors, including climatic variations and human activities. ***Desertification*** does not refer to the natural expansion of existing deserts.
Designed recyclability rate	An indicator which measures the share of the ***resource outflow*** that is designed and manufactured in such a way that it can be processed into recycled material. The ***designed recyclability rate*** can be demonstrated by, for example, the use of materials that are fully recyclable with existing ***recycling*** schemes, selection of fewer material types and increased material homogeneity, ability to dismantle the ***product*** or the suitability of the product parts and materials for recycling into high quality materials and the implementation of adequate guidelines for design for recycling for the product type. The rate is a reporting indicator on how the product and used materials can be recycled by an existing recycling scheme and that 'use phase' does not significantly change the recyclability (e.g. contamination preventing recycling).
Discrimination	***Discrimination*** can occur directly or indirectly. Direct discrimination occurs when an individual is treated less favourably by comparison to how others, who are in a similar situation, have been or would be treated, and the reason for this is a particular characteristic they hold, which falls under a 'protected ground'. Indirect discrimination occurs when an apparently neutral rule disadvantages a person or a

Defined term	*Definition*
	group sharing the same characteristic. It must be shown that a group is disadvantaged by a decision when compared to a comparator group.
Double materiality	***Double materiality*** has two dimensions: ***impact materiality*** and ***financial materiality***. A sustainability ***topic*** meets the criterion of double materiality if it is material from the ***impact*** perspective or the financial perspective or both.
Drivers of biodiversity and ecosystem change	All the factors that, directly or indirectly, cause changes in nature, anthropogenic assets, nature's contributions to people and quality of life. Direct drivers of change can be both natural and anthropogenic. They have direct physical (mechanical, chemical, noise, light etc.) and behaviour-affecting ***impacts*** on nature. They include, inter alia, climate change, ***pollution***, different types of land use change, ***invasive alien species*** and zoonoses, and direct exploitation of organisms. Indirect ***drivers of ecosystem and biodiversity change*** operate diffusely by altering and influencing direct drivers as well as other indirect drivers. They affect the level, direction or rate of direct drivers. Interactions between indirect and direct drivers create different chains of relationship, attribution, and impacts, which may vary according to type, intensity, duration, and distance. These relationships can also lead to different types of spill-over effects. Global indirect drivers include economic, demographic, governance, technological and cultural ones. Special attention is given, among indirect drivers, to the role of institutions (both formal and informal) and impacts of the patterns of production, supply and consumption on nature, nature's contributions to people and good quality of life.
Durability	The ability of a ***product***, component or material to remain functional and relevant under specified conditions of use, maintenance and repair, until its technical end of life. ***Durability*** often refers to the physical capacity of a product to resist wear, damage or degradation, but it can also encompass technological durability, for instance the ability to remain effective through software updates.
Eco-design requirement	Performance or information requirements aimed at making a ***product***, including the processes taking place throughout the product's ***value chain***, more environmentally sustainable. The requirements include: (a) improving product ***durability***, reusability, upgradability and reparability; (b) enhancing the possibility of product maintenance and refurbishment; (c) making products more energy and resource-efficient; (d) addressing the presence of ***substances*** that inhibit ***circularity***; (e) increasing recycled content; (f) making products easier to remanufacture and recycle; (g) setting rules on carbon and environmental footprints; (h) limiting the generation of ***waste***; and (i) improving the availability of information on product sustainability.

Defined term	*Definition*
	The complete list is in Regulation (EU) 2024/1781 of the European Parliament and of the Council.
Ecological threshold	The point at which a relatively small change in external conditions causes a rapid change in an ***ecosystem***. When an ***ecological threshold*** has been passed, the ecosystem may no longer be able to return to its previous equilibrium state by means of its inherent resilience.
Ecosystem	A dynamic complex of plant, animal and micro-organism communities and their non-living environment interacting as a functional unit. A typology of ***ecosystems*** is provided by the IUCN Global Ecosystem Typology 2.0.
Ecosystem service	The contributions of ***ecosystems*** to the benefits that are used in economic and other human activities, especially the benefits people obtain from ecosystems. In the Millennium Ecosystem Assessment, ***ecosystem services*** are divided into supporting, regulating, provisioning and cultural. The Common International Classification of Ecosystem Services also classifies types of ecosystems services.
Emission	The direct or indirect release of ***substances***, vibrations, heat or noise from individual or diffuse sources into air, water or ***soil*** (Directive (EU) 2024/1785).
Employee	An individual who is in an employment relationship with the undertaking according to national law or practice.
End-user	Individuals who ultimately use or are intended to ultimately use a particular ***product*** or service.
Environmental accident	An unexpected occurrence, such as a major ***emission***, fire, or explosion, resulting from uncontrolled developments during operation, leading to potential or actual negative ***impacts*** on health or the environment.
Equal treatment	The principle of ***equal treatment*** is a general principle of European law which presupposes that comparable situations or parties in comparable situations are treated in the same way. In the context of ESRS S1 *Own Workforce*, the term 'equal treatment' also refers to the principle of non-discrimination, according to which there shall be no direct or indirect ***discrimination*** based on any ground such as sex, race, colour, ethnic or social origin, genetic features, language, religion or belief, political or any other opinion, membership of a national minority, property, birth, disability, age or sexual orientation.
Extent of terrestrial, freshwater, and	The size of an ***ecosystem*** asset, where an ecosystem asset is the contiguous space of a specific ecosystem type characterised by a distinct set of biotic and abiotic components and their interactions.

Defined term	*Definition*
marine ecosystem / Ecosystem extent	
Family-related leave	***Family-related leave*** includes maternity leave, paternity leave, parental leave and carers' leave that is available under national law or collective agreements. For the purpose of ESRS, these concepts are defined as: (a) maternity leave (also called pregnancy leave): employment-protected leave of absence for employed women directly around the time of childbirth (or, in some countries, adoption); (b) paternity leave: leave from work for fathers or, where and in so far as recognised by national law, for equivalent second parents, on the occasion of the birth or adoption of a child for the purposes of providing care; (c) parental leave: leave from work for parents on the grounds of the birth or adoption of a child to take care of that child, as defined by each Member State; and (d) carers' leave from work: leave for workers to provide personal care or support to a relative, or a person who lives in the same household, in need of significant care or support for a serious medical reason, as defined by each Member State.
Financial effect	Effects from ***risks*** and ***opportunities*** that affect the undertaking's financial position, financial performance and cash flows over the short, medium or long term.
Financial materiality	A sustainability ***topic*** is material from a financial perspective if it generates ***risks*** or ***opportunities*** that affect (or could reasonably be expected to affect) the undertaking's financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium or long term.
Forced labour	All work or service which is exacted from any person under the threat of penalty and for which the person has not offered himself or herself voluntarily. The term encompasses all situations in which persons are coerced by any means to perform work and includes both traditional 'slave-like' practices and contemporary forms of coercion where labour exploitation is involved, which may include human trafficking and modern slavery.
Formulator	Any natural or legal person combining ***substances*** into mixtures, often placing them on the market under their own brand label. This definition applies only to entities operating within the chemical industry.
Fossil fuel	Non-renewable carbon-based energy sources such as solid fuels, natural gas and oil.

Defined term	*Definition*
Free, Prior and Informed Consent (FPIC)	A manifestation of ***indigenous peoples*** right to self-determine their political, social, economic and cultural priorities. It constitutes three interrelated and cumulative rights of indigenous peoples: the right to be consulted, the right to participate, and the right to their lands, territories and resources. ***FPIC*** pertains to indigenous peoples and is recognised under international human rights law, notably the United Nations Declaration on the Rights of Indigenous peoples.
Freshwater	***Groundwater*** and ***surface water*** with a mean annual salinity of < 0.5 ‰ (i.e. the limit mentioned in Annex II of the Water Framework Directive (Directive 2000/60/EC of the European Parliament and of the Council)).
General Disclosure Requirement (GDR)	A ***General Disclosure Requirement*** sets the required content of the information that the undertaking includes when it reports on ***policies***, ***actions***, ***metrics*** or ***targets*** as described in ESRS 2 *General Disclosures*, either pursuant to a Disclosure Requirement in an ESRS or on an entity-specific basis. Its abbreviation is GDR.
GHG emission reduction	Decrease in the undertaking's Scope 1, 2, 3 or total ***GHG emissions*** at the end of the reporting period, relative to ***emissions*** in the base year. Emission reductions may result from, among others, energy efficiency, electrification, ***suppliers***' decarbonisation, electricity mix decarbonisation, sustainable ***products*** development or changes in reporting boundaries or activities (e.g. outsourcing, reduced capacities), provided they are achieved within the undertaking's own operations and upstream and downstream ***value chain***. Removals and avoided emissions are not counted as emission reductions.
GHG removal and storage	(Anthropogenic) removals refer to the withdrawal of ***GHGs*** from the atmosphere as a result of deliberate human activities. These include enhancing biological anthropogenic sinks of ***CO_2*** and using chemical engineering to achieve long-term removal and storage. Carbon capture and storage from industrial and energy-related sources, which alone does not remove CO_2 from the atmosphere, can remove atmospheric CO_2 if it is combined with bioenergy production (Bioenergy with Carbon Capture & Storage). Removals can be subject to reversals, which are any movement of stored GHG out of the intended storage that re-enters the atmosphere. For example, if a forest that was grown to remove a specific amount of CO_2 is subject to a wildfire, the ***emissions*** captured in the trees are reversed.
Geographies	***Geographies*** or geographic contexts can be analysed at different levels, e.g. country, region, county, water basin, ***ecosystem*** or ***site***, according to their relevance for the ***materiality*** assessment.
Global Framework Agreement (GFA)	***Global Framework Agreements (GFAs***) serve to establish an ongoing relationship between a multinational enterprise and a Global Union Federation to ensure that the undertaking adheres to the same standards in every country in which it operates.

Defined term	*Definition*
Global warming potential (GWP)	A factor describing the radiative forcing impact (degree of harm to the atmosphere) of one unit of a given ***GHG*** relative to one unit of ***CO_2***.
Greenhouse Gases (GHGs)	The gases listed in Part 2 of Annex V of Regulation (EU) 2018/1999 of the European Parliament and of the Council. These include Carbon dioxide (CO_2), Methane (CH_4), Nitrous Oxide (N_2O), Sulphur hexafluoride (SF_6), Nitrogen trifluoride (NF_3), Hydrofluorocarbons (HFCs) and Perfluorocarbons (PFCs).
Grievance mechanism	Any routinised, state-based or non-state-based, judicial or non-judicial processes through which ***stakeholders*** can raise grievances and seek ***remedy***. Examples of state-based judicial and non-judicial ***grievance mechanisms*** include courts, labour tribunals, national human rights institutions, National Contact Points under the OECD Guidelines for Multinational Enterprises, ombudsperson offices, ***consumer*** protection agencies, regulatory oversight bodies, and government-run complaints offices. Non-state-based grievance mechanisms include those administered by the undertaking, either alone or together with stakeholders, such as operational-level grievance mechanisms and ***collective bargaining***, including the mechanisms established by collective bargaining. They also include mechanisms administered by industry associations, international organisations, civil society organisations, or multi-stakeholder groups. Operational-level grievance mechanisms are administered by the undertaking either alone or in collaboration with other parties and are directly accessible by the undertaking's stakeholders. They allow for grievances to be identified and addressed early and directly, thereby preventing both harm and grievances from escalating. They also provide important feedback on the effectiveness of the undertaking's due diligence from those who are directly affected. According to UN Guiding Principle 31, effective grievance mechanisms are legitimate, accessible, predictable, equitable, transparent, rights-compatible, and a source of continuous learning. In addition to these criteria, effective operational-level grievance mechanisms are also based on engagement and dialogue. It can be more difficult for the undertaking to assess the effectiveness of grievance mechanisms that it participates in compared to those it has established itself.
Groundwater	All water which is below the surface of the ground in the saturation zone and in direct contact with the ground or subsoil. Also defined as water, which is being held in, and can be recovered from, an underground formation.
Harassment	A situation where an unwanted conduct related to a protected ground of ***discrimination*** (for example, gender under Directive 2006/54/EC of the European Parliament and of the Council, or religion or belief, disability, age or sexual orientation under Council Directive 2000/78/EC) occurs with the purpose or effect of violating the dignity of a person, and of creating an intimidating, hostile, degrading, humiliating or offensive environment.

Defined term	*Definition*
Hazardous waste	***Waste*** which displays one or more of the hazardous properties listed in Annex III of the Waste Framework Directive (2008/98/EC).
High climate impact sectors	Sectors that are listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council (as defined in Commission Delegated Regulation (EU) 2022/1288.
Human rights incident	***Human rights incidents*** are those that relate to not respecting internationally recognised human rights as defined in Article 29b(2)(b)(iii) of Directive 2013/34/EU (Accounting Directive). These incidents are understood as the number of substantiated instances registered by the undertaking of: (a) judicial and non-judicial proceedings (such as cases before domestic courts and tribunals, mediation, complaints filed with the National Contact Points for OECD Multinational Enterprises); and (b) other incidents, including those it identified through its internal processes.
Impact	Refer to the definition of ***sustainability-related impact***.
Impact materiality	A sustainability ***topic*** is material from an ***impact*** perspective when it pertains to the undertaking's material actual or potential, positive or negative impacts on people or the environment over the short, medium and long term. A material sustainability topic from an impact perspective includes impacts 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***.
Importer	Any natural or legal person who is responsible for import (i.e. physical introduction into the customs territory). The import of ***substances*** on their own or in mixtures includes the wholesale distribution of chemical substances, as per NACE code G46.85 (Rev.2.1).
Impracticable	Applying a requirement is impractical when an undertaking cannot apply it after making every reasonable effort to do so. For example, data might not have been collected in the preceding period in a way that allows for the retrospective application of a new definition of a ***metric*** and it might be ***impracticable*** to re-create the data.
Incident of discrimination	The ***incidents of discrimination*** are those that relate to ***discrimination***. These incidents are understood as the number of substantiated instances registered by the undertaking of: (a) judicial and non-judicial proceedings (such as cases before domestic courts and tribunals, mediation, complaints filed with the National Contact Points for OECD Multinational Enterprises); and (b) other incidents, including those it identified through its internal processes.

Defined term	*Definition*
Independent board member	Board members that exercise independent judgment free from any external influence or conflicts of interest. Independence generally means the exercise of objective, unfettered judgement. When used as the measure by which to judge the appearance of independence, or to categorise a non-executive member of the ***administrative, management and supervisory bodies*** or their committees as independent, it means the absence of an interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making.
Indigenous peoples	There is no single definition for ***indigenous peoples*** agreed on at the international level. In practice, there is convergence among international agencies on what groups can be considered indigenous peoples and should enjoy special protection as such. An important criterion for defining indigenous peoples is related to their connection to a traditional area, as defined in ILO Convention No. 169, Article 1, which states that the convention applies to: *'(a) tribal peoples in independent countries whose social, cultural and economic conditions distinguish them from other sections of the national community, and whose status is regulated wholly or partially by their own customs or traditions or by special laws or regulations; (b) peoples in independent countries who are regarded as indigenous on account of their descent from the populations which inhabited the country, or a geographical region to which the country belongs, at the time of conquest or colonisation or the establishment of present state boundaries and who, irrespective of their legal status, retain some or all of their own* ***social****, economic, cultural and political institutions*'. ILO Convention 169 also states in Article 1(2) that: *'[s]elf-identification as indigenous or tribal shall be regarded as a fundamental criterion for determining the groups to which the provisions of this Convention apply*'.
Indirect GHG emissions	***GHG emissions*** that are a consequence of the activities of an undertaking but occur at sources owned or controlled by another undertaking. Indirect emissions are ***Scope 2 GHG emissions*** and ***Scope 3 GHG emissions*** combined.
Internal carbon pricing scheme	An organisational arrangement that allows an undertaking to apply carbon prices in strategic and operational decision making. Internal carbon price is a price used by an undertaking to assess the financial implications of changes to investment, production, and consumption patterns, and of potential technological progress and future emissions abatement costs. There are two types of internal carbon prices commonly used by undertakings. The first type is a shadow price, which is a theoretical cost or notional amount that the undertaking does not charge but that can be used in assessing the economic implications or trade-offs for such things as risk impacts, new investments, net present value of projects, and the cost-benefit of various initiatives. The second type is an internal tax or fee, which is a carbon price charged to a business activity, ***product*** line, or other business unit based on its ***GHG emissions*** (these internal taxes or fees are similar to intracompany transfer pricing).
Invasive species / Invasive alien species	Species whose introduction and/or spread by human action outside their natural distribution threatens ***biological diversity***, food security, and human health and well-being. 'Alien' refers to a species having been introduced outside its natural

Defined term	*Definition*
	distribution ('exotic', 'non-native' and 'non-indigenous' are synonyms for 'alien'). 'Invasive' means 'tending to expand into and modify ***ecosystems*** to which it has been introduced'. Thus, a species may be alien without being invasive, or, in the case of a species native to a region, it may increase in abundance and become invasive without actually being an alien species.
Key Biodiversity Area (KBA)	***Sites*** contributing significantly to the global persistence of ***biodiversity*** in terrestrial, ***freshwater*** and marine ***ecosystems***. Sites qualify as global ***KBAs*** if they meet one or more of 11 criteria, clustered into five categories: threatened biodiversity; geographically restricted biodiversity; ***ecological integrity***; biological processes; and irreplaceability. The World Database of KBAs is managed by BirdLife International on behalf of the KBA Partnership.
Key material	Materials, ***substances***, components or ***products*** which are essential for the undertaking's ability to manufacture or deliver its products or services, identified through a managerial assessment which considers: (a) internal factors, such as volume, cost, operational criticality, or strategic importance; and (b) external factors, including environmental and social ***impacts*** such as ***stakeholder*** expectations, regulatory demands or reputational relevance. Examples include, but are not limited to, silicon (materials), electrolytes (substances), micro-capacitors (components) and smartphones (products).
Key product	***Products*** that are central to the undertaking's value creation or strategic objectives, identified through a managerial assessment which considers: (a) internal factors, such as contribution to revenue, profitability, innovation, or operational continuity; or (b) external factors, including environmental or social ***impacts*** such as ***stakeholder*** perceptions, regulatory demands or reputational significance.
Land degradation	***Land degradation*** refers to the many processes that drive the decline or loss of ***biodiversity***, ***ecosystem*** functions or their benefits to people and includes the degradation of all terrestrial ecosystems.
Landfill	A ***waste*** disposal ***site*** for the deposit of waste onto or into land (see Council Directive 1999/31/EC on the landfill of waste).
Land-use (change)	The human use of a specific area for a certain purpose (such as residential, agriculture, recreation, industrial etc.). Influenced by, but not synonymous with, land cover. ***Land-use change*** refers to a change in the use or management of land by humans, which may lead to a change in land cover.

Defined term	*Definition*
Legitimate representative	Individuals recognised as legitimate under law or practice, such as elected trade union representatives in the case of workers, or other similarly freely chosen representatives of affected ***stakeholders***.
Leverage	The ability of the undertaking to effect a change in the wrongful practices of another party that is connected with a negative ***sustainability-related impact***.
Lobbying activity	Activities carried out with the objective of influencing the formulation or implementation of ***policy*** or legislation, or the decision-making processes of governments, governmental institutions, regulators, European Union institutions, bodies, offices and agencies or standard setters. Such activities include (non-exhaustive list): (a) organising or participating in meetings, conferences, events; (b) contributing to/participating in public consultations, hearings or other similar initiatives; (c) organising communication campaigns, platforms, networks or grassroots initiatives; and (d) preparing/commissioning policy and position papers, opinion polls, surveys, open letters, research work as per the activities covered by transparency register rules.
Locked-in GHG emissions	Estimates of future ***GHG emissions*** that are likely to be caused by an undertaking's key assets or ***products*** sold within their operating lifetime.
Manufacturer of articles	Any natural or legal person making or assembling an ***article*** (see Regulation (EC) No 1907/2006).
Manufacturer of substances	Any natural or legal person manufacturing ***substances*** (i.e. producing or extracting substances in the natural state) (see Regulation (EC) No 1907/2006).
Marine resource	***Biological materials*** and non-biological materials found in the seas and oceans. Examples include but are not limited to deep sea minerals, gravels, and seafood ***products***.
Materiality	A sustainability ***topic*** is material if it meets the definition of ***impact materiality***, ***financial materiality***, or both.
Metric	Qualitative and quantitative indicators that the undertaking uses to measure and report on the effectiveness of the delivery of its sustainability-related ***policies*** and against its ***targets*** over time. ***Metrics*** also support the measurement of the

Defined term	*Definition*
	undertaking's results in respect of affected people, the environment and the undertaking.
Microplastics	Synthetic polymer microparticles that are solid and which fulfil both of the following conditions: (a) are contained in particles and constitute at least 1% by weight of those particles; or build a continuous surface coating on particles; and (b) at least 1% by weight of the particles referred to in point (a) fulfil either of the following conditions: iii. all dimensions of the particles are equal to or less than 5 mm; or iv. the length of the particles is equal to or less than 15 mm and their length to diameter ratio is greater than 3. The following polymers are excluded from this designation: (a) polymers that are the result of a polymerisation process that has taken place in nature, independently of the process through which they have been extracted, which are not chemically modified ***substances***; (b) polymers that are degradable as proved in accordance with Appendix 15 of Commission Regulation (EU) 2023/2055 on Synthetic Polymer Microparticles; (c) polymers that have a solubility greater than 2 g/L as proved in accordance with Appendix 16 of Commission Regulation (EU) 2023/2055; and (d) polymers that do not contain carbon atoms in their chemical structure. Please refer to Regulation (EU) 2023/2055 for a list of derogations. ***Microplastics*** are typically categorised into primary and secondary types. Primary microplastics are intentionally produced and added to ***products*** (e.g. microbeads, glitter or stabilisers in cosmetics), resulting in a direct release into the environment during the use phase of the product or at their end-of-life. Secondary microplastics derive from the breakdown of larger pieces of plastics (e.g. plastic ***waste***, such as ***packaging*** or fishing nets).
Nature-based solution	***Actions*** to protect, conserve, restore, sustainably use and manage natural or modified terrestrial, ***freshwater***, coastal and marine ***ecosystems*** which address social, economic and environmental challenges effectively and adaptively, while simultaneously providing human well-being, ***ecosystem services***, resilience and ***biodiversity*** benefits.
Net-zero target	Setting a ***net-zero target*** at the level of an undertaking aligned with meeting societal climate goals means: (a) achieving a scale of ***value chain emissions*** reductions consistent with the abatement required to reach global net-zero in 1.5°C pathways; and (b) neutralising the ***impact*** of any residual emissions (after approximately 90-95% of ***GHG emission reduction*** with the possibility for justified sectoral variations in

Defined term	*Definition*
	line with a recognised sectoral pathway) by permanently removing an equivalent volume of ***CO_2***.
Non-employee	***Non-employees*** in an undertaking's ***own workforce*** include both individual contractors supplying labour to the undertaking ('self-employed people') and people provided by undertakings primarily engaged in 'employment activities' (NACE Code O78).
Non-guaranteed hours employee	***Non-guaranteed hours employees*** are employed by the undertaking without a guarantee of a minimum or fixed number of working hours. The ***employee*** may need to make themselves available for work as required, but the undertaking is not contractually obliged to offer the employee a minimum or fixed number of working hours per day, week, or month. Casual employees, employees with zero-hour contracts, and on-call employees are examples that fall under this category.
Non-renewable energy	Energy which cannot be identified as being derived from ***renewable*** sources.
Occupational safety and health management system	A set of interrelated or interacting elements to establish occupational safety and health ***policy*** and objectives, and to achieve those objectives.
Opportunity	Refer to the definition of ***sustainability-related opportunity.***
Own workforce	***Employees*** who are in an employment relationship with the undertaking ('employees') and ***non-employees*** who are either individual contractors supplying labour to the undertaking ('self-employed people') or people provided by undertakings primarily engaged in 'employment activities' (NACE Code O78).
Ozone-depleting substance	***Substances*** listed in the Montreal Protocol on Substances that Deplete the Ozone Layer.
Packaging	***Products*** made of any materials of any nature to be used for the containment, protection, handling, delivery, storage, transport and presentation of goods, from raw materials to processed goods, from the producer to the user or ***consumer*** (see Directive 94/62/EC of the European Parliament and of the Council on packaging and packaging ***waste***).
Pay	The ordinary basic or minimum ***wage*** or salary and any other remuneration, whether in cash or in kind which the worker receives directly or indirectly ('complementary or variable components'), in respect of his/her employment from his/her employer. '***Pay***

Defined term	*Definition*
	level' means gross annual pay and the corresponding gross hourly pay. 'Median pay level' means the pay of the ***employee*** that would have half of the employees earn more and half less than they do.
Person with disability	Persons who have long-term physical, mental, intellectual or sensory impairments which in interaction with various barriers may hinder their full and effective participation in society on an equal basis with others.
Physical risk	All global economic enterprise depends on the functioning of earth systems, such as a stable climate, and on ***ecosystem services***, such as the provision of biomass (raw materials). Nature-related ***physical risks*** are a direct result of an organisation's dependence on nature. Physical risks arise when natural systems are compromised due to the ***impact*** of climatic events (e.g. extremes of weather such as a drought), geologic events (e.g. seismic events such as an earthquake), or changes in ***ecosystem*** equilibria, such as ***soil*** quality or marine ecology, which affect the ecosystem services organisations depend on. These can be acute, chronic, or both. Nature-related physical risks arise as a result of changes in the biotic (living) and abiotic (non-living) conditions that support healthy, functioning ecosystems. Physical risks are usually location-specific. Nature-related physical risks are often associated with ***climate-related physical risks***.
Placed on the market	Supplying or making available to a third party, whether in return for payment or free of charge. Import shall be deemed to be placing on the market.
Policy	A set or framework of general objectives and management principles that the undertaking uses for decision-making. A ***policy*** implements the undertaking's strategy or management decisions to prevent, mitigate, bring to an end, minimise and/or remediate material actual and ***potential impacts***, address material **risks** and pursue material ***opportunities***, either individually or at a higher level (i.e. groups of them or related **topics**). Each policy is under the responsibility of defined person(s), specifies its perimeter of application, and includes one or more objectives (linked when applicable to measurable ***targets***). A policy is validated and reviewed following the undertakings' applicable governance rules. A policy is implemented through ***actions*** or action plans.
Pollutant	A ***substance***, vibration, heat, noise, light or other contaminant present in air, water or ***soil*** which may be harmful to human health and/or the environment, which may result in damage to material property, or which may impair or interfere with amenities and other legitimate uses of the environment (see Regulation (EU) 2020/852).
Pollution	The direct or indirect introduction, as a result of human activity, of ***pollutants*** into air, water or ***soil*** which can be harmful to human health or the quality of the environment, result in damage to material property, or impair or interfere with amenities and other legitimate uses of the environment (see Directive (EU) 2024/1785).

Defined term	*Definition*
Potential Impact	***Potential impacts*** are those that have not yet occurred but may occur in the future and affect the environment and people.
Process to provide or cooperate in remediation	***Processes to provide or cooperate in remediation*** refer to formalised approaches through which the undertaking responds to harms identified, whether they are identified through formal ***channels for raising concerns or needs*** or through other means. Such processes typically include steps or criteria that are followed to ensure that concerns or needs are adequately addressed and, if applicable, provision or cooperation in remediation for ***actual impacts***. Processes to provide or cooperate in remediation may be connected to one or more channels through which ***stakeholders*** are able to raise their concerns or needs.
Product	***Products*** are any physical goods that are ***placed on the market*** or put into service.
Purchased or acquired electricity, heat, steam, or cooling	When the undertaking has received its electricity, heat, steam, or cooling from a third party. The term 'acquired' reflects circumstances where a company may not directly purchase electricity (e.g. a tenant in a building), but where the energy is brought into the undertaking's facility for use.
Recognised quality standards for carbon credits	Quality standards for ***carbon credits*** that are verifiable by independent third parties, make requirements and project reports publicly available and at a minimum ensure additionality, permanence and avoidance of double counting, and provide rules for calculation, monitoring and verification of the project's ***GHG emissions*** and removals.
Recordable work-related accident	A work-related accident is a discrete occurrence in the course of work which leads to physical or mental harm. Such an occurrence is recordable if it results in death or more than three days of absence from work.
Recordable work-related ill health	A case of work-related ill health is any illness caused or made worse by workplace factors or caused primarily by exposure at work to a physical, organisational, chemical or biological risk factor or to a combination of these factors. Such a case is recordable if it results in death or absence from work.
Recovery **(waste)**	Any operation of which the principal output is ***waste*** that can serve a useful purpose by replacing other materials which would otherwise have been used to fulfil a particular function, or waste being prepared to fulfil that function, in the plant or in the wider economy (see Waste Framework Directive (2008/98/EC)).
Recycling	Any ***recovery*** operation by which ***waste*** materials are reprocessed into ***products***, materials or ***substances*** whether for the original or other purposes. It includes the reprocessing of organic material but does not include energy recovery and the

Defined term	*Definition*
	reprocessing into materials that are to be used as fuels or for backfilling operations (see Waste Framework Directive (2008/98/EC)).
Remedy / remediation	Restoration of the affected person or persons, communities or environment to a situation equivalent or as close as possible to the situation they would have been in had an actual negative impact not occurred, including by financial or non-financial compensation provided by the company to a person or persons affected by the actual adverse impact.
Renewable energy	Energy from ***renewable*** non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, ***landfill*** gas, sewage treatment plant gas, and biogas (Article 2(1) Directive (EU) 2018/2001 of the European Parliament and of the Council on the promotion of the use of energy from renewable sources).
Renewable material	Sustainably sourced materials, most often demonstrated by internationally recognised certification schemes, that, after extraction, return to their previous stock levels by natural growth or replenishment processes at a rate in line with use cycles. Therefore, they are replenished or regrown at a faster rate than harvested or extracted.
Repairable	***Product***'s ability to be restored to a functional state through the availability of spare parts over its entire possible life span, the simplicity of disassembly, and the accessibility of repair information.
Resource inflow	Physical materials (e.g. ***substances*** and ***products***) entering an undertaking's operations for production, consumption, maintenance, or service delivery. This includes virgin and non-virgin raw materials (including ***marine resources***, energy carriers used for material purposes), semi-finished goods, and components, regardless of whether they are purchased, reused, or internally recovered. The scope of ***resource inflows*** also reflects the undertaking's reliance on natural resources, its resource efficiency and ***circularity***.
Resource outflow	Physical materials (e.g. ***substances*** and ***products***) that leave an undertaking's operations as a result of its activities, including outputs such as products sold, by-products, ***waste***, ***emissions***, and materials intended for ***reuse***, ***recycling***, or disposal.
Resource use	***Resource use*** refers to the way physical materials, specifically ***technical materials*** and ***biological materials***, are sourced, consumed, transformed, reused, or disposed of by the undertaking across its operations and ***value chain***. It encompasses both: (a) ***resource inflows***: materials entering the undertaking (e.g. materials, ***substances***, components); and

Defined term	*Definition*
	(b) ***resource outflows***: materials leaving the undertaking (e.g. ***products***, by-products, ***waste***).
Reuse **(waste)**	Any operation by which ***products*** or components of products that are not ***waste*** are used again for the same purpose for which they were conceived. This may involve cleaning or small adjustments, so it is ready for the next use without significant pre-processing.
Risk	Refer to the definition of ***sustainability-related risk*.**
Scenario	A plausible description of how the future may develop based on a coherent and internally consistent set of assumptions about key driving forces (e.g. rate of technological change, prices) and relationships. Note that ***scenarios*** are neither predictions nor forecasts but are used to provide a view of the implications of developments and ***actions***.
Scenario analysis	A process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty, using a single or multiple ***scenarios***.
Scope 1 GHG emissions	Direct ***GHG emissions*** from sources that are owned or controlled by the undertaking.
Scope 2 GHG emissions	Indirect ***emissions*** from the generation of ***purchased or acquired electricity, steam, heat or cooling*** consumed by the undertaking.
Scope 3 GHG emissions	All ***indirect GHG emissions*** (not included in ***Scope 2 GHG emissions***) that occur in the ***value chain*** of the reporting undertaking, including both upstream and downstream ***emissions***. ***Scope 3 GHG emissions*** can be broken down into ***Scope 3 categories***.
Scope 3 category	One of the 15 types of ***Scope 3 GHG emissions*** identified by the GHG Protocol Corporate Accounting and Reporting Standard (2004) and detailed by the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011). Undertakings that choose to account for their ***Scope 3 emissions*** based on the ***indirect GHG emissions*** categories of ISO 14064-1:2018 may also refer to the category defined in Clause 5.2.4 (excluding indirect GHG emissions from imported energy) of ISO 14064-1:2018.

Defined term	*Definition*
Secondary resource	Materials previously used (non-virgin: those that are recovered from ***waste streams*** or other sources as well as materials found in used ***products*** or components) and reintroduced into production cycles, reducing reliance on primary resources and minimising environmental ***impacts***. For example, recycled materials as well as re-used, repaired, refurbished, or remanufactured products or components.
Site	***Sites*** are physical locations: (a) where an undertaking or ***value chain*** actors operate and where ***dependencies*** and ***impacts*** are likely to occur. Examples include factories, farms, mines, offices or service centres, infrastructure or facilities, fishing grounds, subsurface infrastructures under the land or seabed surface, such as underground mining tunnels, cables, and pipeline or value chain nodes; or (b) with a unique combination of ***soil***, climate, topography, hydrology, and other physical and biological factors.
Social dialogue	All types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers, their organisations and ***workers' representatives***, on issues of common interest relating to economic and social ***policy***. It can exist as a tripartite process, with the government as an official party to the dialogue or it may consist of bipartite relations only between workers' representatives and management (or trade unions and employers' organisations).
Social protection	The set of measures designed to reduce and prevent poverty and vulnerability across the life cycle. The major life events addressed in ESRS in relation to ***social protection*** include sickness, unemployment starting from when the own worker is working for the undertaking, employment injury and acquired disability and maternity leave.
Soil	The top layer of the Earth's crust situated between the bedrock and the surface. The ***soil*** is composed of mineral particles, organic matter, water, air and living organisms (see Directive (EU) 2010/75).
Soil sealing	Covering ***soil*** in a way that makes the covered area impermeable (e.g. a road). This non-permeability can create environmental ***impacts*** as described in Commission Regulation (EU) 2018/2026[1].
Stakeholder	Those who can affect or be affected by the undertaking. There are two main groups of ***stakeholders***:

[1] Commission Regulation (EU) 2018/2026 of 19 December 2018 amending Annex IV to Regulation (EC) No 1221/2009 of the European Parliament and of the Council on the voluntary participation by organisations in a Community eco-management and audit scheme ('EMAS') (OJ L 325, 20.12.2018, p. 18 ELI: http://data.europa.eu/eli/reg/2018/2026/oj).

Defined term	*Definition*
	(a) affected stakeholders: individuals or groups whose interests are affected or could be affected – positively or negatively – by the undertaking's activities and its direct and indirect ***business relationships*** across its ***value chain***; and (b) ***users*** of ***sustainability statements***: primary users of general-purpose financial reporting (existing and potential investors, lenders and other creditors including asset managers, credit institutions, insurance undertakings), as well as other users of general-purpose sustainability statements, such as the undertaking's business partners, social partners (trade unions and employer organisations), civil society and non-governmental organisations. Some, but not all, stakeholders may belong to the two groups.
Stakeholder engagement	An ongoing process of interaction and dialogue between the undertaking and its ***stakeholders*** that enables the undertaking to hear, understand and respond to their interests and concerns.
Standard payment terms	***Standard payment terms*** refer to terms which have been formulated in advance for several transactions involving different parties and which have not been individually negotiated by the parties. These terms are usually offered/proposed to ***suppliers***. They may stem from an undertaking's ***policy*** or procedure, or they may be calculated as an average or mean of terms in contracts with suppliers.
Stranded asset	***Stranded assets*** (including 'strandable assets') are those assets or investments (both active or firmly planned) which, at some time prior to the end of their economic life, are no longer able to earn an economic return as a result of changes in regulation, market forces, technological innovation, or environmental factors (including climate change and the transition to a low-carbon economy). These typically include assets that have suffered (or are expected to suffer) from unanticipated or premature write-downs, devaluations, or conversion to liabilities; as well as assets with significant ***locked-in GHG emissions*** over their operating lifetime. The term 'stranded assets' focuses on what has already occurred at the date of the disclosures and might already be reflected in the financial statements (in which case these can be cross-referenced), while the term 'strandable assets' refers to a forward-looking assessment that takes into account a given future ***scenario***.
Strategic raw materials	A subset of ***critical raw materials*** that are essential for green and digital technologies, defence, and space applications (see Annex I, Section 1, Regulation (EU) 2024/1252 of the European Parliament and of the Council).
Substance	Any chemical element and its compounds, in the natural state or obtained by any manufacturing process, including any additive necessary to preserve its stability and any impurity deriving from the process used, but excluding any solvent which may be separated without affecting the stability of the ***substance*** or changing its composition and with the exception of the following substances:

Defined term	*Definition*
	(a) substances as defined in Article 1 of Council Directive 96/29/Euratom laying down basic safety standards for the protection of the health of workers and the general public against the dangers arising from ionising radiation; (b) genetically modified micro-organisms as defined in Article 2(b) of Directive 2009/41/EC of the European Parliament and the Council on the contained use of genetically modified micro-organisms; and (c) genetically modified organisms as defined in point 2 of Article 2 of Directive 2001/18/EC of the European Parliament and of the Council on the deliberate release into the environment of genetically modified organisms (Directive 2010/75/EU). Besides substances on their own, there are also substances present in mixtures, which are solutions composed of two or more substances.
Substances of concern (SoC)	A ***substance*** that: (a) meets the criteria laid down in Article 57 of Regulation (EC) No 1907/2006 and is identified in accordance with Article 59(1) of that Regulation; and/or (b) is classified in Part 3 of Annex VI to Regulation (EC) No 1272/2008 in one of the following hazard classes or hazard categories: v. carcinogenicity categories 1 and 2; vi. germ cell mutagenicity categories 1 and 2; vii. reproductive toxicity categories 1 and 2; viii. endocrine disruption for human health categories 1 and 2; ix. endocrine disruption for the environment categories 1 and 2; x. persistent, mobile and toxic or very persistent, very mobile properties; xi. persistent, bioaccumulative and toxic or very persistent, very bioaccumulative properties; xii. respiratory sensitisation category 1; xiii. skin sensitisation category 1; xiv. hazard to the aquatic environment – categories chronic 1 to 4; xv. hazardous to the ozone layer; xvi. specific target organ toxicity – repeated exposure categories 1 and 2; or xvii. specific target organ toxicity – single exposure categories 1 and 2.
Substances of very high concern (SVHCs)	***Substances*** that meet the criteria laid down in Article 57 of Regulation (EC) No 1907/2006 (REACH) and were identified in accordance with Article 59(1) of that Regulation.

Defined term	*Definition*
Supplier	Entity upstream from the undertaking (i.e. in the undertaking's ***supply chain***), which provides a ***product*** or service that is used in the development of the organisation's own products or services. A ***supplier*** can have a direct ***business relationship*** with the undertaking (often referred to as a first-tier supplier) or an indirect business relationship.
Supply chain	The full range of activities or processes carried out by entities upstream or downstream from the undertaking, which provide ***products*** or services that are used in the development and production of the undertaking's own products or services. This includes upstream entities with which the undertaking has a direct relationship (often referred to as a first-tier ***supplier***) and entities with which the undertaking has an indirect ***business relationship***.
Surface water	Inland waters, except ***groundwater***; transitional waters and coastal waters, except in respect of chemical status for which it shall also include territorial waters. Also defined as all water on the surface of the earth, including ***freshwater*** and other water as distinguished from water from the subsurface (groundwater).
Sustainability-related impact **(or impact)**	The effect the undertaking has or could have on the environment and people, including effects on their human rights, connected with its own operations and upstream and downstream ***value chain***, including through its ***products*** and services, as well as through its ***business relationships***. The ***impacts*** can be actual or potential, negative or positive, intended or unintended, and reversible or irreversible. They can arise over the short, medium, or long term. Impacts indicate the undertaking's contribution, negative or positive, to sustainable development.
Sustainability-related opportunity **(or opportunity)**	Uncertain environmental, social or governance events or conditions that, if they occur, could cause a potential material positive effect on the undertaking's ***business model*** or strategy and on its capability to achieve its goals and ***targets*** and to create value, and therefore may influence its decisions and those of its business partners with regard to sustainability ***topics***. Like any other ***opportunity***, ***sustainability-related opportunities*** are measured as a combination of magnitude and the probability of occurrence.
Sustainability-related risk **(or risk)**	Uncertain environmental, social or governance events or conditions that, if they occur, could cause a potential material negative effect on the undertaking's ***business model*** or strategy and on its capability to achieve its goals and ***targets*** and to create value, and therefore may influence its decisions and those of its business partners with regard to sustainability ***topics***. Like any other ***risk***, ***sustainability-related risks*** are measured as a combination of magnitude and the probability of occurrence.
Sustainability statement	The dedicated section of the undertaking's management report where the information about sustainability ***topics*** and sub-topics prepared in accordance with

Defined term	*Definition*
	Directive (EU) 2022/2464 of the European Parliament and of the Council and ESRS is presented.
Systemic risk	***Risks*** arising from the breakdown of the entire system, rather than the failure of individual parts. They are characterised by modest tipping points combining indirectly to produce large failures with cascading of interactions of physical and ***transition risks*** (contagion), as one loss triggers a chain of others, and with systems unable to recover equilibrium after a shock. An example is the loss of a keystone species, such as sea otters, which have a critical role in ***ecosystem*** community structure. When sea otters were hunted to near extinction in the 1900s, the coastal ecosystems flipped, and biomass production was greatly reduced.
Target	Measurable, outcome-oriented and time-bound goals that the undertaking aims to achieve in relation to material ***impacts***, ***risks*** or ***opportunities***. They may be set voluntarily by the undertaking or derive from legal requirements on the undertaking. A ***target*** can encompass not only improvements but also the maintenance of achieved results or the preservation of consistent performance levels.
Technical material	Materials that cannot be processed by the biological cycle and therefore accumulate as ***waste*** because they cannot break down and return to nature as nutrients.
Threatened species or ecosystems	***Threatened species*** refer to endangered species, including flora and fauna, listed in the European Red List or the IUCN Red List of Threatened Species, as referred to in Section 7 of Annex II to Commission Delegated Regulation (EU) 2021/2139. ***Threatened ecosystems*** refer to the ***ecosystems*** categorised as critically endangered, endangered and vulnerable by the IUCN Red List of Ecosystems.
Topic	ESRS use the terms sustainability '***topic***' and 'sub-topic' understood as synonymous with the terms 'sustainability matters' or 'sustainability factors'. Disclosures in ESRS are structured into topics. A topic is further disaggregated in sub-topics. In ESRS, the term 'topic' is used to indicate either a topic or a sub-topic, depending on the most appropriate level of granularity needed to meet the respective disclosure objective.
Training	Initiatives put in place by the undertaking aimed at the maintenance and/or improvement of skills and knowledge of its ***own workforce***. It can include different methodologies, such as on-site ***training***, and online training.
Transition plan	A specific type of ***action*** plan that is adopted by the undertaking in relation to a strategic decision and that addresses: (a) a public ***policy*** objective; and/or (b) an entity-specific action plan organised as a structured set of ***targets*** and actions, associated with:

Defined term	*Definition*
	xviii. a key strategic decision; xix. a major change in ***business model***; and particularly xx. important actions and allocated resources.
Transition plan for climate change mitigation	An aspect of an undertaking's overall strategy that lays out the undertaking's ***targets***, ***actions*** and resources for its transition towards a lower-carbon economy, including actions such as reducing its ***GHG emissions*** with regard to the objective of limiting global warming to 1.5°C and climate neutrality.
Transition risk	***Risks*** that result from a misalignment between an organisation's or investor's strategy and management and the changing regulatory, ***policy*** or societal landscape in which it operates. Developments aimed at halting or reversing damage to the climate or to nature, such as government measures, technological breakthroughs, market changes, litigation and changing ***consumer*** preferences can all create or change ***transition risks***.
User	***Users*** of ***sustainability statements*** are primary users of general-purpose financial reporting (existing and potential investors, lenders and other creditors including asset managers, credit institutions, insurance undertakings), as well as other users, including the undertaking's business partners, trade unions and social partners, civil society and non-governmental organisations.
User of articles	Any natural or legal person who uses an ***article*** during their industrial or professional activities. For the purposes of these standards, the notion of 'user' is adapted from Regulation (EC) No 1907/2006 (REACH) downstream users.
User of substances	Any natural or legal person, other than the manufacturer, ***formulator***, or ***importer***, who uses a ***substance***, either on its own or in a mixture, during their industrial or professional activities, excluding the final ***consumer***. For the purposes of these standards, this notion is adapted from Regulation (EC) No 1907/2006 (REACH) downstream users.
Value chain	The full range of activities, resources and relationships related to the undertaking's ***business model*** and the external environment in which it operates. A ***value chain*** encompasses the activities, resources and relationships the undertaking uses and relies on to create its ***products*** or services from conception to delivery, consumption and end-of-life. Relevant activities, resources and relationships include: (a) those in the undertaking's own operations, such as human resources; (b) those along its supply, marketing and distribution channels, such as materials and service sourcing and product and service sale and delivery; and (c) the financing, geographical, geopolitical and regulatory environments in which the undertaking operates.

Defined term	*Definition*
	Value chain includes ***actors*** upstream and downstream from the undertaking. Actors upstream from the undertaking (e.g. ***suppliers***) provide products or services that are used in the development of the undertaking's products or services. Entities downstream from the undertaking (e.g. distributors, customers) receive products or services from the undertaking. ESRS use the term 'value chain' in the singular, although it is recognised that undertakings may have multiple value chains.
Wage	Gross ***wage***, excluding variable components such as overtime and incentive ***pay***, and excluding allowances unless they are guaranteed.
Waste	Any ***substance*** or object which the holder discards, intends to discard, or is required to discard (see Directive 2008/98/EC of the European Parliament and of the Council on waste).
Waste stream	A particular mass flow of ***waste*** from a process, activity, facility or industry, often grouped by material (e.g. plastic, metal, organic), origin (e.g. household, industrial), or hazard (e.g. hazardous vs. non-hazardous).
Water consumption	The amount of water drawn into the boundaries of the undertaking and not discharged back to the water environment or a third party over the course of the reporting period.
Water discharge	The sum of effluents and other water leaving the boundaries of the undertaking and released to ***surface water***, ***groundwater***, or third parties over the course of the reporting period.
Water recycled and reused	Water and wastewater (treated or untreated) that has been used more than once before being discharged from the undertaking's boundary, so that water demand is reduced. This may be in the same process (recycled) or in a different process within the same facility (own or shared with other undertakings) or in another of the undertaking's facilities (reused).
Water scarcity	Refers to the volumetric abundance, or lack thereof, of ***freshwater*** resources. Scarcity is human driven; it is a function of the volume of human ***water consumption*** relative to the volume of water resources in a given area. As such, an arid region with very little water but no human water consumption would not be considered scarce, but rather arid. ***Water scarcity*** is a physical, objective reality that can be measured consistently across regions and over time. Water scarcity reflects the physical abundance of freshwater rather than whether that water is suitable for use. For instance, a region may have abundant water resources (and thus not be considered water scarce) but have such severe ***pollution*** that those supplies are unfit for human or ecological uses.

Defined term	*Definition*
Water stored	Water held in water storage facilities or reservoirs.
Water stress	The ability, or lack thereof, to meet the human and ecological demand for water. ***Water stress*** is an inclusive concept that considers several physical aspects related to water resources, including water availability, water quality, and the accessibility of water (i.e. whether people are able to make use of physically available water supplies), which is often a function of the sufficiency of infrastructure and the affordability of water, among other things.
Water withdrawal	The sum of all water drawn into the boundaries of the undertaking from all sources for any use over the course of the reporting period.
Worker in the value chain	An individual performing work in the ***value chain*** of the undertaking, regardless of the existence or nature of any contractual relationship with the undertaking. In ESRS, the scope of ***workers in the value chain*** includes all workers in the undertaking's upstream and downstream value chain who are or can be materially impacted by the undertaking. This includes ***impacts*** that are connected to the undertaking's own operations, and value chain, including through its ***products*** or services, as well as through its ***business relationships***. This includes all workers who are not in the scope of '***own workforce***' ('own workforce' includes people who are in an employment relationship with the undertaking ('***employees***') and ***non-employees*** who are either individual contractors supplying labour to the undertaking ('self-employed people') or people provided by undertakings primarily engaged in employment activities (NACE Code O78).
Workers' representatives	***Workers' representatives*** means: (a) trade union representatives, namely representatives designated or elected by trade unions or by members of such unions in accordance with national legislation and practice; (b) duly elected representatives, namely representatives who are freely elected by the workers of the organisation, not under the domination or control of the employer in accordance with provisions of national laws or regulations or of collective agreements and whose functions do not include activities which are the exclusive prerogative of trade unions in the country concerned and which existence is not used to undermine the position of the trade unions concerned or their representatives.
Work-life balance	Satisfactory state of equilibrium between an individual's work and private life. ***Work-life balance*** in a broader sense encompasses not only the balance between work and private life given family or care responsibilities, but also time allocation between time spent at work and in private life beyond family responsibilities.