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[Draft] ESRS S4 Consumers and end-users

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DISCLAIMER

[Draft] ESRS S4 *Consumers and end-users* is set out in paragraphs 1–41 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 which will enable users of the sustainability statements to understand material impacts on consumers and end-users, as well as related material risks and opportunities, including:
 - (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, including cash flows, financial position and financial performance and position over the short-, medium- and long-term.
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 (quality) 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 responsible marketing practices.
3. This [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 financial 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

4. This [draft] standard applies when material impacts on and/or material risks and opportunities related to consumers and end-users have been identified through the materiality assessment process laid out in ESRS 2 *General disclosures*.
5. This [draft] Standard shall be read in conjunction with ESRS 1 *General requirements*, and ESRS 2, as well as ESRS S1 *Own workforce*, ESRS S2 *Workers in the value chain* and ESRS S3 *Affected communities*.

Disclosure Requirements

ESRS 2 General Disclosures

6. The provisions of this [draft] Standard shall be applied in conjunction with and reported alongside the disclosure required by of ESRS 2. Specifically, in relation to ESRS 2 CCR-1 to CCR-3 that define the disclosures for the undertaking when reporting on policies, actions and resources, and targets.
7. This disclosure requirements or application requirements to report on consumers and end-users under ESRS 2 provisions relate to i:
 - (a) the outcome of the assessment of material sustainability impacts, risks and opportunities and its interaction with the strategy and business model(s) as per Disclosure Requirement ESRS 2

SBM-3 *Material impacts, risks and opportunities and their interaction with strategy and business model(s)*; and

- (b) the views and expectations of affected communities and how these have informed the undertaking's sustainability strategy and business model(s) as per Disclosure Requirements ESRS 2 SBM-2 *Views and interests of stakeholders*.

Strategy

Disclosure Requirement related to ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with the undertaking's strategy and business model(s)

8. When responding to ESRS 2 SBM-3, the undertaking shall disclose:
- (a) whether and how actual and potential impacts on consumers and end-users as identified Disclosure Requirements ESRS 2 IRO-1 *Description of the processes to identify and assess material impacts, risks and opportunities* and (i) originate from or are connected to, and (ii) inform and contribute to adapting the undertaking's strategy and business model(s), and
 - (b) the relationship between its material risks and opportunities arising from impacts and dependencies on consumers and end-users and its strategy and business model(s).
9. When fulfilling the requirements of paragraph 46 (a) and (c), the undertaking shall disclose whether all consumers and end-users who can be materially impacted through the undertaking's own operations or in its 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. In addition, 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, and specify whether they are:
 - 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; and
 - (d) any material risks and opportunities for the business arising from impacts and dependencies on consumers and end-users.
10. In describing the main types of consumers and end-users who are or may be negatively affected, based on the materiality assessment 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, or those using particular products or services may be at greater risk of harm.

11. In describing the material financial risks and opportunities for the undertaking 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 impacts on specific groups of consumers and end-users. Such circumstances arise when a material impact on consumers and end-users affect the undertaking's future cash flows, financial position and/or financial performance. For example, if some consumers or end-users boycott a product or service following a health scare or major data privacy breaches.

Disclosure Requirement related to ESRS 2 SBM-2 –Views and interests of stakeholders

12. When responding to Disclosure Requirement ESRS 2 SBM-2, paragraph 43, 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(s). Consumers and end-users are a key group of affected stakeholders.

Impact, risk and opportunity management

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

13. **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 risks and opportunities; and provide a summary of the content of the policies.**
14. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of material impacts on consumers and end-users specifically, as well as policies that cover material financial risks or opportunities related to consumers and end-users.
15. The disclosure required by paragraph 13 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 CCR-1 *Policies adopted to manage material sustainability matters*). In addition, the undertaking shall specify if such policies cover specific groups or all consumers and end-users.
16. The undertaking shall describe its human rights policy commitments¹ that are relevant to consumers and end-users, including those processes and mechanisms to monitor compliance with the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises, in its disclosure it shall focus on those matters that are material, as well as the general approach in relation to ²:
 - (a) respect for the human rights of consumers and end-users;
 - (b) engagement with consumers and end-users; and
 - (a) measures to provide and/or enable remedy for human rights impacts.
17. The undertaking shall disclose whether and how its policies with regard to consumers and end-users are aligned with internationally recognised standards relevant to consumers and end-users, including United Nations (UN) Guiding Principles on Business and Human Rights. 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 involve consumers and end-

¹ 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").

² 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").

users have been reported in its downstream value chain and, if applicable, an indication of the nature of these³.

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

18. **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.**
19. The objective of this Disclosure Requirement is to enable 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.
20. The undertaking shall disclose 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, and the frequency of the engagement;
 - (c) The function and the most senior role within the undertaking that has operational responsibility for ensuring this engagement happens, and that the results inform the undertaking's approach; and
 - (d) where applicable, how the undertaking assesses the effectiveness of its engagement with consumers and end-users, and, where relevant, any agreements or outcomes that result.
21. Where applicable, the undertaking shall explain the steps it takes to gain insight into the perspectives of consumers and end-users that may be particularly vulnerable to impacts and/or marginalised (for example, people with disabilities, children, etc.).
22. 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

23. **The undertaking shall describe the processes 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 and have them addressed.**
24. The objective of this Disclosure Requirement is to enable 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 such channels (for example, grievance mechanisms) by its business relationships, how follow up is performed with

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") and 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 2.

these consumers and end-users regarding the issues raised, and the effectiveness of these channels.

25. The undertaking shall describe:
 - (a) its general 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, including whether and how the undertaking assesses that remediation is effective;
 - (b) any specific channels it has in place for consumers and end-users to raise their concerns or needs directly with the undertaking and have them addressed, including whether these are established by the undertaking itself and/or through participation in third-party mechanisms;
 - (c) its processes through which the undertaking supports or requires the availability of such channels by its business relationships; and
 - (d) how it tracks and monitors issues raised and addressed, and how it ensures the effectiveness of the channels, including through involvement of stakeholders who are the intended users.
26. 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. In addition, the undertaking shall explain whether the undertaking has policies in place regarding the protection of individuals that use them against retaliation.⁴
27. 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 – 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

28. **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.**
29. The objective of this Disclosure Requirement is twofold. First, it is to provide an understanding of any processes, initiatives or engagements through which the undertaking seeks to improve consumers and end-users' lives, whether by:
 - (a) working to prevent, mitigate and remedy the adverse material impacts on consumers and end-users, and/or
 - (b) seeking to achieve positive material impacts for consumers and end-users.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.
30. In relation to material impacts, the undertaking shall describe:
 - (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.
31. In relation to paragraph 30, the undertaking shall describe its approaches to:

⁴ 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").

- (a) identifying what action is needed and appropriate in response to a particular actual or potential material negative impact on consumers and end-users;
 - (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 material negative impacts are available and effective in their implementation and outcomes.
32. 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.
33. 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.
34. 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 these⁵.
35. 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 ESRS 2 CCR-2 *Actions 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.
36. 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 where the undertaking has caused or contributed to it.
37. The undertaking shall explain what resources are allocated to the management of its material impacts with specific and detailed information that enables readers to gain an understanding of how the material impacts are managed.

Metrics and targets

Disclosure Requirement S4-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

38. **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 financial risks and opportunities related to consumers and end-users.
39. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking is using time-bound and outcome-oriented targets to drive and measure progress

⁵ 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”).

in addressing negative impacts, and/or advancing positive impacts on consumers and end-users, and/or in managing material risks and opportunities related to consumers and end-users.

40. 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 CCR-3 *Tracking effectiveness of policies and actions through targets*.
41. 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) identifying, if any, lessons or improvements as a result of the undertaking's performance.

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 7-41 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

Strategy

Disclosure Requirement related to ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model(s)

- AR 2. Impacts of consumers and end-users can originate in an undertaking's business model(s) 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), its 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 3. Impacts on consumers and end-users that originate in the business model(s) or strategy can also bring material risks to an undertaking. For example, if an undertaking's business model(s) 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(s) 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.
- AR 4. Examples of particular characteristics of consumers and end-users that may be considered by the undertaking when responding to paragraph 10 relate to young consumers and end-users that 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 5. With regard to paragraph 11, 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 Requirement related to ESRS 2 SBM-2 – Views and interests of stakeholders

- AR 6. The Section on Disclosure Requirement ESRS 2 SBM-2 requires the undertaking to provide an understanding of if and how it considers whether its strategy and business model(s) play a role in creating, exacerbating or (conversely) mitigating significant material impacts on consumers and end-users, and whether and how the business model(s) and strategy are adapted to address such material impacts.

- AR 7. While consumers and end-users may not be engaging with an undertaking at the level of its strategy or business model(s), their views can inform the undertaking's assessment of its strategy and business model(s). The undertaking shall consider reporting 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.

Impact, risk and opportunity

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

- AR 8. The summary shall include the key information necessary to ensure a faithful representation of the policies in relation to consumers and end-users, and therefore, the undertaking shall consider explanations of significant changes to the policies adopted during the reporting year (e.g., new expectations for business customers, new or additional approaches to due diligence and remedy).
- AR 9. 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 10. In reporting on its alignment of its policies with the UN Guiding Principles on Business and Human Rights, the undertaking shall consider that the Guiding Principles refer to the International Bill of Rights, which consists of the Universal Declaration of Human Rights and the two Covenants that implement it, and may report on alignment with these underlying standards.
- AR 11. 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 consider 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 12. 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), or both. 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 13. Credible proxies who have knowledge of the interests, experiences or perspectives of consumers and end-users could include national consumer protection bodies for some consumers.
- AR 14. When describing which function or role 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 Disclosure Requirement ESRS 2 GOV-1 *The role of the administrative, supervisory and management bodies*.
- AR 15. When preparing the disclosures described in paragraph 15 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 16. 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 17. 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 the OECD Guidelines for Multinational Enterprises focused on remediation and grievance mechanisms.
- AR 18. 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 19. To provide greater insight into the information covered in Disclosure Requirement S4-3, 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 affected by, in relation to each material impact.
- AR 20. 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 21. 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 22. 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. To illustrate the usage level of such channels, the undertaking may disclose the number of complaints received from consumers and end-users during the reporting period.
- AR 23. 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:
- (a) do the channels hold legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust?

- (b) are the channels known and accessible to stakeholders?
- (c) do the channels have known procedures, set timeframes and clarity on the processes?
- (d) do the channels ensure reasonable access to sources of information, advice and expertise?
- (e) do the channels offer transparency by providing sufficient information both to complainants and where applicable, to meet any public interest at stake?
- (f) do the outcomes achieved from the channels accord with internationally recognised human rights?
- (g) does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future impacts?
- (h) 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 – 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 24. 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:
- (a) Its general and specific approaches to addressing material negative impacts;
 - (b) its initiatives aimed at contributing to additional material positive impacts;
 - (c) how far it has progressed in its efforts during the reporting period; and
 - (d) its aims for continued improvement.
- AR 25. Appropriate action can 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 26. 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 27. 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 Disclosure Requirement ESRS S2-4 regarding any relevant targets set by the initiative and progress towards them.
- AR 28. 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.
- AR 29. In explaining how it tracks the effectiveness of actions to manage material impacts during the reporting period, the undertaking may disclose any lessons learned from the previous and current reporting periods.

- AR 30. 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 31. Reporting on effectiveness is aimed at enabling the understanding of the links between actions taken by an undertaking and the effective management of impacts.
- AR 32. With regard 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:
- (a) 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
 - (b) information about the intended or achieved positive outcomes for consumers and end-users of these programmes or processes.
- AR 33. 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 34. 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 35. 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 36. 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:
- (a) 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;
 - (b) 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;
 - (c) 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
 - (d) 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 37. When explaining whether dependencies turn into risks, the undertaking shall consider external developments.
- AR 38. 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 39. 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 40. When reporting on resources allocated to the management of material impacts, undertakings may explain which internal functions are involved in managing the impacts and what types of action they take to address negative and advance positive impacts.

Metrics and targets

Disclosure Requirement S4-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

- AR 41. When disclosing targets in relation to consumers and end-users, the undertaking shall consider disclosing, where applicable:
- (a) the intended outcomes to be achieved in the lives of consumers and end-users, being as specific as possible;
 - (b) that these are measurable/verifiable;
 - (c) their stability over time in terms of definitions and methodologies to allow for continuity in the data points derived from the targets, and/or
 - (d) standards or commitments on which the targets are based are to be clearly defined in the reporting (for instance code of conducts, sourcing policies, global frameworks or industry codes).
- AR 42. 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 is to 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 43. 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 44. 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(s) or to broader changes in the accepted standard or legislation from which the target is derived to provide contextual information.

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