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Additional disclaimer for SR TEG public agenda papers 25 October 2022

This paper is a draft [Draft] standard prepared by the EFRAG Secretariat for approval of SR TEG and, once approved, it forms the advice that according to EFRAG Due Process SR TEG delivers to SRB as recommended content of the [Draft] final standards to be delivered to the European Commission in November 2022.

This draft reflects the tentative decisions of the SRT in the meetings from June to October 2022 (and reflects the content of the Agenda Papers prepared for those meetings). It has been developed starting from the ESRS Exposure Draft of April 2022, taking into account:

- the revised CSRD text released at the end of June;
- alignment with EDs IFRS S1, S2 and GRI standards as required by the new CSRS whenever possible;
- feedback received from the public consultation.

This draft is an intermediate version of the [Draft] standard and quality checks are still in progress that will result in editorial changes and further presentation/language streamlining. This includes editorial and presentation review, consistency of language across the standards, update of the references to paragraphs/chapters/sessions within the standard and across all the standards, alignment of definitions and glossary across all standards, possible changes of terminology due to recent IFRS decisions. The items in yellow are also subject to change (reflecting the ongoing quality check or pending other external confirmations). In ESRS 2 items in grey mark the datapoints that have been added for alignment with IFRS S1.

Changes are also possible in the next steps of SRB deliberation and approval, including changes other than editorial.

[Draft] ESRS S4 Consumers and end-users is set out in paragraphs 1–34 and Appendices A: Defined terms and B: Application Guidance. All the paragraphs, including those in the Appendices A and B, have equal authority. Each Disclosure Requirement objective is stated in a bold paragraph, followed by a paragraph that illustrates the principle to be followed in the preparation of the respective disclosures. The [draft] Standard also uses terms defined in other [draft] ESRS and should be read in the context of its objective.

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Objective

1. The objective of this [draft] Standard is to specify disclosure requirements for undertakings which will enable users of the sustainability statements to understand:
 - (a) how the undertaking affects the consumers and end-users of its products and/or services (referred to in this [draft] Standard as “consumers and end-users”), in terms of material positive and negative actual or potential impacts;
 - (b) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;
 - (c) the nature, type and extent of the undertaking’s material risks and opportunities related to its impacts and dependencies on consumers and end-users, and how the undertaking manages them; and
 - (d) the effects of risks and opportunities, related to the undertaking’s impacts and dependencies on consumers and end-users, on the undertaking’s development, performance and position over the short-, medium- and long-term and, therefore, on its ability to create enterprise value.
2. In order to meet the objective, this [draft] Standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on the consumers and/or end-users related to their products and/or services in relation to:
 - (a) information-related impacts for consumers/end-users, in particular privacy, freedom of expression and access to information;
 - (b) personal safety of consumers/end-users, in particular health and safety, security of a person and protection of children;
 - (c) social inclusion of consumers/end-users, in particular non-discrimination and access to products and services; and
 - (d) quality of information, complaints management and marketing practices.
3. This [draft] Standard derives from the draft CSRD stating that the sustainability reporting standards shall specify the information that the undertakings are to disclose about social and human factors in relation to consumers and end-users.
4. The [draft] Standard also requires an explanation of how such impacts, as well as the undertaking’s dependencies on consumers and end-users, can create material risks or opportunities for the undertaking. For example, negative impact on the reputation of the products and/or services can deteriorate business performance, while trust in products and/or services can bring business benefits, such as increased sales or widening of the future consumer base.

Interaction with other ESRS

5. This [draft] Standard shall be read in conjunction with ESRS 1 General Requirements, and ESRS 2 General Disclosures, as well as ESRS S1 Own workforce, ESRS S2 Workers in the value chain and ESRS S3 Affected communities.

Disclosure requirements

General Requirements

6. The provisions of this [draft] Standard shall be read in conjunction with and reported alongside the disclosure required by of ESRS 2.

7. Appendix B of this [draft] Standard contains specific application guidance to report on consumers and end-users that the undertaking shall follow when disclosing information under ESRS 2, in particular with regards to:
 - (a) the interaction between material impacts, risks and opportunities and the strategy and business model as per ESRS 2 Disclosure Requirements SBM 2 and 4; and
 - (b) the outcome of the assessment of material sustainability impacts, risks and opportunities as per ESRS 2 Disclosure Requirements IRO 2.

Policies, targets, action plans and resources

Disclosure Requirement S4-1 – Policies related to consumers and end-users

8. **The undertaking shall describe its policies that address the management of its material impacts of its products and/or services on consumers and end-users, as well as associated material financial risks and opportunities; and provide a summary of the content of the policies¹.**
9. The objective of this Disclosure Requirement is to allow an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of impacts on consumers and end-users specifically, as well as policies that cover material financial risks or opportunities related to consumers and end-users.
10. The disclosure required by paragraph 9 shall contain the summarised information on the undertaking's implemented policies to manage its material impacts, risks and opportunities related to consumers and end-users (as required by ESRS 2 Disclosure Guideline IRO-DG 1 On policies adopted to manage material sustainability matters). In addition, the undertaking shall specify if such policies cover specific groups or all affected communities.
11. The undertaking shall describe specific human rights policy commitments that are relevant to consumers and end-users, including policies to monitor compliance with the UN Global Compact principles and OECD Guidelines for Multinational Enterprises, as well as those that address²:
 - (a) respect for the human rights of consumers and end-users;
 - (b) engagement with consumers and end-users; and
 - (c) measures to provide and/or enable remedy for human rights impacts.
12. The undertaking shall disclose the extent of the alignment of its policy or policies with internationally recognised standards relevant to consumers and end-users, including United Nations (UN) Guiding Principles on Business and Human Rights, the standards set out in Universal Declaration of Human Rights and the two Covenants that implement it. The undertaking shall also state whether its policies enable it to monitor compliance with the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises. The undertaking shall also disclose the extent to which violations in relation to the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises that

¹ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting a mandatory indicator related to principal adverse impacts as set out by indicator #11 in Table 1 of Annex 1 of the related Delegated Regulation 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").

² This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #9 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively "Lack of a human rights policy").

involve consumers and end-users have been reported in its downstream value chain and, if applicable, an indication of these³.

13. The summary shall state if any material impacts are not covered by or addressed in a relevant policy and explain any plans it has to address the gap. When preparing this disclosure, the undertaking shall consider whether severe human rights issues and incidents connected to its consumers and end-users have been reported and, if applicable, disclose these⁴.

Disclosure Requirement S4-2 – Processes for engaging with consumers and end-users about impacts

14. **The undertaking shall explain its general processes for engaging with consumers and end-users and their representatives about actual and potential material impacts on them.**
15. The objective of this Disclosure Requirement is to allow an understanding of whether and how the undertaking engages as part of its ongoing due diligence process with consumers and end-users, their legitimate representatives, or with credible proxies, about material actual and potential positive and/or negative impacts that do or may affect them, and whether and how perspectives of consumers and end-users are taken into account in the decision-making processes of the undertaking.
16. The undertaking shall explain whether and how the perspectives of consumers and end-users inform its decisions or activities aimed at managing actual and potential material impacts on consumers and end-users. This shall include, where relevant, an explanation of:
 - (a) whether engagement occurs with affected consumers or end-users or their legitimate representatives directly, or with credible proxies that have insight into their situation;
 - (b) the stage(s) at which engagement occurs the type of engagement (e.g., participation, consultation, information, etc.), and the frequency of the engagement (e.g., quarterly, yearly, etc);
 - (c) the most senior role within the undertaking that has operational responsibility for ensuring this engagement happens and the results inform the undertaking's approach; and
 - (d) where applicable, how the implementation of, and, where relevant, outcomes from engagements are monitored.
17. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with consumers and end-users, it shall disclose this to be the case. It may report a timeframe in which it aims to have such a process to be in place.

Disclosure Requirement S4-3 – Processes to remediate negative impacts and channels for consumers and end-users to raise concerns

18. **The undertaking shall describe the process it has in place to provide for or cooperate in the remediation of negative impacts on consumers and end-users that the undertaking has identified it has caused or contributed to, as well as channels available to consumers and end-user to raise concerns.**

³ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting a mandatory indicator related to principal adverse impacts as set out by indicator #10 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises").

⁴ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #14 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Number of identified cases of severe human rights issues and incidents").

19. The objective of this Disclosure Requirement is to allow an understanding of the formal means by which consumers and end-users can make their concerns and needs known directly to the undertaking, and/or through which the undertaking supports the availability of grievance mechanisms by its business relationships, how follow up is performed with these consumers and end-users regarding the issues raised, and the effectiveness of these channels.

20. The undertaking shall describe:

its approach to identify and address grievances, including the channels it has in place for consumers and end-users to raise their concerns/complaints or needs directly with the undertaking; and/or grievance mechanisms that the undertaking may have established or participates in;

- (a) the channels it has in place for consumers and end-users to raise their concerns or needs directly with the undertaking, including whether these are established by the undertaking itself or through participation in external mechanisms;
- (b) its processes through which the undertaking supports or requires the availability of mechanisms by its business relationships;
- (c) its broader approach to and processes for providing or contributing to remedy where it has identified that it has caused or contribute to a material adverse impact on consumers and end-users; and
- (d) how it tracks and monitors issues raised and addressed, and how it ensures the effectiveness of the mechanisms, including through involvement of stakeholders who are the intended users.

21. The undertaking shall explain whether and how it assesses that consumers and end-users are aware of and trust these structures or processes as a way to raise their concerns or needs and have them addressed, and whether the undertaking has policies in place regarding the protection of individuals that use them against retaliation.⁵

22. If the undertaking cannot disclose the above required information because it has not adopted a channel for raising concerns and/or does not support the availability of mechanisms by its business relationships, it shall disclose this to be the case. It may report a timeframe in which it aims to have such a channel or processes to be in place.

Disclosure Requirement S4-4 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

23. **The undertaking shall explain the time-bound and outcome-oriented targets related to:**

- (a) reducing negative impacts on consumers and end-users; and/or
- (b) advancing positive impacts on consumers and end-users; and/or
- (c) managing material risks and opportunities.

24. The objective of this Disclosure Requirement is to allow an understanding of the extent to which the undertaking is using time-bound and outcome-oriented targets to drive and measure progress in addressing negative impacts, and/or advancing positive impacts, on consumers and end-users.

25. The summary of the description of the targets to manage its material impacts, risks and opportunities on consumers and end-users shall contain the information requirements defined in ESRS 2 Disclosure Guideline MT-DG1 On Targets, progress and tracking effectiveness.

⁵ This information indirectly and for certain elements supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional principal adverse impact as set out by indicator #6 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (“Insufficient whistle-blower protection”).

26. The undertaking shall disclose the process for setting the targets, including whether and how the undertaking engaged directly with consumers and end-users, their legitimate representatives, or with credible proxies that have insight into their situation in:
- (a) setting any such targets;
 - (b) tracking the undertaking's performance against them; and
 - (c) Where applicable, identifying any lessons or improvements as a result of the undertaking's performance.

Disclosure Requirement S4-5 – Taking action on material impacts on consumers and end-users, and approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users and effectiveness of those actions

27. **The undertaking shall disclose its approaches to taking action on material impacts on consumers and end-users, and to mitigating material risks and pursuing material opportunities related to consumers and end-users and effectiveness of those actions.**

28. The objective of this Disclosure Requirement is twofold. First, it is to allow an understanding of the actions and types of processes, initiatives or engagements through which the undertaking:

- (a) works to prevent, mitigate and remedy the adverse material impacts on consumers and end-users,
- (b) seeks to achieve positive material impacts for consumers and end-users, while
- (c) recognising that in both instances, the ultimate aim is to deliver improved outcomes in consumers and end-users' lives.

Second, to provide an understanding of the ways in which the undertaking is addressing the material risks and pursuing the material opportunities related to consumers and end-users.

29. In relation to material impacts, the undertaking shall explain:

- (a) what action is planned or underway to prevent, mitigate or remedy material negative impacts on consumers and end-users that are connected to its operations, products or services;
- (b) any additional initiatives or processes it has in place with the primary purpose of positively contributing to improved social outcomes for consumers and end-users; and
- (c) how it tracks and assesses the effectiveness of these actions, programmes and processes in delivering intended outcomes for consumers and end-users.

30. In relation to paragraph 29, the undertaking shall describe its approaches to:

- (a) identifying what action is needed and appropriate in response to a particular actual or potential material negative impact;
- (b) taking action in reaction to specific material negative impacts on consumers and end-users, including any action in relation to its own practices regarding product design, marketing or sales, as well as whether wider industry or collaborative action with other relevant parties will be required; and
- (c) ensuring that processes to provide or enable remedy in the event of negative impacts are available and effective in their implementation and outcomes.

31. In relation to material risks and opportunities, the undertaking shall describe:

- (a) what action is planned or underway to mitigate material risks for the undertaking arising from its impacts and dependencies on consumers and end-users and how it tracks effectiveness in practice; and

- (b) what action is planned or underway to pursue material opportunities for the undertaking in relation to consumers and end-users.
32. The undertaking shall disclose whether and how it ensures that its own practices do not cause or contribute to material negative impacts on consumers and end-users, including, where relevant, its practices in relation to procurement, sales and data use. This may include explaining what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.
33. The summary of the description of the action plans and resources to manage its material impacts, risks and opportunities in relation to consumers and end-users shall contain the information requirements defined in ESRS 2 Disclosure Guideline IRO-DG2 on Action plans and resources in relation to policies and targets. In addition, the undertaking shall describe the approaches and processes through which it tracks the effectiveness of the actions it takes to address impacts.
34. In the event of actual material negative impacts on consumers and end-users during the reporting period, the undertaking shall explain whether and how it was taken action to provide or enable remedy in relation to the actual material impact (to the extent of its contribution).

Appendix A: Defined terms

This appendix is an integral part of the [draft] ESRS S4 Consumers and End-users.

Consumer	Individuals who acquire, consume or use goods and services for personal use, either for themselves or for others, and not for resale or commercial purposes. Consumers include actually and potentially affected end-users.
End-users	Individuals who ultimately use or are intended to ultimately use a particular product or service.

Appendix B: Application Requirements

This appendix is an integral part of the [draft] ESRS S4 Consumers and End-users Standard. It describes the application of the requirements set for in paragraphs 7-34 and has the same authority as the other parts of this [draft] ESRS S4 Standard.

Objective

- AR 1. The undertaking may highlight special issues relevant to a material impact for a shorter period of time, for instance initiatives regarding the health and safety of consumers and end-users in relation to contamination of a product or severe breach of privacy due to a massive data leak.

ESRS 2 General disclosures

Consumers and end-user-related specific application guidance on ESRS 2 Disclosure Requirement SBM 5 (paragraphs 51 (a) and (b)) on interests and expectations of stakeholders

- AR 2. The Section on ESRS 2 Disclosure Requirement SBM 5 requires the undertaking to provide an understanding of if and how it considers whether its business model and strategy play a role in creating, exacerbating or (conversely) mitigating significant material impacts on consumers and end-users, and whether and how the business model and strategy are adapted to address such material impacts.
- AR 3. When responding to ESRS 2 Disclosure Requirement SBM 5 paragraphs 51 (a) and (b), the undertaking shall explain how the views, interests, rights and expectations of (actual or potential) materially affected consumers and end-users, including respect for their human rights, inform its strategy and business model. Consumers and end-users are a key group of affected stakeholders.
- AR 4. While consumers and end-users will often not be engaging with an undertaking at the level of its strategy or business model, their views shall inform the undertaking's assessment of its strategy and business model. Where possible, the undertaking shall also report on the views of the (actual or potential) materially affected consumers and end-users' legitimate representatives or those of credible proxies that have insight into their situation (such as national consumer protection bodies for some consumers).

Consumers and end-users-related specific application guidance on ESRS 2 Disclosure Requirement SBM 4 (paragraphs 46 (a) to (c)) on the material impacts, risks and opportunities and their interaction with the strategy and business models

- AR 5. When responding to ESRS 2 Disclosure Requirement SBM 3 paragraphs 46 (a) to (c), the undertaking shall explain whether and how actual and potential impacts on consumers and end-users as identified in ESRS 2 Disclosure Requirements IRO 1 and 2 (a) originate from or are connected to, and (b) inform and contribute to adapting, the undertaking's strategy and business model(s). Impacts on consumers and end-users can originate in an undertaking's business model or strategy in a number of different ways. For example, impacts may relate to the undertaking's value proposition (e.g., providing online platforms with potential for online and offline harm, providing products that harm when overused, misused or when used as intended). Impacts may also relate to the undertaking's value chain (e.g., speed in developing products or services, or delivering projects, with risks to health and safety), or its cost structure and the revenue model (e.g., sales-maximising incentives that put consumers at risk).
- AR 6. Impacts on consumers and end-users that originate in the business model or strategy can also bring material risks to an undertaking. For example, if an undertaking's business model depends on the use of facial recognition technology in its products, where these capabilities are misused by third parties to track and persecute individuals, the undertaking may face reputational risk or have to abandon or invest in changing its technology to address regulator, investor or consumer concerns. If

an undertaking's business model is premised on incentivising its sales force to sell high volumes of a product or service (e.g., credit cards or pain medicine) at speed, and this results in large-scale harm to consumers, the undertaking may face lawsuits and public opprobrium affecting its future business and credibility.

Consumers and end-users-related specific application guidance on ESRS 2 Disclosure Requirement IRO 2 on Material information covered by the undertaking's sustainability report

AR 7. The undertaking shall disclose in the scope of its reporting under ESRS 2 whether all consumers and end users who can be materially impacted through the undertaking's own operations or in its upstream or downstream value chain by a business relationship related to the undertaking's products, services and activities are included in the scope of its reporting under ESRS 2. When responding to ESRS 2 Disclosure Requirement IRO paragraph 61, the undertaking shall provide the following information:

- (a) a brief description of the types of consumers and end-users subject to material impacts by its operations or through its value chain:
 - i. Consumers and end-users of products that are inherently harmful to people and/or increase risks for chronic disease;
 - ii. consumers and end-users of services that potentially negatively impact their rights to privacy, have their personal data protected, freedom of expression and non-discrimination;
 - iii. consumers or end-users who are dependent on accurate and accessible product- or service- related information, such as manuals and product labels, to avoid potentially damaging use of a product or service;
 - iv. consumers or end-users who are particularly vulnerable to health or privacy impacts or impacts from marketing and sales strategies, such as children or financially vulnerable individuals;
- (b) in the case of negative impacts, whether they are widespread or systemic in contexts where the undertaking operates or sells or provides its products or services (e.g., state surveillance that affects the privacy of service users), or whether they are related to individual incidents (e.g., a defect linked to a particular product) or to specific business relationships (e.g., a business partner uses marketing that inappropriately targets young consumers);
- (c) in the case of positive impacts, a brief description of the activities that result in the positive impacts (e.g., product design that improves its accessibility for persons with disabilities) and the types of consumers and end-users that are positively affected or could be positively affected, including their geographic location;
- (d) any material risks and opportunities for the business arising from impacts and dependencies on consumers and end-users.

AR 8. In describing the main types of consumers and end-users negatively affected following the process set out in ESRS 2 Disclosure Requirement IRO 1, the undertaking shall explain how it has developed an understanding of how consumers and end-users with particular characteristics, those working in particular contexts, or those using particular products or services may be at greater risk of harm. For example, this may be because consumers and end-users are young and may be more susceptible to impacts on their physical and mental development, or they lack financial literacy and may be more susceptible to exploitative sales or marketing practices, or they are women in a context where women are routinely discriminated against in their access to particular services or in the marketing of particular products.

AR 9. In describing the material risks and opportunities for the business arising from impacts and dependencies on consumers and end-users the undertaking shall explain which, if any, of those

material risks and opportunities arise from its material positive or negative impacts on consumers and end-users. This could be because a material impact on consumers and end-users could affect the undertaking's future cash flows, for example, if some consumers or end-users boycott a product or service following a health scare or major data privacy breaches.

AR 10. The business risks, which can lead to material financial risks, could also arise because of the undertaking's dependency on consumers and end-users where low likelihood but high impact events may affect the undertaking's future cash flows, for example, where a global pandemic leads to severe impacts on certain consumers' livelihoods resulting in major changes in patterns of consumption.

Disclosure Requirements

Disclosure Requirement S4-1 – Policies related to consumers and end-users

AR 11. The summary shall include the key information necessary to ensure a faithful representation of the policy in relation to consumers and end-users, and therefore, the undertaking shall consider explanations of significant changes to the policy adopted during the reporting year (e.g., new expectations for business customers, new or additional approaches to due diligence and remedy).

AR 12. The policy may take the form of a stand-alone policy regarding consumers and end-users or be included in a broader document such as a code of ethics or a general sustainability policy that has already been disclosed by the undertaking as part of another ESRS. In those cases, the undertaking shall provide an accurate cross-reference to identify the aspects of the policy that satisfy the requirements of this Disclosure Requirement.

AR 13. When explaining how external facing policies are embedded, undertakings may, for example, consider internal-facing sales and distribution policies and alignment with other policies relevant to consumers and end-users. The undertaking shall also explain its policies for safeguarding the veracity and usefulness of information provided to potential and actual consumers and end-users, both before and after sale.

AR 14. As an illustration of the types of communication of its policies to those individuals, group 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 business customers), because they have a direct interest in their implementation (for example, consumers and end-users, investors), to help ensure that the policy is accessible and that they understand its implications, the undertaking may disclose communication tools and channels (e.g., flyers, newsletters, dedicated websites, social media, face to face interactions, consumer representative organisations) and / or the identification and removal of potential barriers for dissemination, such as through translation into relevant languages or the use of graphic depictions.

Disclosure Requirement S4-2 – Processes for engaging with consumers and end-users about impacts

AR 15. Legitimate representatives or credible proxies who have knowledge of their interests, experiences or perspectives could include national consumer protection bodies for some consumers.

AR 16. When describing what position or function has operational responsibility for such engagement and/or ultimate accountability, and whether it requires certain skills of, or provides training or capacity-building for, relevant staff to undertake engagement, the undertaking may disclose whether this is a dedicated role or function or part of a broader role or function. If it cannot identify such a position or function, it may state so. This requirement could also be fulfilled with reference to ESRS 2 Disclosure Requirement GOV 1.

AR 17. When preparing the disclosures described in paragraph 19 b) and c), the following illustrations may be considered:

- (a) for stage(s) at which engagement occurs, examples could be in determining mitigation approaches or in evaluating their effectiveness;
- (b) for type of engagement, these could be participation, consultation and/or information;
- (c) for the frequency of the engagement, information may be provided on whether engagement occurs on a regular basis, at certain points in a project or business process, as well as whether it occurs in response to legal requirements and/or in response to stakeholder requests and whether the result of the engagement is being integrated into the undertaking's decision-making processes; and
- (d) for the role with operational responsibility, whether it requires certain skills of, or provides training or capacity building to relevant staff to undertake engagement.

AR 18. To illustrate how the perspectives of consumers and end-users have informed specific decisions or activities of the undertaking, the undertaking may provide examples from the current reporting period.

Disclosure Requirement S4-3 – Processes to remediate negative impacts and channels for consumers and end-users to raise concerns

AR 19. In fulfilling the requirements set out by the disclosure criteria of ESRS S2-3, undertakings may be guided by the content of the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises focused on remediation and grievance mechanisms.

AR 20. To provide greater insight into the information covered in the Disclosure Requirement, undertakings may provide insight into whether and how consumers and end-users that may be affected are able to access channels at the level of the undertaking they are employed by, or contracted to work for, in relation to each material impact.

AR 21. Channels for raising concerns or needs, include grievance mechanisms, hotlines, trade unions (where workers are unionised), dialogue processes or other means through which consumers and end-users or their legitimate representatives can raise concerns about impacts or explain needs that they would like the undertaking to address. This could include channels provided by the undertaking directly, and is to be reported in addition to any other mechanisms an undertaking may use to gain insight into the management of impacts on consumers and end-users, such as compliance audits. Where the undertaking is relying solely on information about the existence of such channels provided by its business relationships to answer this requirement, it may state that.

AR 22. Third party mechanisms could include those operated by the government, NGOs, industry associations and other collaborative initiatives. With regard to the scope of these mechanisms, undertakings may disclose whether these are accessible to all consumers and end-users who may be potentially or actually materially impacted by the undertaking (or individuals or organisations acting on their behalf or who are otherwise in a position to be aware of adverse impacts), and through which consumers and end-users (or individuals or organisations acting on their behalf or who are otherwise in a position to be aware of adverse impacts), can raise complaints or concerns related to the undertaking's own activities.

AR 23. In relation to the protection of individuals that use the mechanisms against the retaliation, the undertaking may describe whether it treats grievances confidentially and with respect to the rights of privacy and data protection and whether they allow for consumer and end-users to use them anonymously (for example, through representation by a third party).

AR 24. The undertaking may explain whether these various mechanisms treat grievances confidentially and with respect to the rights of privacy and data protection and whether they allow for consumer and end-users to use them anonymously (for example, through representation by a third party).

AR 25. In explaining whether and how the undertaking knows that consumers and end-users are aware of and trust any of these channels, the undertaking may provide relevant and reliable data about the effectiveness of these channels from the perspective of consumers and end-users themselves. Examples of sources of information are surveys of consumers and end-users that have used such channels and their levels of satisfaction with the process and outcomes. If it collects them as part of its tracking of the effectiveness of customer service, the undertaking shall disclose the number of complaints received from consumers and end-users, the number of complaints resolved and the average time it takes to resolve a complaint. If possible, these numbers shall be disaggregated by type of complaint (e.g. product quality, quality of product information before and after sales, marketing, discrimination etc.).

AR 26. In describing the effectiveness of channels for consumers and end-users to raise concerns, the undertaking may be guided by the following questions, based on the “effectiveness criteria for nonjudicial grievance mechanisms”, as laid out in the UN Guiding Principles on Business and Human Rights. The below considerations may be applied on an individual channel basis or for the collective system of channels:

- () do the channels hold legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust?
- (a) are the channels accessible?
- (b) do the channels have known procedures, set timeframes and clarity on the processes?
- (c) do the channels ensure reasonable access to sources of information, advice and expertise?
- (d) are the channels transparent and providing sufficient information to meet any public interest at stake?
- (e) does the outcome accord with internationally recognised human rights?
- (f) does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future impacts?
- (g) does the undertaking focus on dialogue with complainants as the means to reach agreed solutions, rather than seeking to unilaterally determine the outcome?

For more information, see Principle 31 of the UN Guiding Principles on Business and Human Rights.

Disclosure Requirement S4-4 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

AR 27. When disclosing targets in relation to consumers and end-users, the undertaking shall consider disclosing, where applicable:

- () the intended outcomes to be achieved for consumers and end-users;
- (a) that these are measurable/verifiable;
- (b) their stability over time in terms of definitions and methodologies to allow for continuity in the data points derived from the targets, and/or
- (c) standards or commitments on which the targets are based shall also be clearly defined in the reporting (for instance code of conducts, sourcing policies, global frameworks or industry codes).

AR 28. Any targets reported related to impacts shall clearly relate to the intended outcomes to be achieved in the lives of a certain number of consumers and end-users. Targets related to risks and opportunities may be the same as or distinct from targets tied to impacts. Therefore, no distinction is to be made per se, but what the target is aiming at shall be disclosed (i.e., impact and/or risks and opportunities)". For example, a target to ensure equal access to finance for underserved consumers

could both reduce discrimination impacts on those consumers and enlarge the undertaking's pool of customers.

AR 29. The undertaking may also distinguish between short, medium and long-term targets covering the same policy commitment. For example, an undertaking may have as a main objective to make its online services accessible to people with disabilities, with the long-term goal of having adapted 100% of its online services by 2025, and with the short-term objective of adding x number of accessible features every year up and until 2025.

AR 30. When modifying or replacing a target in the reporting period, the undertaking may explain the change by linking it to significant changes in the business model or to broader changes in the accepted standard or legislation from which the target is derived to provide contextual information.

Disclosure Requirement S4-5 – Taking action on material impacts, and approaches to mitigating material financial risks and pursuing material financial opportunities related to consumers and end-users and effectiveness of those actions and approaches

AR 31. The undertaking may provide contextual information as time lags may arise (for example, it may take time to understand negative impacts and how the undertaking may be involved with them through its downstream value chain, as well as to identify appropriate responses and put them into practice). Therefore, the undertaking shall consider disclosing:

- () its general and specific approaches to addressing material negative impacts;
- (a) its initiatives aimed at contributing to additional material positive impacts;
- (b) how far it has progressed in its efforts during the reporting period; and
- (c) its aims for continued improvement.

AR 32. Appropriate action will vary according to whether the undertaking causes or contributes to a material impact, or whether it is involved because the impact is directly linked to its operations, products or services by a business relationship.

AR 33. Given that material negative impacts affecting consumers and end-users that have occurred during the reporting period may not be caused or contributed by the undertaking alone and may be linked to entities or operations outside its direct control, the undertaking may disclose whether and how it seeks to use leverage with relevant business relationships to manage those impacts. This may include using commercial leverage (for example, enforcing contractual requirements with business relationships or implementing incentives), other forms of leverage within the relationship (such as providing training or capacity-building on proper product use or sale practices to business relationships) or collaborative leverage with peers or other actors (such as initiatives aimed at responsible marketing or product safety).

AR 34. When the undertaking reports on its participation in an industry or multi-stakeholder initiative as part of its actions to address material negative impacts, the undertaking may disclose how the initiative, and its own involvement, is aiming to address the material impact concerned. It may report under ESRS S2- 4 Disclosure Requirement regarding any relevant targets set by the initiative and progress towards them.

AR 35. When disclosing whether and how it considers actual and potential impacts on consumers and end-users in decisions to terminate business relationships and whether and how it seeks to address any negative impacts that may result from termination, the undertaking may include examples. In explaining how it tracks the effectiveness of its actions to manage material impacts during the reporting period, the undertaking may disclose any lessons learned from the previous and current reporting periods.

AR 36. . Processes used to track the effectiveness of actions can include internal or external auditing or verification, court proceedings and/or related court decisions, impact assessments, measurement

systems, stakeholder feedback, grievance mechanisms, external performance ratings, and benchmarking.

AR 37. With regards to initiatives or processes the undertaking has in place that are based on affected consumers and end-users' needs and their level of implementation, undertakings may disclose:

- () information about whether and how consumers and end-users and legitimate representatives or their credible proxies play a role in decisions regarding the design and implementation of these programmes or processes; and
- (a) information about the intended or achieved positive outcomes for consumers and end-users of these programmes or processes.

AR 38. The undertaking may explain whether any initiatives or processes whose primary aim is to deliver positive impacts for consumers and end-users are designed to also support the achievement of one or more of the UN Sustainable Development Goals (SDGs). For example, through a commitment to advance UN SDG 3 to "ensure healthy lives and promote well-being for all at all ages" the undertaking may be actively working to make its products less addictive and harmful to physical and psychological health, which can benefit both the consumers and end-users themselves, but also their families and communities.

AR 39. When reporting on the intended positive outcomes of its actions for consumers and end-users a distinction is to be made between evidence of certain activities having occurred (e.g., that x number of consumers have received information about healthy eating habits) from evidence of actual outcomes for consumers and end-users (e.g., that x number of consumers have changed their eating habits and improved their overall health).

AR 40. When disclosing whether initiatives or processes also play a role in mitigating material negative impacts, undertakings may e.g. consider programmes that aim to support heightened digital awareness of the risk of online scams, that have led to a reduction in the number of cases of end-users experiencing breaches of data privacy.

AR 41. When disclosing the financial risks and opportunities related to an undertaking's impacts or dependencies on consumers and end-users, the undertaking may consider the following business risks that could lead into financial risks and business opportunities in pursuing opportunities:

- () business risks related to an undertaking's impacts on consumers and end-users might include the reputational or legal exposure where poorly designed or defective products result in injuries or deaths;
- (a) business risks related to an undertaking's dependencies on consumers and end-users might include the loss of business continuity where an economic crisis makes consumers unable to afford certain products or services;
- (b) business opportunities related to an undertaking's impacts on consumers and end-users might include market differentiation and greater customer appeal from offering safe products or privacy-respecting services; and
- (c) business opportunities related to an undertaking's dependencies on consumers and end-users might include the achievement of a loyal future consumer base by ensuring, for example, that LGBTQI communities are respected and included in the products or services offered by the undertaking.

AR 42. When explaining whether dependencies turn into risks, the undertaking shall consider external developments-

AR 43. When disclosing policies, targets, action plans and resources related to the management of material risks and opportunities, in cases where risks and opportunities arise from a material impact, the undertaking may cross-reference its disclosures on policies, targets, action plans and resources in relation to that impact.

AR 44. The undertaking shall consider the extent to which its processes to manage material risks related to consumers and end-users are integrated into its existing risk management processes and how.

AR 45. When reporting on resources allocated to the management of material impacts, undertakings are expected to explain which internal functions are involved in managing the impacts and what types of action they take to address negative and advance positive impacts.

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