

**[Draft] Voluntary ESRS**  
**for non-listed Small- and Medium-Sized Enterprises**  
**– Exposure Draft**  
**(VSME ESRS ED)**

**[DISCLAIMER – SR TEG PUBLIC MEETING]**

This paper has been prepared by the EFRAG Secretariat for a public discussion at EFRAG SR TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG SRB or EFRAG SR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG SRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

- [DISCLAIMER – status of this draft]This draft is subject to editorial review.
- Number of internal cross-references between paragraphs has to be checked.
- Footnotes that relate to the SFDR, Pillar and Benchmark indicators will be deleted from the main body and included in a separate appendix, as they only are relevant for the users, not for the SME that prepares the report.
- The second column of the table with the Business Partners metrics will be moved to an appendix dedicated to users.
- The table in paragraph 69 will also be moved to the appendix dedicated to users.
- Additional guidance will be added as a late paper for this SR TEG meeting.

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## Objective of this Standard and to which companies it applies

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~~2.1.~~ The objective of this Standard is to support micro-, small- and medium-sized undertakings in:

- a) contributing to a more sustainable and inclusive economy;
- b) improving their management of the sustainability issues they face, i.e. environmental and social challenges, such as pollution, workforce health and safety. This will support their competitive growth and enhance their resilience in the short- medium- and long-term;
- c) providing information that will help satisfy data demand from lenders/credit providers and investors, therefore helping undertakings in their access to finance;
- d) ~~providing~~ providing information that will help satisfy the data demand needs of large undertakings requesting sustainability information from their suppliers.

~~3.2.~~ This Standard is voluntary and applies ~~to~~ to undertakings whose securities are not admitted to trading on a regulated market in the European Union (not listed). Article 3 of Directive 2013/34/EU, defines and distinguishes three categories of small and medium-sized undertakings based on their balance sheet total, their net turnover and their average number of employees during the financial year. An undertaking is micro if it does not exceed two of the following thresholds: €350,000 in balance sheet total, €700,000 in net turnover and 10 employees. An undertaking is small if it does not exceed two of the following thresholds: €4 million in balance sheet total, €8 million in net turnover, or an average of 50 employees. An undertaking is medium if it does not exceed two of the following thresholds: €20 million in balance sheet total, €40 million in net turnover and 250 employees.

~~4.3.~~ These undertakings are outside the scope of the Corporate Social Reporting Directive (CSRD), but are encouraged to use this Standard to prepare and share with whoever it may concern sustainability information. This [draft] Standard covers the same sustainability issues as the European Sustainability Reporting Standards (ESRS) for large undertakings, but is based upon the key concept of proportionality and therefore takes into account undertakings' fundamental characteristics. Micro-Enterprises are welcome to use only certain parts of this Standard, as highlighted in ~~Section X~~ par. ~~XX.6 (a)~~.

~~5.4.~~ Unlike the ~~European Sustainability Reporting Standards~~ ESRS for large undertakings, with which consistency has been carefully considered while defining proportionate requirements, this [draft] ~~standard~~ Standard has no legal authority. It offers undertakings that are outside the scope of the CSRD (see paragraph ~~XX.2~~), a voluntary tool for sustainability reporting. ~~These undertakings have also the possibility, if they wish, to apply on a voluntary basis the ESRS.~~

~~5.~~ ~~This chapter outlines how the~~ These undertakings ~~have also the possibility, if they wish, to apply on a voluntary basis the ESRS for large undertakings.~~

## 8. Modules that constitute this Standard

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~~9.6.~~ This Standard includes three modules that the undertaking can use as the basis for preparation of its sustainability report:

- a) **Basic Module:** [Disclosures B 1](#) and [B 2 and Basic Metrics \(B 3 – B 11\)](#) . This module is the target approach for micro-undertakings and a minimum requirement for other undertakings. Materiality analysis is not required.
- b) **Narrative-Policies, Actions and Targets (PAT) Module:** [This module defines narrative disclosures \(N1 – N5\)](#) in relation to Policies, Actions and Targets (PAT), [to be reported](#) if the undertaking has them in place. This module is suggested to undertakings that have formalised and implemented PAT. Materiality analysis is required [in order to disclose which of the sustainability matters in Appendix B are relevant for the undertaking's business and organization.](#)

c) **Business Partners (BP) Module:** This module sets additional datapoints that are likely to be included in data requests from lenders, investors and corporate clients of the undertaking. Materiality analysis is required in order limit the report only to the datapoints that are relevant for the undertaking.

5-Paragraph 24 below illustrates the available options for the preparation of a sustainability report using this Standard, adopting one or more of these modules. Once chosen, a module shall be complied with in its entirety, subject to the materiality considerations described above.

7. Applying the Basic Module is a prerequisite for applying the Narrative-PAT and/or the Business Partners modules.

8. Appendix A *Defined Terms* includes the definitions of the terms used in this Standard.

## Principles for the preparation of the sustainability report (Basic Module, PAT, Business Partners)

9. This section incudes principles that shall be applied when the undertaking prepares its sustainability report using any of the three modules described above.

### **Complying with this Standard**

6-10. This Standard provides requirements to allow the ~~undertakings~~undertaking to provide relevant information on:

- a) how its business can- have a positive or negative impact on people or on the environment;
- b) which and how social and environmental issues can affect its financial position, performance and cash flows.

11. SustainabilityThe sustainability report shall provide information which is relevant, faithful, comparable, understandable and verifiable.

e)12. The undertakings [shall/may] integrate Depending on the disclosures required by this Standard with type of activities carried out by the undertaking, the inclusion of additional information in relation to (metrics and/or narrative disclosures (e.g. sector specific information) when such integration) not covered in this Standard is helpful to provide high quality information. appropriate, in order to disclose about issues that are -common in the undertaking's sector, as this supports the preparation of relevant, faithful, comparable, understandable and verifiable information.

### **Location and timing Timing and location of the sustainability report**

13. The sustainability report shall be prepared on an annual basis. It shall be available for communication at the same time as the financial statements, if they are prepared.

14. The undertaking may present its sustainability report in a separate section of the management report, if the latter is required by applicable law and regulations. Otherwise, the undertaking may present its sustainability report in a Different document.

15. To avoid publishing the same information twice, the undertaking may include in its sustainability report a reference to disclosures published in other documents that are accessible at the same time as the sustainability report.

**Classified and sensitive information, and information on intellectual property, know-how or results of innovation**

49-16. When the provision of the disclosures in this Standard would require disclosing classified or sensitive information, the undertaking may omit such information, even if such it is considered material. The undertaking may omit such classified or sensitive information if:

- a) the information has commercial value because it is secret; and
- b) its publication will be likely to impair the financial performance or position of the undertaking.

If the undertaking decides to omit such information, it shall simply state that it is the case under Disclosure B 1 (see par. 24).

**Principles for the preparation of the sustainability report (PAT, Business Partners)**

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40-17. This section includes principles that shall be applied when the undertaking prepares its sustainability report using the Narrative-PAT module and/or the ~~SF modules~~. Business Partners module.

**Time horizons [Not for Basic Module]**

18. When preparing its sustainability report, the undertaking shall apply the following time-horizons:

- a) for the short-term time horizon: one year;
- b) for medium-term horizon: from two to five years; and
- c) for the long term horizon: more than five years.

**11.Consistency and connectivity of disclosures Coherence and linkages with disclosures in financial statements [Not for Basic Module]**

14. ~~If applicable, the undertaking:~~

- ~~a) shall report sustainability related information that is coherent with its financial statements for the same period, and~~
- ~~p) may connect its financial and sustainability statements through appropriate cross-references.~~

19. If the undertaking prepares also the financial statements, the information provided in its sustainability report following this Standard:

- a) shall be coherent with what reported in the financial statements for the same period; and
- b) may be presented in a way that facilitates the understanding of the linkages that exist with the information reported in I financial statements, for example using appropriate cross-references.

## Basic Module

- ~~42.20.~~ The undertaking shall report on ~~all Metrics below for its Environmental~~ Environment, Social and Business Conduct issues using the disclosures B1-B11 below ~~Governance~~. Comparative information shall also be included, however for metrics disclosed in the first year of reporting, the undertaking shall disclose comparative information starting from the second year of reporting.
- ~~43.21.~~ The disclosures ~~in the basic module~~ B1-B11 are to be reported and no materiality assessment is needed. Certain disclosures only apply to specific circumstances. In particular, the following instructions specify that, in these circumstances, the information is to be reported only if considered "applicable" by the undertaking. When one of these disclosures is omitted, it is assumed to be not applicable.
22. The undertaking may complement the Metrics from B 3 to B 11 with additional qualitative and/or quantitative information, when appropriate, in accordance with par. 12 above. The undertaking that wants to provide a more comprehensive information, may also integrate the Metrics required from B 3 to B 11 with disclosures that it decides to provide, selecting them from the Narrative-PAT Module and from the Business Partners Module.
23. Instructions to support the preparation of Metrics B3-B10 are available in the *Basic Module Guidance on Environment and Social disclosures*, on page 21 to 34 of this Standard.

### Disclosure B 1 – Basis for Preparation

- ~~44.24.~~ The undertaking shall disclose, ~~whatever the reporting option chosen:~~
- a) which of the following options it has elected in the preparation of its Sustainability report using this Standard
    - ~~i. i-~~ Option A: Basic Module (only);
    - ~~ii. ii-~~ OPTION B: Basic Module and Narrative-PAT Module;
    - ~~iii. iii-~~ OPTION C: Basic Module and Business Partners Module; or
    - ~~iv. iv-~~ OPTION D: Basic Module, Narrative-PAT Module and Business Partner Module.
  - ~~a)b)~~ whether the ~~sustainability~~ Sustainability report has been prepared on a consolidated ~~or (i.e. the report includes information of the undertaking's and its subsidiaries), or on~~ individual basis; (i.e. the report is limited only to the information of the undertaking);
  - ~~b)c)~~ in case of a consolidated sustainability report, the list of the subsidiaries, including their registered ~~addressed~~ address<sup>1</sup>, covered in the report.
  - ~~■~~ the undertaking shall state which module(s) among the three it has applied according to the following combinations:
    - OPTION A: Basic Module (only)
    - OPTION B: Basic Module and Narrative Module
    - OPTION C: Basic Module and SF Module
    - OPTION D: Basic Module, Narrative Module and SF Module.

<sup>1</sup> Registered address is the official address of the undertaking. The registered address is a legal requirement and it is available on public record.

## ~~Principles for the preparation and presentation of sustainability information~~

### ~~Time horizons~~

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- ~~1. When preparing its sustainability statement, the undertaking shall apply the following time horizons references:
  - ~~d) for the short-term time horizon: the same period adopted by the undertaking in its financial report (typically 1 year);~~
  - ~~e) for medium-term horizon: from the end of the above short-term horizon up to five years; and~~~~

### ~~Consistency and connectivity of disclosures~~

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- ~~2. If applicable, the undertaking:
  - ~~a) shall report sustainability related information that is coherent with its financial statements for the same period, and~~
  - ~~b) may connect its financial and sustainability statements through appropriate cross-references.~~~~

### ~~Location and timing of the sustainability report~~

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- ~~3. The undertaking shall present its sustainability report in a separate section of the management report if one is required under applicable law and regulations or in a specific report when no management report is required. In all cases the sustainability report shall be prepared and available for communication at the same time as financial report.~~

~~— To avoid publishing the same information twice, the undertaking can decide to insert in its sustainability report a reference to disclosures that it outlines in other parts of its corporate reporting that are accessible at the same time as its sustainability report.~~

### ~~Classified and sensitive information, and information on intellectual property, know-how or results of innovation~~

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~~The undertaking is not required to disclose classified or sensitive information, even if such information is considered material. The undertaking may omitXX).~~

## **Disclosure B 2 – Practices for transitioning towards a more sustainable economy**

~~20-25.~~ The undertaking may briefly describe in addition specific practices for transitioning towards a more sustainable economy, if applicable in case it has them in place. Practices include what the undertakings does in practice to reduce its negative impacts and to enhance its positive effects on people and on the environment, in order to contribute to a more sustainable economy. Practices in this context shall not include philanthropic activities (e.g., donations), but for instance sustainability training for its workforce or, collaboration with universities related to sustainability projects, efforts to reduce the undertaking's water and electricity consumption, or to prevent pollution, as well as initiatives to improve product safety. This disclosure is not required when the undertaking prepares its sustainability report using the Narrative-PAT module.

- ~~6. If the undertaking not only implements specific practices, but actually adopts policies, actions and targets, applying also the Narrative Policies, Actions and Targets (PAT) Module is recommended.~~

## **Basic Metrics - Environment**

### **Disclosure B 3 – Energy and greenhouse gas emissions**

~~22-26.~~ The undertaking shall ~~disclose~~report its impacts on ~~the environment through climate, by disclosing its~~ energy usage and greenhouse gas emissions, as requested in the following paragraphs.

~~23-27.~~ The undertaking shall disclose its total energy consumption in MWh, with a breakdown between:<sup>2</sup>

- a) fossil fuels; and
- b) electricity, as expressed in utility billings (with the breakdown between renewable and non-renewable sources, if available).<sup>3</sup>

~~24-28.~~ The undertaking shall disclose its estimated gross greenhouse gas (GHG) emissions in tons of CO2 equivalents (tCO2eq), including:

- a) The scope 1 GHG emissions in tCO<sub>2</sub>-eq (from owned or controlled sources); and
- b) The scope 2 emissions in tCO<sub>2</sub>-eq (generation of purchased energy).<sup>4</sup>

### **Disclosure B 4 – Pollution of air, water and soil**

~~25-29.~~ The undertaking shall disclose, if applicable, the pollutants (with respective amounts) it emits in its own operations to air, water and soil that it is required to report by law to competent authorities (e.g. under the Industrial Emissions Directive and the European Pollutant Release and Transfer Register) or required to report under that it already reports according to an Environmental Management System such as EMAS. If this information is already publicly available, the undertaking may alternatively provide a reference to the document where it is reported, for example, through a hyperlink.

### **Disclosure B 5 – Biodiversity**

~~26-30.~~ The undertaking shall disclose, if applicable, metrics related to its impacts on biodiversity and ecosystems and land-use change, as requested in the following paragraphs.

~~27-31.~~ The undertaking shall disclose the number and area (in hectares) of sites that it owns, that it has leased or that it manages, that are located in or near biodiversity sensitive areas.<sup>5</sup>

~~28-32.~~ The undertaking may disclose metrics related to land-use change such as:

- a) total use of land;
- b) total sealed area;

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<sup>2</sup> ~~Regulation (EU) 2019/2088 (SFDR), mandatory indicator #5 in Table 1 of Annex I (“Share of non-renewable energy consumption and production”).~~

<sup>3</sup> ~~Regulation (EU) 2019/2088 (SFDR), mandatory indicator #5 in Table 1 of Annex I (“Share of non-renewable energy consumption and production”).~~

<sup>4</sup> ~~Regulation (EU) 2019/2088 (SFDR) mandatory indicators #1 and #2 in Table 1 of Annex I (“GHG emissions”; Carbon footprint”); and Regulation (EU) 2020/1816 Benchmark Regulation, Articles 5 (1), 6 and 8 (1).~~

<sup>5</sup> ~~Regulation (EU) 2019/2088 (SFDR), mandatory indicator #7 in Table 1 of Annex I (“Activities negatively affecting biodiversity sensitive areas”).~~

- c) total nature-oriented area on site; and
- d) total nature-oriented area off site.

#### **Disclosure B 6 – Water**

~~29-33.~~ The undertaking shall disclose its total water withdrawal, i.e. the amount of water ~~that enters drawn into~~ the ~~undertaking's premises; boundaries of the organization (or facility);~~ in addition, the undertaking shall ~~disaggregateseparately present~~ the amount of water withdrawn at sites located in areas of high water stress.

~~30-34.~~ If applicable, the undertaking shall disclose its water consumption, calculated as the difference between its water withdrawal and water discharge from its production processes.

#### **Disclosure B 7 – Resource use, circular economy, and waste management**

~~31-35.~~ The undertaking shall disclose how it manages resource use and ~~its~~ waste management practices and whether it applies circular economy principles.

~~32-36.~~ The disclosure shall include:

- a) if the undertaking operates manufacturing, construction and/or packaging processes, a description of recycled goods and materials bought and sold (expressed in the metric system units commonly used by the undertaking for the specific type of product/good/material);
- b) if the undertaking operates manufacturing, construction and/or packaging processes, rates of recyclable content in the products and their packaging produced by the undertaking;
- c) ~~a description of the wastetotal annual~~ generation ~~(of waste, by type and~~ expressed in the metric system units commonly used by the undertaking for the specific type of product/good/material); as well as total annual generation of hazardous waste by weight; and
- d) a description of the waste diverted to recycle or reuse (expressed in metric system units commonly used by the undertaking for the specific type of waste).

#### **Basic Metrics – Social matters**

#### **Disclosure B 8 – Workforce – General characteristics**

~~33-37.~~ The undertaking shall disclose the total number of employees ~~in~~ full-time equivalents<sup>6</sup> or head count broken down:

- ~~a) by gender;~~
- ~~b) by country; and~~
- ~~e)a) by type of employment contract (temporary and permanent);~~
- b) by gender; and
- c) if applicable, by country.

<sup>6</sup> The calculation of full-time equivalent (FTE) is an employee's scheduled hours divided by the employer's hours for a full-time workweek.

## B 9 – Workforce - Health and Safety

~~34-38.~~ The undertaking shall disclose [the following information regarding its employees](#):

- [a\) the number and rate of recordable work-related accidents;](#)
- ~~a)b) the number of fatalities as a result of work-related injuries and work-related ill health;~~
- ~~b) the number and rate of recordable work-related accidents.~~

## B 10 – Workforce – Remuneration, collective bargaining, and training

~~35-39.~~ The undertaking shall disclose:

- a) when a significant proportion of employees are compensated based on wages subject to minimum wage rules, the relevant ratio of the entry level wage to the minimum wage, ~~at significant locations of operation;~~
- b) the percentage gap in pay between its female and male employees. The pay gap is defined as the difference of average pay levels between female and male employees, expressed as a percentage of the average pay level of male employees<sup>7</sup>. The undertaking may omit this disclosure when its headcount is below 150 employees.
- c) the ~~%percentage~~ of employees covered by collective bargaining agreements;
- d) the average number of [annual](#) training hours per employee and by gender related to the development of skills and competences, either through formal or informal forms of capacity building.

## [Basic Metrics - Business conduct](#)

### ~~Disclosure~~ B 11 – Convictions and fines for corruption and bribery

~~36-40.~~ In case of convictions and fines in the reporting period, the undertaking shall disclose the number of convictions and the amount of fines for violation of anti-corruption and anti-bribery laws<sup>8</sup>.

<sup>7</sup> Regulation (EU) 2019/2088 (SFDR) mandatory indicator #12 in Table 1 of Annex I (“Unadjusted gender pay gap”) and (EU) 2020/1816 Benchmark Regulation (EU), indicator “Weighted average gender pay gap” in section 1 and 2 of Annex II.

<sup>8</sup> Benchmark Regulation (EU) 2020/1816, indicator “Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws” in section 1 and 2 of Annex II.

## Principles of Materiality to be applied for the Narrative-PAT and SF Business Partners Modules

37.41. Issues that cover social, business conduct and/or environmental aspects identified in this context are named sustainability matters. This section explains how to identify those sustainability matters that are 'material', meaning relevant to be reported on.

38.42. Materiality refers to the significance to the undertaking of a sustainability matter and of information about this sustainability matter. Materiality analysis is the process to identify the sustainability matters that undertakings should report on. The undertaking is encouraged to use the list in Appendix B ~~of this standard~~ [List of Sustainability Matters used for Materiality Assessment of this Standard](#) as guidance for the identification of its material sustainability matters. The materiality analysis does not apply to an undertaking that decides to only apply the Basic Module.

39.43. As part of its materiality assessment, the undertaking will assess impacts that it has or ~~may~~ [may be likely to](#) have on people and the environment, as well as financial risks and opportunities that do or may derive from sustainability matters. Identifying which sustainability matters are material is needed particularly to minimize or avoid negative impacts. ~~At the same time, it can help the undertaking to improve its products or services or to develop new ones that address environmental or social challenges. Understanding financial risks allows the undertaking to reduce operational costs, avoid fines, litigations or reputational damages.~~

40.44. When assessing whether a sustainability matter is to be reported, because it is material to the undertaking, two dimensions have to be considered, namely impact materiality and financial materiality. This is what is generally referred to as double materiality analysis.

### Impact materiality

41.45. From an impact perspective, a sustainability matter is to be reported on when it gives rise to material impacts. This includes:

- a) actual or potential impacts on people or on the environment over the short, medium, and long-term time horizons. An impact is actual when it is already happening. An impact is potential when it is likely to happen; and
- b) impacts connected with the undertaking's own business operations, products and services as well as through its business relationships, such as those that arise from the operations of suppliers.

42.46. To determine if an actual negative impact is material, the undertaking has to consider how severe the impact is on people and the environment. To determine if a potential negative impact is material, the undertaking has to consider the severity of the impact on people and the environment as well as the likelihood of that impact happening. Severity is based on:

- a) ~~the~~ scale, i.e., how grave the harm caused to people or to the environment is ~~;~~ (e.g., minor injury at work without day lost ~~vs~~ [is lower in the scale compared to](#) fatality at work; inadequate industrial waste disposal leading to soil pollution within a local facility ~~vs~~ [is lower in the scale compared to a](#) leak of harmful chemicals in a river leading to severe damage of ecosystem and wildlife ~~);~~);
- b) ~~the~~ scope: how widespread the harm caused to people or to the environment is ~~;~~ (e.g., ~~number~~ [amount](#) of ~~people~~ affected, ~~square meters~~ [people, size](#) of contaminated land ~~);~~);
- c) ~~the~~ irreparable character of the impact: whether and to what extent it is possible to remediate the harm caused to people or on the environment (e.g., ~~restoration for~~ [cleaning up the](#) contaminated land, ~~compensations and/or indemnities for~~ [affected people \(compensations\)](#) ~~);~~);

~~43.47.~~ The consideration of scale, scope and irremediability are meant to guide undertakings when analysing the severity of its impacts. ~~undertakings are~~The undertaking is not expected to report on the details related to each of these three aspects.

~~44.48.~~ In the case of a potential negative human rights impact, the severity of the impact takes precedence over its probability.

~~45.49.~~ Quantitative measures of impacts are the most objective evidence to assess their materiality. However, quantitative information is not ~~always~~always available or may ~~result in additional costs.~~  
~~Therefore, qualitative be costly to produce.~~ Qualitative analysis can be sufficient for the undertaking to reasonably conclude that a matter is material or not.

## Financial materiality

~~46.50.~~ From a financial perspective, a sustainability matter is material if ~~it can pertain to financial risks that could be reasonably expected to have material financial effects, i.e. to~~ materially influence the undertaking's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium- or long-term time horizons. In addition to the undertaking's business operations, matters related to the undertaking's business relationships with other companies ~~or stakeholders~~ should also be considered.

~~47.51.~~ Material impacts generated by the undertaking are generally a source of financial risks ~~and opportunities.~~ However, the undertaking shall also consider risks ~~and opportunities~~ that are not related to its material impacts.

~~52.~~ Financial opportunities related to a sustainability matter may, like risks, generate financial effects. Reporting on financial opportunities is optional when preparing a sustainability report under this Standard.

~~48.53.~~ Dependencies from natural and social resources may trigger ~~effects~~financial risks in two ways:

- a) they may influence the undertaking's ability to continue to use or obtain the resources needed in its business processes, as well as the quality and pricing of those resources; and
- b) they may affect the undertaking's ability to rely on business relationships on acceptable terms.

~~49.54.~~ ~~Financial materiality is analysed according to the~~To determine whether a financial risk is material, the undertaking assesses its probability and the potential size of the financial effects on the undertaking.

## Stakeholders and their relevance to the materiality assessment process

~~50.55.~~ Stakeholders are those individuals or groups of people who can exercise influence over the undertaking and/or be affected by the activities of the undertaking. There are two main groups of stakeholders:

- a) affected stakeholders: individuals or groups of people whose interests are affected or could be affected – positively or negatively – by the undertaking's activities and its business relationships; and
- b) users of the sustainability ~~statement~~report: including investors, lenders, business partners, social partners and civil society organizations.

~~51.56.~~ Some stakeholders may belong to both groups defined in paragraph ~~XX55~~. An undertaking may engage with stakeholders in its materiality assessment to find out which sustainability matters are the most important to them. In many cases, ~~particularly~~ micro enterprises will consider the views only of their most relevant stakeholders among the ones mentioned in paragraph ~~XX55~~.

***Consolidating the impact and financial materiality perspectives***

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37. The final step of the materiality analysis is to consolidate the results of the impact materiality and financial materiality and obtain the list of material sustainability matters which will be included in the sustainability report: a sustainability matter can be material from an impact perspective or from a financial perspective or from both.

## Narrative – Policies, Actions and Targets (PAT) Module

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### Disclosure N 1 – Strategy: business model and sustainability related initiatives

~~53-57.~~ The undertaking shall disclose the key elements of its strategy and its business model, including:

- a) a description of significant groups of products and/or services offered;
- b) a description of significant market(s) the undertaking operates in (B2B, wholesale, retail, countries);
- c) a description of main business relationships (such as key suppliers, customers distribution channels and consumers); and
- d) if applicable, a description of the key elements of its strategy that relate to or affect sustainability matters.

### Disclosure N 2 – Material sustainability matters

~~54-58.~~ The undertaking shall disclose the material sustainability matters resulting from its materiality assessment (see ~~above~~[from paragraph 41 to 56](#)) including a brief description of each sustainability matter (listed according to par. ~~XX41~~) and:

- a) how each matter ~~affects~~[has an impact on](#) people or the environment;
- b) its actual and potential effects on the undertaking's present or future financial position and performance; and
- c) its actual and potential effects on the undertaking's activities and strategy.

### Disclosure N 3 – Management of material sustainability matters

~~55-59.~~ The undertaking shall disclose how it manages its material sustainability matters, including:

- a) whether it has adopted policies or actions to (i.) prevent, (ii.) mitigate and (iii.) remediate actual and potential negative impacts and/or to address financial risks. [If applicable, the undertaking may refer to the sustainability due diligence or risk management processes implemented;](#)
- b) if the undertaking has policies in place, it shall describe:
  - i. the ~~objectives~~[objective\(s\)](#) of the policy and which material sustainability matters it addresses;
  - ii. the scope of the policy in terms of activities, value chain, countries in which the undertaking is active in;
  - iii. if relevant, affected stakeholder groups addressed by the policy;
  - iv. if applicable, a reference to third-party standards or initiatives the undertaking commits to respect through the implementation of the policy; and
  - v. the targets the undertaking uses to monitor the implementation of the policy and the progress achieved;
- c) if the undertaking has actions in place, it shall describe:
  - i. the list of key actions taken in the reporting year and planned for the future;

- ii. the scope of those actions (i.e., if they also address [aspectsactors](#) in the value chain, if they are implemented in different location and geographies or which affected stakeholder groups they address);
- iii. [the time horizon under which the undertaking intends to complete each key action](#); [and](#)

[60. If material, the undertaking shall disclose the actions taken in the reporting period to improve its energy efficiency and to reduce its greenhouse gas emissions and the related possible implications in terms of risks and opportunities.](#)

[61. When the undertaking considers that negative impacts are material in relation to \(i\) workers in the value chain; and/or \(ii\) affected communities; and/or \(iii\) consumers and end users, it shall disclose:](#)

- [a\) the policies that it has adopted to manage those material impacts, as well as associated material risks;](#)
- [b\) the actions it has taken on material impacts, and approaches to managing material risks, and effectiveness of those actions;](#)
- [c\) targets related to managing material negative impacts and managing material risks.](#)

[These disclosures are limited to the description of the policies, actions and targets that the undertaking has put in place.](#)

[62. Where ~~corruption or bribery is a~~ material ~~matter~~, the undertaking shall disclose whether it has the following in place to support the prevention of incidents of corruption or bribery:](#)

- [a\) separation of duties; and/or](#)
- [b\) training for its employees; and](#)
- [c\) any actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery<sup>9</sup>.](#)

#### **Disclosure N 4 – Key stakeholders**

[57-63.](#) If the undertaking engages with stakeholders, it may disclose:

- [a\) the categories of key stakeholders considered \(the undertaking can use categories such as investors, lending banks/creditors, business partners, trade unions, \[NgeNGO\]\(#\)\); and](#)
- [b\) a brief description of the engagement activities.](#)

#### **Disclosure N 5 – Governance: responsibilities in relation to sustainability matters**

[58-64.](#) The undertaking shall describe:

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<sup>9</sup> ~~Regulation (EU) 2019/2088 (SFDR) additional indicator #17 in Table 3 of Annex I (“Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery); and (EU) 2020/1816 Benchmark Regulation, indicator “Numbers of convictions and amount of fines for violation of anti-corruption and anti-bribery laws” in section 1 and 2 of Annex II.~~

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- a) the governance and responsibilities in relation to sustainability matters. If applicable, this disclosure shall cover roles and responsibilities of the highest governance body or of the individual(s) in charge of managing sustainability matters within the undertaking; ~~and~~
- ~~b) if there is a governance body, the related gender diversity ratio<sup>40</sup>.~~

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<sup>40</sup> ~~Regulation (EU) 2019/2088 (SFDR), mandatory indicator #13 in Table 1 of Annex 1 (“Board gender diversity”)~~

## Business Partners Module

59-65. This module provides additional datapoints in relation to the information that is generally needed by business partners, investors, and lenders of the undertaking. They are ~~based upon the expected to address~~ data requests that the undertaking receives or is likely to receive from lenders, investors and ~~corporates that are counterparties in the value chain~~ corporate clients that require sustainability data from their suppliers. In relation to the information needs of financial market participants, these additional datapoints reflect their respective obligations under relevant laws and regulations. They are also relevant for business partners when they assess the sustainability profile of the undertaking as supplier or potential supplier.

60-66. In this module, the materiality analysis described ~~above~~ from paragraphs 41 to 56 is required.

64-67. The table below provides the list of disclosures to be considered and reported upon if material, following the materiality analysis performed by the undertaking. When not reported upon, a disclosure shall be assumed to be ~~“not material”~~ material for the undertaking.

68. The column ‘DR number and Title’ defines the relevant disclosures to be reported. The column SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation is useful for financial market participants that may require data from SME, as it illustrates how the disclosures in this module relate to these regulations that are relevant for users of the sustainability report (banks, other investors).

Topic: Environment / Social / Governance	DR number and Title	<u>[THIS COLUMN WILL BE MOVED TO AN APPENDIX DEDICATED TO USERS TOGETHER WITH THE FOOTNOTES]</u>  <u>SFDR Table 1</u>  <u>and/or</u>  EBA Pillar 3  <u>and/or</u>  Benchmark Regulation
Governance	<p><b>Disclosure <u>SFBP 1 – Revenues from certain sectors</u></b>  <del>4-</del>The SME shall include where applicable, a statement indicating, together with the related revenues, that the undertaking is active in:</p> <p>i. controversial weapons such as anti-personnel mines, cluster munitions, chemical weapons and biological weapons; and / or</p>	<p>SFDR #14 <u>Benchmark</u> <u>ESRS 2 par. 40 d) iii</u><u>EBA Pillar 3: Template 1, banks must report the total amount of their exposures to companies excluded from Paris Aligned Benchmarks (companies with a portion of their turnover in certain high-emitting sectors).</u> <u>SFDR: PAIs require to identify the exposure of financial products to 1) fossil fuel companies and 2) controversial weapons.</u></p>
	<p>ii. the cultivation and production of tobacco; and/or</p>	<p>EBA Pillar 3 <u>/ Benchmark: see above</u>  <u>ESRS 2 par. 40 d) iv</u></p>
	<p>iii. fossil fuel (coal, oil and gas) sector (i.e., <del>at</del> <u>the undertaking</u> derives revenues from</p>	<p><u>SFDR # 4</u></p>

<p><b>Topic: Environment / Social / Governance</b></p>	<p><b>DR number and Title</b></p>	<p><b><u>[THIS COLUMN WILL BE MOVED TO AN APPENDIX DEDICATED TO USERS TOGETHER WITH THE FOOTNOTES]</u></b></p> <p><b><u>SFDR Table 1</u></b> <b><u>and/or</u></b> <b>EBA Pillar 3</b> <b>and/or</b> <b>Benchmark Regulation</b></p>
	<p>exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council<sup>17</sup>, including a disaggregation of revenues derived from coal, from oil and from gas<sup>**</sup>; and/or</p> <p><i>** The Taxonomy part of this Disclosure was explicitly excluded in the methodological approach from the Sustainable Finance (SF) Module of VSME.</i></p>	<p><b>EBA Pillar 3</b> <b><u>/Benchmark: see above</u></b></p> <p><b><u>SFDR: PAIs require to identify the exposure of financial products to 1) fossil fuel companies and 2) controversial weapons.</u></b></p>
	<p>iv. chemicals production, i.e., its activities fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006;</p>	<p><b>Benchmark</b></p> <p><b><u>Benchmark: EU Paris-aligned Benchmarks requires to identify exposures to companies whose activities are in “Manufacture of pesticides and other agrochemical products” listed in Division 20.2 of Annex I Regulation EC 1893/2006w</u></b></p>
<p><u>Governance</u></p>	<p><b><u>Disclosure BP 2 – Responsibilities in relation to sustainability matters</u></b></p> <p><u>The SME shall describe:</u></p> <p><u>a) if there is a governance body, the related gender diversity ratio.</u></p>	<p><b><u>SFDR # 13 Benchmark</u></b></p> <p><b><u>SFDR: PAIs require to identify in financial products the level of gender diversity in governance bodies.</u></b></p>
<p>Environment</p>	<p><b>Disclosure <u>SF 4BP 3 – GHG emissions reduction target</u></b></p> <p>If- the SME has set GHG emission reduction targets, it shall provide its GHG emission reduction targets for (i) scope 1 emissions; (ii) scope 2</p>	<p><b>Benchmark</b></p> <p><del>€1 par. 34</del><b><u>Benchmark: requires screening of investee companies that publish consistently and accurately GHG reduction targets.</u></b></p> <p><b><u>[also coincides with SFDR #4 Table 2 PAIs requires screening companies that do not have GHG emissions reduction targets]</u></b></p>

<p><b>Topic: Environment / Social / Governance</b></p>	<p><b>DR number and Title</b></p>	<p><b><u>[THIS COLUMN WILL BE MOVED TO AN APPENDIX DEDICATED TO USERS TOGETHER WITH THE FOOTNOTES]</u></b></p> <p><b><u>SFDR Table 1</u></b> <b><u>and/or</u></b> <b>EBA Pillar 3</b> <b>and/or</b> <b>Benchmark Regulation</b></p>
	<p>emissions <del>and (iii) scope 3 emissions.</del></p>	
<p>Environment</p>	<p><b>Disclosure <u>SF 5BP 4</u> – Transition plan for climate change mitigation</b></p> <p><del>If applicable, the</del>The SME shall provide information about its transition plan for climate mitigation with an explanation of how GHG emission reduction targets are compatible with the limiting of global warming to 1.5°C in line with the Paris Agreement.</p>	<p><b><u>Benchmark</u></b></p> <p><del>E1 par. 14</del><b><u>Benchmark: requires screening of investee companies that have transition for climate change mitigation.</u></b></p>
<p>Environment</p>	<p><b>Disclosure <u>SF 6BP 5</u> – Sector EU Paris Aligned Benchmarks</b></p> <p><del>If applicable, the</del>The SME shall include a disclosure on whether or not the SME is excluded from the EU Paris-aligned Benchmarks <del>[LIST OF SECTORS TO BE ADDED IN FOOTNOTE]</del><sup>11</sup>.</p>	<p><b>EBA Pillar 3 <u>Climate Benchmark</u></b></p> <p><del>E1 par. 16 g)</del><b><u>EBA Pillar 3: Template 1, banks must report the total amount of their exposures to companies excluded from Paris Aligned Benchmarks listed in footnote 11.</u></b></p>

<sup>11</sup> Companies excluded from EU Paris-aligned Benchmarks: (a) companies involved in any activities related to controversial weapons; (b) companies involved in the cultivation and production of tobacco; (c) companies that benchmark administrators find in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises; (d) companies that derive 1 % or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite; (e) companies that derive 10 % or more of their revenues from the exploration, extraction, distribution or refining of oil fuels; (f) companies that derive 50 % or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels; (g) companies that derive 50 % or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO<sub>2</sub> e/kWh. For the purposes of point (a), controversial weapons shall mean controversial weapons as referred to in international treaties and conventions, United Nations principles and, where applicable, national legislation.

<p><b>Topic: Environment / Social / Governance</b></p>	<p><b>DR number and Title</b></p>	<p><b><u>[THIS COLUMN WILL BE MOVED TO AN APPENDIX DEDICATED TO USERS TOGETHER WITH THE FOOTNOTES]</u></b></p> <p><b><u>SFDR Table 1</u></b> <b><u>and/or</u></b> <b>EBA Pillar 3</b> <b>and/or</b> <b>Benchmark Regulation</b></p>
<p>Environment</p>	<p><b><del>Disclosure SF 7 – Energy consumption intensity per high impact climate sector</del></b></p> <p><del>If applicable, the SME shall provide information about its energy intensity, i.e. net revenue from activities in high climate impact sectors [LIST OF SECTORS TO BE ADDED IN FOOTNOTE] divided by the total energy consumption. If the SME is active in high climate impact sectors, it can disclose its energy intensity within these sectors. If applicable, the SME shall explain how the net revenues from activities in high climate impact sector relate to the relevant line item or notes in the financial statements.</del></p>	<p><b>SFDR</b> <b>#6</b> <b>E1</b> <b>par.</b> <b>40-43</b></p>
<p>Environment</p>	<p><b><del>Disclosure SF 8 – GHG intensity of investee companies</del></b></p> <p><del>If applicable, the SME shall disclose its GHG intensity, i.e. total GHG emissions in metric tonnes of CO2eq divided by total net revenue. The SME shall explain how the net revenue relates to the relevant line item or notes in the financial statements.</del></p>	<p>SFDR # 3 E1 par. 53-55 <b>Benchmark</b></p>
<p>Environment</p>	<p><b>Disclosure <u>SF 9BP 6</u> – Physical Risks from climate change</b></p> <p><del>If applicable, the</del>The SME disclose the anticipated financial effects that physical risks from climate change may have on the company. In particular:</p>	<p><b>Benchmark</b> <b>EBA Pillar 3</b></p> <p><del>E1 par. 66 and 67 c)</del><b><u>EBA Pillar 3: Template 5, banks must indicate the total amount of their exposures to companies that are exposed to physical climate risks.</u></b></p>

<p><b>Topic: Environment / Social / Governance</b></p>	<p><b>DR number and Title</b></p>	<p><b><u>[THIS COLUMN WILL BE MOVED TO AN APPENDIX DEDICATED TO USERS TOGETHER WITH THE FOOTNOTES]</u></b></p> <p><b><u>SFDR Table 1</u></b> <b><u>and/or</u></b> <b>EBA Pillar 3</b> <b>and/or</b> <b>Benchmark Regulation</b></p>	
	<p>(i) the monetary amount and the percentage of the SME's total assets that can be subjected to material physical risks over the short, the medium and the long-term, before considering climate change adaptation actions disaggregated by acute and chronic physical risk;</p> <p>ii) the proportion of assets at material physical risk addressed by the climate change adaptation actions;</p> <p>iii) the location of the significant assets affected by material physical risks;</p> <p>iv) the monetary amount and proportion (percentage) of net revenue from its business activities at material physical risk over the short-, medium- and long-term;</p> <p>v) the breakdown of the SME's carrying value of its real estate assets, by energy efficiency classes.</p>		
<p><b>Environment</b></p>	<p><b>Disclosure SF 10 – Climate related opportunities</b></p> <p><del>If applicable, the SME shall disclose its potential to benefit from material climate-related opportunities. In disclosing it, the SME shall consider:</del></p> <p><del>i. its expected cost savings from climate change mitigation and adaptation actions; and</del></p> <p><del>ii. the potential market size or expected changes to net revenue from low-carbon products and</del></p>		<p><b>Benchmark</b> E1 par. 69</p>

Topic: Environment / Social / Governance	DR number and Title	<p style="text-align: center;"><u><a href="#">[THIS COLUMN WILL BE MOVED TO AN APPENDIX DEDICATED TO USERS TOGETHER WITH THE FOOTNOTES]</a></u></p> <p style="text-align: center;"><u><a href="#">SFDR Table 1</a></u> and/or EBA Pillar 3 and/or Benchmark Regulation</p>	
	<p><del>services or other adaptation solutions to which the SME has or may have access.</del></p>		
Environment	<p><b>Disclosure <u><a href="#">SF 14BP 7</a></u> – Hazardous waste and radioactive waste ratio</b></p> <p><del>If applicable, the</del> The SME shall disclose the total amount of hazardous waste and radioactive waste generated (radioactive waste is defined in Article 3(7) of Council Directive 2011/70/<u><a href="#">Euratom39Euratom</a></u>).</p>	<p style="text-align: center;"><b>SFDR # 9</b></p> <p><u><a href="#">E5 39SFDR: PAIs require to measure the ratio of hazardous or radioactive waste.</a></u></p>	
Social	<p><b>Disclosure <u><a href="#">SF 12BP 8</a></u>: Alignment with internationally <del>recognised</del><u><a href="#">recognized</a></u> instruments</b></p> <p>The undertaking shall disclose whether its policies with regard to its own workforce are aligned with relevant internationally <del>recognised</del><u><a href="#">recognized</a></u> instruments, including the UN Guiding Principles on Business and Human Rights.</p>	<p style="text-align: center;"><b>Benchmark</b></p> <p><del>S1, para 21</del><u><a href="#">Benchmark: Requires that financial market participants ensure that clients/ value chain put in place measures to mitigate and end negative impacts on human rights.</a></u></p> <p><u><a href="#">Disclosure also identified in datasets required by financial institutions.</a></u></p>	
Social	<p><b>Disclosure <del>SF 13: Policies</del><u><a href="#">BP 9: Processes</a></u> to address <del>monitor compliance and mechanisms to communicate</del><u><a href="#">address</a></u> violations</b></p> <p>The undertaking shall disclose whether it has <del>policies to address violations or a complaints mechanism</del><u><a href="#">processes</a></u> in place for its own workforce to <del>communicate violations of to monitor compliance with</del> the</p>	<p style="text-align: center;"><b>SFDR #11</b></p> <p><del>S1, para 20</del><u><a href="#">SFDR : PAI requires financial market participants to ensure that clients implement a compliance process to ensure adherence to the UN Global Compact and the OECD Guidelines for Multinational Enterprises.</a></u></p> <p><u><a href="#">Disclosure also identified in datasets required by financial institutions.</a></u></p>	

<p><b>Topic: Environment / Social / Governance</b></p>	<p><b>DR number and Title</b></p>	<p><b><u>[THIS COLUMN WILL BE MOVED TO AN APPENDIX DEDICATED TO USERS TOGETHER WITH THE FOOTNOTES]</u></b></p> <p><b><u>SFDR Table 1</u></b> <b><u>and/or</u></b> <b>EBA Pillar 3</b> <b>and/or</b> <b>Benchmark Regulation</b></p>
	<p>OECD Guidelines for Multinational Enterprises, the UN Guiding Principles <a href="#">on Business and Human Rights</a>, including the principles and rights set out in the <a href="#">International Bill of Human Rights and the eight fundamental conventions identified in the ILO Declaration and the International Bill of Human Rights</a> <a href="#">or grievance/complaints handling mechanisms to address violations of the above standards with regard to its own workforce</a>.</p>	
<p>Social</p>	<p><b>Disclosure <a href="#">SF 14BP 10</a> – Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles (including the principles and rights set out in the 8 fundamental conventions of the ILO Declaration and the International Bill of Human Rights)</b></p> <p><del>If applicable, the</del><a href="#">The</a> undertaking shall disclose whether there have been any violations of the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work or the OECD Guidelines for Multinational Enterprises <a href="#">with regard to its own workforce</a> during the reporting year.</p>	<p><b>SFDR #10</b></p> <p><del>S1, para 104(a)</del><a href="#">Benchmark</a> <b>Benchmark and SFDR PAI require financial market participants to ensure that their clients have not violated the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises (also an SFDR PAI).</b></p> <p><a href="#">Disclosure also identified in datasets required by financial institutions.</a></p>

<p><b>Topic: Environment / Social / Governance</b></p>	<p><b>DR number and Title</b></p>	<p><b><u>[THIS COLUMN WILL BE MOVED TO AN APPENDIX DEDICATED TO USERS TOGETHER WITH THE FOOTNOTES]</u></b></p> <p><b><u>SFDR Table 1</u></b> <b><u>and/or</u></b> <b>EBA Pillar 3</b> <b><u>and/or</u></b> <b>Benchmark Regulation</b></p>
<p>Social</p>	<p><b>Disclosure <del>SF 14–</del> <del>Workforce</del><b><u>BP 11 – Work-life balance (*)</u></b></b></p> <p>The SME shall disclose the percentage of employees: (i) entitled to take family-related leave, with a breakdown by gender; and (ii) that took family-related leave, with a breakdown by gender. Family-related leave includes maternity, paternity, parental, and carers’ leave.</p>	<p><u>Financial market participants require clients to disclose measures to promote gender equality and equal opportunity. To be consistent with LSME, alignment has been sought with the metric.</u></p>
<p>Social</p>	<p><b>Disclosure <del>SF 15–</del> <del>Placements for</del><b><u>BP 12 – Number of apprentices (*)</u></b></b></p> <p>The SME shall disclose: <del>(i) whether it has issued placements for trainees or</del> <u>the number of</u> apprentices in the reporting <del>year</del><u>period</u>.</p>	<p><u>-Apprentices is a matter of particular relevance to SMEs in the EU in terms of job creation and training for young workers and it has been captured as a metric. To note that the apprentices’ definition and regulation vary among EU Member States and the information required shall not affect their status pursuant to applicable law.</u></p>

~~\* These datapoints were inserted in this module to be questioned in outreach events.~~ **[THE TABLE BELOW WILL ALSO BE MOVED TO THE APPENDIX DEDICATED TO USERS]**

~~4.69.~~ For clarification, the following datapoints which are related to ~~SF~~Sustainable Finance requirements are already included in other Modules ~~and are therefore identified under a double disclosure reference:~~ -(Basic Module and Narrative-PAT Module).

<p><b>Topic: Environment / Social / -Governance</b></p>	<p><b>DR number and Title</b></p>
<p><u>Environment</u></p>	<p><b>Disclosure</b> <b><u>B 3 – Energy and greenhouse gas emissions</u></b></p>

Topic: Environment / Social / -Governance	DR number and Title
	<p><del>2.</del>The SME shall <del>describe</del>disclose its total energy consumption related to own operations in MWh, with a breakdown between:<sup>12</sup></p> <ul style="list-style-type: none"> <li>a) fossil fuels; and</li> <li>b) electricity, as expressed in utility billings (with the breakdown between renewable and non-renewable sources, if available).</li> </ul>
Environment	<p><b>Disclosure B 3 – Energy and greenhouse gas emissions</b></p> <p><del>3.</del>The SME shall disclose its <u>estimated gross GHG emissions</u> in <u>tons of CO2 equivalents (tCO2eq)</u>, including:</p> <ul style="list-style-type: none"> <li>a) <u>The scope 1 GHG emissions in tCO<sub>2</sub>-eq (from owned or controlled sources); and</u></li> <li>b) <u>The scope 2 emissions in tCO<sub>2</sub>-eq (generation of purchased energy).</u><sup>13</sup></li> </ul>
Environment	<p><b>Disclosure B 4 – Pollution of air, water and soil</b></p> <p>a) <u>The undertaking shall disclose, if applicable, the pollutants it emits in its own operations to air, water and soil that it is required to report by law to competent authorities (e.g. under the Industrial Emissions Directive and the European Pollutant Release and Transfer Register) or required to report under an Environmental Management System such as EMAS.</u><sup>14</sup></p>
Environment	<p><b>Disclosure B 5 – Biodiversity</b></p> <p><u>The SME shall disclose the number and area (in hectares) of sites that it owns, that it has leased or that it manages, that are located in or near biodiversity sensitive areas, if applicable.</u><sup>15</sup></p>
<del>S</del> ocial	<p><b>Disclosure B</b></p> <p><b><u>9 – Workforce – Health and safety</u></b></p> <p>The SME shall disclose-:</p> <ul style="list-style-type: none"> <li>a) <u>the number of fatalities as a result of work-related injuries and work-related ill health;</u><sup>16</sup></li> </ul>

<sup>12</sup> Regulation (EU) 2019/2088 (SFDR), mandatory indicator #5 in Table 1 of Annex I (“Share of non-renewable energy consumption and production”).

<sup>13</sup> Regulation (EU) 2019/2088 (SFDR) mandatory indicators #1 and #2 in Table 1 of Annex I (“GHG emissions”; Carbon footprint”); and Regulation (EU) 2020/1816 Benchmark Regulation, Articles 5 (1), 6 and 8 (1).

<sup>14</sup> Regulation (EU) 2019/2088 (SFDR) because it is derived from: (a) an additional indicator related to principal adverse impacts as set out by indicator #2 in Table II of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments (“Emissions of air pollutants”); (b) indicator #8 in Table I of Annex I (“Emissions to water”); (c) indicator #1 in Table II of Annex I (“Emissions of inorganic pollutants”); and (d) indicator #3 in Table II of Annex I (“Emissions of ozone- depleting substances”)

<sup>15</sup> Regulation (EU) 2019/2088 (SFDR), mandatory indicator #7 in Table 1 of Annex I (“Activities negatively affecting biodiversity-sensitive areas”)

<sup>16</sup> This information supports the information needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator “Weighted average ratio of accidents, injuries, fatalities” in section 1 and 2 of Annex 2.

Topic: Environment / Social / -Governance	DR number and Title
	<p><a href="#">b) the number and rate of recordable work-related accidents.</a><sup>17</sup></p>
Social	<p><b>Disclosure B 810 – Workforce – <del>Health</del>Remuneration, collective bargaining, and <del>safety</del>training</b></p> <p><del>6.</del>The SME shall disclose:</p> <p><a href="#">b) the percentage gap in pay between its female and male employees. The pay gap is defined as the difference of average pay levels between female and male employees, expressed as a percentage of the average pay level of male employees</a><sup>18</sup>. The SME may omit this disclosure when its headcount is below 150 employees.</p>
<del>Social</del> Governance	<p><del>7.</del><b>Disclosure B 11 – Convictions and fines for corruption and bribery</b></p> <p><del>6.</del><a href="#">In case of convictions and fines in the reporting period, the SME shall disclose:</a></p> <p><a href="#">the number of convictions and the amount of fines for violation of anti-corruption and anti-bribery laws.</a><sup>19</sup>.</p>
Governance	<p><b>Disclosure N 3 - Management of <del>convictions and fines in</del> material sustainability matters</b></p> <p><a href="#">Where material, the undertaking shall disclose whether it has the following in place to support the prevention of incidents of corruption or bribery:</a></p> <p><del>a)c)</del><a href="#">any actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery</a><sup>20</sup>.</p>

<sup>17</sup> [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 #2 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments \(“Rate of accidents”\) and benchmark administrators to disclose ESG factors subject to Regulation \(EU\) 2020/1816 as set out by indicator “Weighted average ratio of accidents, injuries, fatalities” in section 1 and 2 of Annex 2.](#)

<sup>18</sup> [Regulation \(EU\) 2019/2088 \(SFDR\) mandatory indicator #12 in Table 1 of Annex I \(“Unadjusted gender pay gap”\) and \(EU\) 2020/1816 Benchmark Regulation \(EU\), indicator “Weighted average gender pay gap” in section 1 and 2 of Annex II.](#)

<sup>19</sup> [Regulation \(EU\) 2019/2088 \(SFDR\) mandatory indicator #12 in Table 1 of Annex I \(“Unadjusted gender pay gap”\) and \(EU\) 2020/1816 Benchmark Regulation \(EU\), indicator “Weighted average gender pay gap” 2020/1816, indicator “Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws” in section 1 and 2 of Annex II.](#)

<sup>20</sup> [Regulation \(EU\) 2019/2088 \(SFDR\) additional indicator #17 in Table 3 of Annex I \(“Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery\); and \(EU\) 2020/1816 Benchmark Regulation, indicator “Numbers of convictions and amount of fines for violation of anti-corruption and anti-bribery laws” in section 1 and 2 of Annex II.](#)

## Basic Module: Guidance on Environment

This Guidance is intended to support the preparation of the Metrics in the Basic Module.

### Disclosure Environmental metrics

#### **Metric B 3 – Energy and greenhouse gas emissions**

##### Impacts on climate: energy usage and greenhouse gas emissions

Under paragraphs 25 and 26, the undertakings report on its climate impacts, providing information about its energy use and greenhouse gas emissions. This guidance for disclosure B3 does not constitute an additional datapoint to the disclosures described in paragraphs 25 (on energy consumption) and 26 (on GHG emissions), but rather an overarching objective of the Basic disclosure B3.

Climate impacts are significantly driven by energy consumption. Therefore it is relevant to disclose both the quantity as well as the type (such as coal, oil, gas, nuclear or renewable) and mix of energy consumed. Examples of energy disclosures are total energy consumption broken down by fossil source, and consumption of purchased or self-generated electricity from renewable sources. This information may be provided in the following format.

	<u>202(x) Energy consumption (MWh)</u>
<u>Fossil fuels</u>	<u>486</u>
<u>Electricity</u>	<u>10</u>

As for greenhouse gas emissions arising from the undertaking's activities, this requirement builds on the definitions and rules of the GHG Protocol, the leading accounting standard for GHG emissions. Under paragraph 26, undertakings are to report on their Scope 1 and Scope 2 emissions. Scope 1 GHG emissions cover direct emissions from owned or controlled sources. Scope 2 emissions are indirect GHG emissions that that are a consequence of the activities of the reporting company (as they derive from the undertaking's consumed energy), but occur at sources owned or controlled by another company.. Further guidance is provided in the sections below on how to calculate Scope 1 and 2 emissions.

Scope 1 and 2 emissions may be reported in the following format.

	<u>202(x) GHG emissions (tCO<sub>2</sub>e)</u>
<u>Scope 1</u>	<u>45</u>
<u>Scope 2</u>	<u>6</u>
<u>Total</u>	<u>51</u>

#### **Scope 1 emissions calculation guidance**

Scope 1 emissions are direct greenhouse (GHG) emissions that occur from sources that are controlled or owned by an organization. Typical Scope 1 emissions include CO<sub>2</sub> (and CH<sub>4</sub> and N<sub>2</sub>O) emissions associated with fuel combustion (for example in boilers, furnaces, vehicles, etc), as well as fugitive emissions from air conditioning and industrial processes.

Emissions associated with combustion can be calculated by the expression:

$$Emissions_{GHG,Fuel} = Activity\ Data_{Fuel} * EF_{GHG,Fuel} * GWP_{GHG}$$

Where:

$Emissions_{GHG}$  are the emissions of CO<sub>2</sub>, CH<sub>4</sub> or N<sub>2</sub>O resulting from the combustion of the Fuel in t CO<sub>2</sub>e;

$Activity\ Data_{Fuel}$  is the quantity of fuel consumed, typically expressed in energy units, but can also be in volume (m<sup>3</sup> or l) or mass (tonnes or kg);

$EF_{GHG,Fuel}$  is the specific combustion Emission Factor for the fuel. The units of the EF need to be consistent with the units of the Activity data;

$GWP_{GHG}$  is the Global Warming Potential of the GHG (CO<sub>2</sub>, CH<sub>4</sub> or N<sub>2</sub>O).

The activity data can be determined using fuel purchase receipts, purchase records, or through direct measurement at the combustion device. The fuel quantities can be measured in different forms (typically mass or volume) and care needs to be taken to make sure that the activity data and the EF are expressed using the same units. It is not uncommon for emission factors of fuels to be expressed in terms of energy (Lower Calorific Value) in which case, a further step to convert between the volume or mass of the fuel and its energy content ~~needs to be done~~ is needed (see example below). So, the expression above can take different forms, namely:

$$Emissions_{GHG,Fuel} = Activity\ Data_{Fuel} * EF_{GHG,Fuel} * GWP_{GHG}$$

$$Emissions_{GHG,Fuel} = [Volume * Calorific\ Value]_{Fuel} * EF_{GHG,Fuel} * GWP_{GHG}$$

CO<sub>2</sub> emission factors are either derived through analysis of the carbon and heat content of the fuel (unlikely to be needed for undertakings) or through the use of published emission factors (~~see question on emission factors~~) for the most common fuels. EFs for CH<sub>4</sub> and N<sub>2</sub>O will depend on the type of combustion technology and vary with it. In most cases, CH<sub>4</sub> and N<sub>2</sub>O emissions are within the measurement error of CO<sub>2</sub> and can be neglected.

The Global Warming Potential is derived ~~as per AR39 d) of E1~~ from the latest list published by the Intergovernmental Panel on Climate Change (IPCC. In this case, the list is the one in AR6 (see question below)).

The following table provides a list of non-exhaustive sources of emission factors for fuels. Undertakings may also reference authoritative national sources which may be more relevant for their particular case.

**Documentation Sources:**

<i>Data</i>	<i>Documentation Source</i>
Activity data	fuel purchase receipts, purchase records, or through direct measurement at the combustion device.
Emissions Factors (EF):	
Fuel	ADEME – Bilant Carbonne <a href="https://base-empreinte.ademe.fr/">https://base-empreinte.ademe.fr/</a> IPCC – Emissions Factor Database <a href="https://www.ipcc-nggip.iges.or.jp/EFDB/find_ef.php?reset=">https://www.ipcc-nggip.iges.or.jp/EFDB/find_ef.php?reset=</a> IPCC – Guidelines for National Greenhouse Gas Inventories <a href="https://www.ipcc-nggip.iges.or.jp/public/4/guidelines/V2_GG/StationaryCombustion/V2_Ch2_Stationary_Combustion_Final.doc">Microsoft Word - V2_Ch2_Stationary_Combustion_Final.doc (iges.or.jp)</a>
Global Warming Potential (GWP)	IPCC – Global Warming Potential p. 16 <a href="https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_Chapter07_SM.pdf">https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_Chapter07_SM.pdf</a>

You can also find more guidance and tools on how to act and report on climate in the <https://undertakingclimatehub.org/>.

### Example

Company A burns Nr. 4 fuel oil in an industrial boiler. For its financial accounting, it keeps track of its costs and for GHG accounting purposes it keeps track of volumes (m<sup>3</sup>) expressed in the fuel receipts. From the receipts, it determines the annual volumes of fuel oil bought and keeps track, as well, of the fuel oil inventory on the 1<sup>st</sup> day of the year. In 2023 it had purchased 100 m<sup>3</sup> of fuel oil. On its registers on the 1<sup>st</sup> Jan of 2023 it had 2.5 m<sup>3</sup> in its deposit and on 1<sup>st</sup> Jan 2024 it had 1 m<sup>3</sup>. Thus, it has determined (through purchase and measurement of inventory) that during 2023 it consumed 101.5 m<sup>3</sup> of fuel oil.

Using the IPCC list of emissions factors ([Table 2.3, page 2.18](#)) it approximates its emission factor as a 50/50 blend of Diesel oil and Residual oil as 75.75 t CO<sub>2</sub>/TJ and, by contacting its supplier, it has determined that its net calorific value of the fuel is 0.03921 TJ/m<sup>3</sup>. Given that the CO<sub>2</sub> GWP equal one, its CO<sub>2</sub> emission for this specific Scope 1 source is:

$$101.5 \text{ m}^3 * 0.03921 \text{ TJ/m}^3 * 75.75 \text{ t CO}_2/\text{TJ} * 1 = 301.5 \text{ t CO}_2$$

For completeness of this example, the CH<sub>4</sub> and N<sub>2</sub>O emissions are also calculated. Checking the IPCC list of emission factors, these are respectively 3 kg of CH<sub>4</sub>/TJ and 0.6 kg of N<sub>2</sub>O/TJ, thus the emissions will be:

$$\text{CH}_4 \text{ emissions} = 101.5 \text{ m}^3 * 0.03921 \text{ TJ/m}^3 * 3 \text{ kg CO}_2/\text{TJ} * 29.8 = 0.36 \text{ t CO}_2\text{e}$$

$$\text{N}_2\text{O emissions} = 101.5 \text{ m}^3 * 0.03921 \text{ TJ/m}^3 * 0.6 \text{ kg CO}_2/\text{TJ} * 273 = 0.65 \text{ t CO}_2\text{e}$$

As mentioned, CH<sub>4</sub> and N<sub>2</sub>O emissions add around 1 t CO<sub>2</sub>e to the CO<sub>2</sub> value of 301.5 t CO<sub>2</sub>, so about 0.3% of the total. This could be considered well within [the an acceptable](#) reporting error and so, could not have been calculated and reported.

Global Warming Potentials for CH<sub>4</sub> and N<sub>2</sub>O are derived from [IPCC's 6<sup>th</sup> Assessment Report, Chapter 7SM<sup>21</sup>, as per E1.AR39\(d\)](#).

## Disclosure B 3 – Energy and greenhouse gas emissions

### Scope 2 emissions calculation guidance

~~Scope 2 emissions are indirect greenhouse (GHG) emissions that that are a consequence of the activities of the reporting company, but occur at sources owned or controlled by another company.~~ Scope 2 includes emissions from electricity, heat, steam and cooling purchased or acquired and consumed by the reporting company.

Typical sources of Scope 2 emissions relate to any equipment that consumes electricity (electrical engines, lights, buildings, etc), heat (heat in industrial processes, buildings, etc), steam (industrial processes) and cooling (industrial processes, buildings).

Emissions associated with the purchase and consumption of electricity, heat, steam and cooling can be calculated by the expression:

<sup>21</sup> Smith, C., Z.R.J. Nicholls, K. Armour, W. Collins, P. Forster, M. Meinshausen, M.D. Palmer, and M. Watanabe, 2021: The Earth's Energy Budget, Climate Feedbacks, and Climate Sensitivity Supplementary Material. In Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Masson-Delmotte, V., P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M.I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J.B.R. Matthews, T.K. Maycock, T. Waterfield, O. Yelekçi, R. Yu, and B. Zhou (eds.)]. Available from <https://www.ipcc.ch/>.

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$$Emissions_{GHG} = Activity\ Data * EF$$

Where:

*Emissions<sub>GHG</sub>*

are the emissions of GHG's resulting from the production of the electricity, heat, steam or cooling (typically, if from generated through combustion CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O);

*Activity Data*

Is the quantity of fuel consumed, typically expressed in energy units (e.g. MWh);

*EF<sub>GHG,Energy</sub>*

is the Emission Factor for the production of electricity (heat, steam or colling). The units of the EF need to be consistent with the units of the Activity data;

### Example

Company A occupies an office building of 2000 m<sup>2</sup> in Paris, where it pays the electricity consumed for the central heating and cooling, lighting, computers and other electric appliances. Through its utility bills, it has estimated that the building consumed 282 MWh of electricity in 2022. By using the emission factor provided by nowtricity.com for France in 2022, it has estimated its Scope 2 emissions for its building electricity consumption to be

$$Emissions_{GHG} = 282\ 000\ [kWh] * 73\ \left[ \frac{g\ CO_2eq}{kWh} \right] = 20.6\ t\ CO_2eq$$

[The following table provides a list of non-exhaustive sources of electricity emission factors. Undertakings may also reference authoritative national or grid sources which may be more relevant for their particular case.](#)

### Documentation Sources:

<i>Data</i>	<i>Documentation Source</i>
Activity data	Purchase receipts or utility bills, contract purchase or firm purchase records
Emissions Factors (EF):	
Europe Grid electricity	Association of Issuing Bodies (AIB) – Residual Mix Grid Emission Factors <a href="https://www.aib-net.org/facts/european-residual-mix">https://www.aib-net.org/facts/european-residual-mix</a> ADEME – Bilant Carbone <a href="https://base-empreinte.ademe.fr/">https://base-empreinte.ademe.fr/</a> JRC – Historical GHG emissions factor for electricity consumption <a href="https://data.jrc.ec.europa.eu/dataset/919df040-0252-4e4e-ad82-c054896e1641#dataaccess">https://data.jrc.ec.europa.eu/dataset/919df040-0252-4e4e-ad82-c054896e1641#dataaccess</a> <i>Life-cycle electricity production emission factors</i> <a href="https://www.nowtricity.com/">https://www.nowtricity.com/</a>
	USEPA GHG emission factors Hub <a href="https://www.epa.gov/climateleadership/ghg-emission-factors-hub">https://www.epa.gov/climateleadership/ghg-emission-factors-hub</a>
North America Grid electricity	Government of Canada

[https://publications.gc.ca/collections/collection\\_2023/eccc/En84-294-2023-eng.pdf](https://publications.gc.ca/collections/collection_2023/eccc/En84-294-2023-eng.pdf)

IEA's Annual GHG emission factors for World countries from electricity and heat generation (2022 data set, paid data set)

Other regions/Global <https://www.iea.org/data-and-statistics/data-product/emissions-factors-2022#emissions-factors>

Global Warming Potential (GWP) IPCC – Global Warming Potential (GWP-100) p. 16

[https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC\\_AR6\\_WGI\\_Chapter07\\_SM.pdf](https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_Chapter07_SM.pdf)

~~You can also find more~~ [More](https://undertakingclimatehub.org/) guidance and tools on how to act and report on climate [can be found at https://undertakingclimatehub.org/](https://undertakingclimatehub.org/).

### **Scope 3 emissions**

[Depending on the type of activities carried out by the undertaking, a quantification of the undertaking's Scope 3 GHG emissions provides relevant information \(refer to paragraph 13 of this Standard\).](#)

[Scope 3 emissions are the indirect GHG emissions that derive from an undertaking's value chain. They include the activities that are upstream of the undertaking's operations \(e.g. purchased goods and services, purchased capital goods, transportation of purchased goods, etc.\) and activities that are downstream of the undertaking's operations \(e.g. transport and distribution of the undertaking's products, use of sold products, investments, etc.\). If the undertaking decides to provide this metric, it should refer to the 15 types of Scope 3 GHG emissions identified by the GHG Protocol Corporate Standard and detailed by the GHG Protocol Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard \(adapted from GHG Protocol Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard, Glossary \(Version 2011\)\).](#)

[When it reports on Scope 3 GHG emissions, the undertaking includes significant Scope 3 categories \(as per the Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard\), based on its own assessment of relevant Scope 3 categories. Undertakings can find further guidance on specific calculation methods for each category in the <https://undertakingclimatehub.org/> GHG Protocol "Technical guidance for Calculating Scope 3 Emissions".](#)

### **Conversion between different energy units**

[Paragraph 27 indicates MWh as the unit of choice for measuring energy consumption. In case of fuel or biomass, data expressed in other units, such as energy content \(e.g., kJ, Btu\), volume \(e.g., litres, m3\), or mass \(e.g., metric tonnes, short tonnes\), a conversion to MWh is necessary.](#)

[For fuel consumption measured by mass \(e.g., wood, coal\), the undertakings should:](#)

- [1. Obtain the Net Calorific Value \(e.g., kJ/metric ton, TJ/Gg\) of the fuel. It can be a typical value published by reliable sources \(e.g., IPCC\), or may be provided by the supplier or attained internally.](#)
- [2. Convert the Net Calorific Value to MWh/ton. Example:](#)

$$1 \text{ TJ} = 1012 \text{ J} = 277.778 \text{ MWh}; \quad 1 \text{ Gg} = 10^9 \text{ g} = 1000 \text{ t}$$

$$11.9 \text{ TJ/Gg} = 11.9 * 277.778/1000 \text{ t} = 3.306 \text{ MWh/ton}$$

- [3. Calculate the energy content of the mass. Example:](#)

$$1245345 \text{ t} * 3.306 \text{ MWh/ton} = 4117111 \text{ MWh}$$

[For liquid fuel, the undertakings should:](#)

- [1. Convert volume information to mass, multiplying volume by fuel density. Example:](#)

Diesel = 4 456 000 l; Diesel density = 0.84 kg/l

4 456 000 (l) \* 0.84 (kg/l) = 3 743 040 kg = 3 743 t

2. Calculate the energy content, multiplying mass by Net Calorific Value. Example:

3 743 [t] \* 43 [TJ/Gg] = 3 743 t \* 43 TJ/(1000 [t]) = 160.949 [TJ]

3. Convert TJ to MWh. Example:

1 TJ = 1012 J = 277.778 MWh

160.949 [TJ] = 277.778 [MWh/TJ] \* 160.949 [TJ] = 44 708 MWh

**Documentation Source:**

Data

Documentation Source

CDP

CDP Technical Note: Conversion of fuel data to MWh

[https://cdn.cdp.net/cdp-production/cms/guidance\\_docs/pdfs/000/000/477/original/CDP-Conversion-of-fuel-data-to-MWh.pdf?1479755175](https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/000/477/original/CDP-Conversion-of-fuel-data-to-MWh.pdf?1479755175)

**Metric B 4 – Pollution of air, water and soil**

**Guidance on which undertakings need to report on pollution and what pollutants do undertakings need to report on.**

Paragraph ~~XX30~~ establishes that, if applicable, ~~undertakings~~ the undertaking shall disclose ~~in their voluntary sustainability report~~ the pollutants ~~they emit in their own operations~~ it emits to air, water and soil, ~~in the case that its own operations, if such reporting information is already required to be reported~~ by law to competent authorities or under an Environmental Management System such as EMAS.

The metrics to be disclosed under this paragraph refer to information that the undertaking is already mandated to provide by law. This requirement was conceived to avoid any additional reporting burden on undertakings. In general, this requirement is expected to apply to undertakings that are ~~owners or~~ operators of one industrial installation covered by the Industrial Emissions Directive (IED). The IED applies to some 52,000 installations in Europe covering activities such as burning fuel in boilers with rated power of more than 50 MW, metal foundries, processing of non-ferrous metals, production of lime, manufacture of ceramic products by firing, production of plant protection products or biocides, tanning of hides, slaughterhouses, etc. In these cases, the installation already has to report to the competent authority the pollutants released to air, water and soil, ~~and the data is publicly available at the~~ European Pollutant Release and Transfer Register (E-PRTR). Companies that operate more than one facility, do not have to report on their consolidated company-wide emissions under the EPRTR, as they report only at facility level. This Standard requires to report the total amount of all the facilities. Similarly, companies owning but not operating a facility, do not have to report to the EPRTR but are expected to reflect their facility-owned emissions in their sustainability report.

Likewise, if under an EMAS certification ~~a company an undertaking~~ has been identified has having to monitor and report on the pollutants listed in the PRTR ~~then~~, these are, in principle, relevant aspects for the undertaking to ~~report~~ include on in its sustainability report.

**Disclosure** If an undertaking has or operates only one facility and its pollution data is already publicly available, the undertakings may provide a reference to the document where such information is provided, instead of reporting it again. Likewise, if the undertaking publishes an organisation wide EMAS report including pollution data, it can include it in the sustainability report by reference.

To report the information on pollutants into the sustainability report, the undertaking should indicate the type of pollutant material, alongside the amount emitted to air, water and soil in a suitable mass unit (e.g., t or kg).

Below is an example of how undertakings may present information on their emissions to air, water, soil divided by pollutant.

<u>Pollutant</u>	<u>Emissions (kg)</u>	<u>Medium of release (air, water, soil)</u>
e.g., Cadmium and compounds	10	Water
Type of pollutant 2		
Type of pollutant 3		

### **Metric B 5 – Biodiversity**

#### **Guidance on how to identify sites in or near Biodiversity Sensitive Area**

Paragraph 31 reports that the undertaking shall disclose sites in or near biodiversity sensitive areas. Biodiversity sensitive areas are defined as such by special nature protection regulation, at European or international level. These comprise areas belonging to the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas ('KBAs'), as well as other protected areas, as referred to in Appendix D of Annex II to Commission Delegated Regulation (EU) 2021/21398.

The following table is a suggestion for presenting information on sites in or near Biodiversity sensitive areas. The undertaking may provide the location (e.g. country and site name) without specifying the exact address of the plant.

<u>Location</u>	<u>Area</u> (hectares)	<u>Biodiversity sensitive Area</u>	<u>Specification</u> (located in; located partially in; located near Biodiversity sensitive areas)
Country – Site 1			
Country – Site 2			
Country – Site 3			
...			

For the purpose of this Standard, the term "near" should be interpreted as meaning an area that is inside, overlapping or adjacent to a Biodiversity Sensitive area.

**Documentation Sources:**

<u>Data</u>	<u>Documentation Source</u>
<a href="#">Natura 2000 Network of protected areas</a>	<a href="https://natura2000.eea.europa.eu/">https://natura2000.eea.europa.eu/</a>
<a href="#">Key Biodiversity Areas - IUCN</a>	<a href="https://www.keybiodiversityareas.org/sites/search">https://www.keybiodiversityareas.org/sites/search</a>
<a href="#">UNESCO – World Heritage Centre</a>	<a href="https://whc.unesco.org/en/list/">https://whc.unesco.org/en/list/</a>

**Guidance on how to calculate and report land-use changes**

The undertaking may disclose in units of area (e.g., m<sup>2</sup> or ha) on land-use using guidance provided by the Eco-Management and Audit Scheme (EMAS):

- (a) total use of land;
- (b) total sealed area;
- (c) total nature-oriented area on site; and
- (d) total nature-oriented area off site.

[The following table is a suggestion for presenting information on land-use change.](#)

<u>Land-use Type</u>	<u>Area</u> (hectares or m <sup>2</sup> )		
	<u>Previous year</u>	<u>Reporting year</u>	<u>% change</u>
<a href="#">Total sealed area</a>			
<a href="#">Total nature-oriented area on site</a>			
<a href="#">Total nature-oriented area off site</a>			
<a href="#">Total use of land</a>			

**Documentation Sources:**

<u>Data</u>	<u>Documentation Source</u>
EMAS Guidance	EU Commission Regulation 2018/2026 <a href="https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R2026&amp;rid=2">https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R2026&amp;rid=2</a>

**Disclosure Metric B 6 – Water**

**Guidance on how to calculate and report on water withdrawals and water consumption**

**Water withdrawal** relates to the amount of water an undertaking draws into its organizational boundaries from any source during the reporting period. In practice, for most undertakings, this relates to the amount of water taken from the public water supply network, as indicated in the utility bills. However, where applicable, water withdrawal also includes the amounts of water from other sources, such as groundwater from own wells, water taken from rivers or lakes or water received by other undertakings. Rainwater collected by the undertaking is not considered as a water withdrawal.

**Water consumption** is the amount of water drawn into the boundaries of the undertaking that is not discharged or planned to be discharged back to the water environment or to a third party. This typically relates to water evaporated – e.g. in thermal energy processes, like drying or power production –, water embedded into the products – e.g. in food production –, or water for irrigation purposes – e.g. in agriculture or for watering company premises. **Discharge to third parties** means the amount of water transferred, for example, directly to receiving water bodies such as lakes or rivers, the public sewer or to other companies for cascading water use. Water consumption can therefore be calculated by deducting the amount of water discharged from the amount of water withdrawals. Collected rainwater can be considered in the calculation.

For undertakings which solely withdraw water from the public water network and discharge it to the sewer, water consumption will be close to zero and can therefore be omitted in reporting.

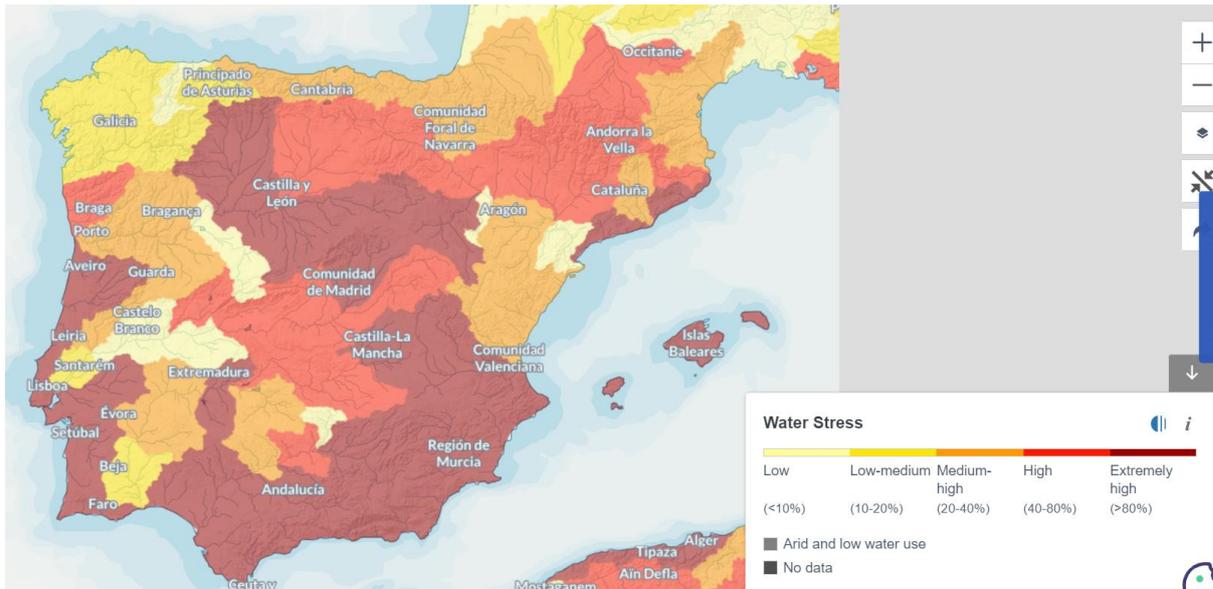
The undertaking may provide additional explanatory information to contextualize its water withdrawals or consumption. For example, the undertaking may highlight if rainwater is collected and used as a replacement of tap water or if water is discharged to other parties for cascading use.

[Below is an example of how undertakings may present the quantitative information on their withdrawals, discharges and consumption of water divided by site location.](#)

	<u>Water withdrawal</u> (e.g. m3)	<u>Water consumption</u> (e.g. m3) (if applicable)
<u>All sites</u>		
<u>Sites in areas with water stress</u>		

**Guidance on how to know if operating in an area of high water stress**

To know if the undertaking operates in an area of high water stress, you can consult the regional water authorities of the places you operate on, to understand their assessment of the water resources for that specific location. Alternatively, you can also consult public available and free tools that map water scarcity globally. One of such tools is [WRI's Aqueduct Water Risk Atlas](#). Through this tool you can consult the Water stress baseline for different river basins globally. ~~The~~As an illustration, the picture below shows a map of the main Iberian river basins and their water stress classification according to WRI Aqueduct.



You can observe several of the water basins in the Peninsula and their water stress classification. Most of the southern part of the peninsula is an area of very high water stress - with the exception of the Gadiana basin (in yellow). So, if you have operations within the Guadalquivir basin (Andalucia region, very high level water stress) you would have to disaggregate your water consumption for that region/water basin. But if your operation is located within the southern part of the Gadiana river basin (low water stress) then that would not be necessary.

**DisclosureMetric B 7- Resource use, circular economy and waste management**

**Guidance on circular economy principles**

When disclosing information on its products, material use, and waste management, the undertaking may provide information in relation to the circular economy principles. Circular economy principles are articulated in the paragraphs below. The key principles outlined by Ellen Macarthur Foundation are shown underlined while the key principles considered by the European Commission are shown in *italic*.

Eliminate waste and pollution – which can be done through process improvements but also design considerations at the level of the *usability, reusability, repairability, disassembly* and *remanufacturing*;

Circulate products and materials (at their highest value) – reusability and *recycling* is key for product circulation, but this is enhanced if special consideration for circularity is given at design phase for issues such as usability, reusability, repairability, remanufacturing and disassembly. Factors such as the incorporation of bio-materials and their *recirculation by the biological cycle* can also be considered – for example, using biodegradable crop covers instead of plastics in agriculture.

Regenerate nature – whenever possible, human activities should seek to regenerate nature and improve or restore key ecological functions (drainage, habitat provision, thermal regulation, etc) that may have been lost due to previous human activities.

**Guidance on the rate of recycled contents in the products and packaging**

When compiling the rate of recycled content – ~~this that~~ is, inputs into the process that have originated from recycled materials - the undertaking may use as denominator the total weight of materials that are recycled used in products and packaging (during the reporting period) divided by the total weight of materials in products and packaging (during the reporting period).

**Guidance on ~~the rate of recyclable contents in the products~~ how to identify manufacturing and/or packaging processes**

~~When compiling the rate of recyclable content – this is, materials that can be technically recycled – To identify manufacturing and/or packaging processes,~~ the undertaking may ~~use as denominator the refer~~

to those activities that fall under "Section C - Manufacturing" and Section F "Construction" of Annex I to Regulation (EC) No 1893/2006<sup>22</sup>.

**Guidance on total weight of materials that are recyclable used in products and packaging (during the reporting period)** **waste generation and waste diverted to recycle or reuse**

When disclosing information on waste the undertaking may adopt the following tables.

	<b>Waste generated (e.g. tonnes)</b>		
	<b>Total waste generated, of which:</b>		
		<i>Waste diverted to recycle or reuse</i>	<i>Waste directed to disposal</i>
<b>Non-hazardous waste</b>			
Type of waste1			
Type of waste2			
...			
<b>Hazardous waste</b>			
Type of waste1			
...			

The undertaking may consider the list of waste descriptions from the [European Waste Catalogue](#).

**Social metrics**

**Metric B 8 – Workforce – General characteristics**

Full-time equivalent (FTE) is an employee's scheduled hours divided by the employer's hours for a full-time workweek.

Head count is the total weight of materials in products and packaging (during the reporting period) number of people employed by the undertaking at a given time.

**Guidance on how to present information**

The following table is a suggestion for presenting information on employees by type of employment contract.

<b>Type of contract</b>	<b>Number of Employees (full-time equivalents or head count)</b>
Temporary contract	
Permanent contract	
Total Employees	

The following table is a suggestion for presenting information on employees by gender.

<b>Gender</b>	<b>Number of Employees (full-time equivalents or head count)</b>
Male	
Female	
Other	

<sup>22</sup> L\_2006393EN.01000101.xml (europa.eu)

<a href="#">Not reported</a>	
<a href="#">Total Employees</a>	

[In some European Member States it is possible for persons to legally register themselves as having a third gender, often neutral, which is categorised as “other” in the table above. If the undertaking is disclosing data about employees where this is not possible, it may explain this and indicate that the “other” category is not applicable. “Not reported” category refers to employees who do not disclose gender identity.](#)

[The following table is a suggestion for presenting information on employees by countries.](#)

<a href="#">Country</a>	<a href="#">Number of Employees (full-time equivalents or head count)</a>
<a href="#">Country A</a>	
<a href="#">Country B</a>	
<a href="#">Country C</a>	
<a href="#">Country D</a>	
<a href="#">Total Employees</a>	

[The definitions and types of employment contracts may differ between countries. If the undertaking has employees in more than one country, it shall use the definitions as per the national laws of the countries where the employees are based to calculate country-level data. The country-level data shall then be added up to calculate total numbers, disregarding differences in national legal definitions.](#)

## **[Disclosure B 9 – Workforce - Health and Safety](#)**

### **[Guidance on the rate of recordable work-related accidents](#)**

[In order to calculate the rate of recordable work-related accidents, the formula below should be used:](#)

$$\frac{\text{Number of work related accidents in the reporting year}}{\text{Total number of hours worked in a year by all employees}} \times 200,000$$

[The rate indicates the number of work-related accidents per 100 full-time workers over one year timeframe, based on the assumption that one full-time worker works 2,000 hours per year. If the undertaking cannot directly calculate the number of hours worked, it may estimate this on the basis of normal or standard hours of work.](#)

[Example:](#)

[Company A reported 3 work-related accidents in the reporting year. Company A has 40 employees with a total number of 80,000 hours \(40 x 2,000\) worked in a year.](#)

[The rate of recordable work-related accidents is: 3 / 80,000 x 200,000 = 7.5](#)

### **[Guidance on number of fatalities as a result of work-related injuries and work-related ill health](#)**

[Work-related injuries and work-related ill health arise from exposure to dangers at work.](#)

[In case of teleworking, injuries and ill health are work-related if the injury or ill health is directly related to the performance of work rather than the general home environment.](#)

[In case of injuries and ill health that occur while a person is travelling for work purposes, these are work-related if the employee was performing work activities in the interest of the employer at the time of the injury or ill health. Incidents which arise during travel, outside of the undertaking’s responsibility \(i.e., regular commuting to and from work\), are subject to the applicable national legislation that regulates their categorisation as to whether these are work-related or not.](#)

[Mental illness is work-related if it has been notified voluntarily by the person concerned and it is supported by an opinion from a licensed healthcare professional that states that the illness is work-related. Health problems resulting from smoking, drug and alcohol abuse, physical inactivity, unhealthy diets, and psychosocial factors unrelated to work are not considered work-related.](#)

[The undertaking may present separately the fatalities for work-related injuries and those resulting from work-related ill health.](#)

**Disclosure B 10 – Workforce – Remuneration, collective bargaining, and training**

**Guidance on remuneration: ratio of the entry level to the minimum wage**

Significant proportion of employees refers to the majority of employees in the undertaking, without considering interns or apprentices.

Entry level wage refers to the full-time wage in the lowest employment category. The wages of interns and apprentices shall not be considered when identifying the entry level wage of the undertaking.

Minimum wages refer to the minimum compensation for employment per hour, or other unit of time, allowed under law. Depending on the country, the minimum wage might be set directly by law, or through collective bargaining agreements. The undertaking shall refer to the applicable one for the country it reports on (i.e., either set directly by law, or through a collective bargaining agreement).

$$Ratio = \frac{\text{Entry level wage}}{\text{Minimum wage}}$$

**Guidance on remuneration: percentage gap between female and male employees**

This metric is addressing the principle of gender equality whereby equal pay for equal work is established.

In order to calculate this metric, all employees shall be included in the calculation. In addition, there should be two separate average pay calculations for female and male. See the formula below:

$$\frac{(\text{Average gross hourly pay level of male employees} - \text{average gross hourly pay level of female employees})}{\text{Average gross hourly pay level of male employees}} \times 100$$

Depending on the undertaking’s remuneration policies, the gross pay refers to all of the following:

- i. base salary, which is the sum of guaranteed, short-term, and non-variable cash compensation;
- ii. benefits in cash, which is the sum of the base salary and cash allowances, bonuses, commissions, cash profit-sharing, and other forms of variable cash payments;
- iii. benefits in kind, such as cars, private health insurance, life insurance, wellness programs; and
- iv. direct remuneration, which is the sum of benefits in cash, benefits in kind and total fair value of all annual long-term incentives.

The gross pay is the sum of all the applicable elements listed above.

The average gross hourly pay is the weekly/annual gross pay divided by the average hours worked per week/year.

Example:

Company A has X male employees and Y female employees. Male employees gross hourly pay is Euro 15 and female gross hourly pay is Euro 13.

The average gross hourly pay level of male employees is the sum of all their gross hourly pays divided by the total number of male employees. The average gross hourly pay level of female employees is the sum of all their gross hourly pays divided by the total number of female employees.

The percentage pay gap between male and female employees is:

$$\frac{15 - 13}{15} \times 100 = 13.3\%$$

Guidance on collective bargaining coverage

The employees covered by collective bargaining agreements are those individuals to whom the undertaking is obliged to apply the agreement. If an employee is covered by more than one collective bargaining agreement, only needs to be counted once. If none of the employees are covered by a collective bargaining agreement, the percentage is zero.

The employees covered by collective bargaining agreements are those individuals to whom the undertaking is obliged to apply an agreement.

The percentage of employees covered by collective bargaining agreements is calculated using the following formula:

$$\frac{\text{Number of employees covered by collective bargaining agreements}}{\text{Number of employees}} \times 100$$

The information required by this Disclosure Requirement may be reported as coverage rates: whether the collective bargaining coverage is between 0-19%, 20-39%, 40-59%, 60-79% or 80-100%.

This requirement is not aimed at obtaining the percentage of employees represented by a works council or belonging to trade unions, which can be different. The percentage of employees covered by collective bargaining agreements can be higher than the percentage of unionised employees when the collective bargaining agreements apply to both union and non-union members.

## Appendix A: Defined terms

This appendix is integral part of the [draft] Standard.

<u>Defined term</u>	<u>Definition</u>	<u>Aligned with Set 1 – [THIS COLUMN WILL BE DELETED IN THE ED]</u>
<u>Actions</u>	<u>Actions refer to (i) actions and actions plans (including transition plans) that are undertaken to ensure that the undertaking delivers against targets set and through which the undertaking seeks to address material impacts, risks and opportunities; and (ii) decisions to support these with financial, human or technological resources.</u>	<u>Fully aligned</u>
<u>Apprenticeships</u>	<u>Apprenticeships are understood as formal vocational education and training schemes that (a) combine learning in education or training institutions with substantial work-based learning in companies and other workplaces, (b) lead to nationally recognised qualifications, (c) are based on an agreement defining the rights and obligations of the apprentice, the employer and, where appropriate, the vocational education and training institution, and (d) with the apprentice being paid or otherwise compensation for the work-based component.</u>	<u>Fully aligned</u>
<u>Biodiversity</u>	<u>The variability among living organisms from all sources including, inter alia, terrestrial, freshwater, marine and other aquatic ecosystems and the ecological complexes of which they are part.</u>	<u>Fully aligned</u>
<u>Biodiversity-sensitive Area</u>	<u>Biodiversity-sensitive areas include: Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas ('KBAs'), as well as other protected areas, as referred to in Appendix D of Annex II to Commission Delegated Regulation (EU) 2021/2139.</u>	<u>Fully aligned</u>
<u>Collective bargaining</u>	<u>All negotiations which take place between an employer, a group of employers or one or more employers' organisations, on the one hand, and one or more trade unions or, in their absence, the representatives of the workers duly elected and authorised by them in accordance with national laws and regulations, on the other, for: i) determining working conditions and terms of employment; and/or ii) regulating relations between employers and workers; and/or regulating relations between employers or their organisations and a workers' organisation or workers' organisations.</u>	<u>Fully aligned</u>

<u>Defined term</u>	<u>Definition</u>	<u>Aligned with Set 1 – [THIS COLUMN WILL BE DELETED IN THE ED]</u>
<u>Classified information</u>	<p><u>EU classified information as defined in Council Decision of 23 September 2013 on the security rules for protecting EU classified information (2013/488/EU) or classified by one of the Member States and marked as per Appendix B of that Council decision.</u></p> <p><u>EU classified information means any information designated by a EU security classification, of which the unauthorised disclosure could cause varying degrees of prejudice to the interests of the European Union or of one or more of the Member States. Classified information may be classified according to four levels: top secret, secret, confidential, restricted (based on the definition from the Council Decision).</u></p>	<u>Aligned with Set 1, but second paragraph added to further simplify the definition</u>
<u>Circular economy principles</u>	<u>The European circular economy principles are usability; reusability; repairability; disassembly; remanufacturing or refurbishment; recycling; recirculation by the biological cycle; other potential optimisation of product and material use.</u>	<u>Fully aligned</u>
<u>Climate-change adaptation</u>	<u>The process of adjustment to actual and expected climate change and its impacts.</u>	<u>Fully aligned</u>
<u>Climate-related physical risks</u>	<u>Risks resulting from climate change that can be event-driven (acute) or from longer-term shifts (chronic) in climate patterns. Acute physical risks arise from particular hazards, especially weather-related events such as storms, floods, fires or heatwaves. Chronic physical risks arise from longer-term changes in the climate, such as temperature changes, and their effects on rising sea levels, reduced water availability, biodiversity loss and changes in land and soil productivity.</u>	<u>Fully aligned</u>
<u>Direct GHG emissions (Scope 1)</u>	<u>Direct GHG emissions from sources that are owned or controlled by the undertaking.</u>	<u>Fully aligned</u>
<u>Employee</u>	<u>An individual who is in an employment relationship with the undertaking according to national law or practice.</u>	<u>Fully aligned</u>
<u>Family related leave</u>	<u>Family-related leave include maternity leave, paternity leave, parental leave, and carers' leave that is available under national law or collective</u>	<u>Fully aligned</u>

<u>Defined term</u>	<u>Definition</u>	<u>Aligned with Set 1 – [THIS COLUMN WILL BE DELETED IN THE ED]</u>
	<p><u>agreements. For the purpose of this Standard, these concepts are defined as:</u></p> <p><u>(a) maternity leave (also called pregnancy leave): employment-protected leave of absence for employed women directly around the time of childbirth (or, in some countries, adoption);</u></p> <p><u>(b) paternity leave: leave from work for fathers or, where and in so far as recognised by national law, for equivalent second parents, on the occasion of the birth or adoption of a child for the purposes of providing care;</u></p> <p><u>(c) parental leave: leave from work for parents on the grounds of the birth or adoption of a child to take care of that child, as defined by each Member State;</u></p> <p><u>(d) carers' leave from work: leave for workers to provide personal care or support to a relative, or a person who lives in the same household, in need of significant care or support for a serious medical reason, as defined by each Member State.</u></p>	
<u>Grievance mechanism</u>	<p><u>Any routinized, state-based or non-state-based, judicial or non-judicial processes through which stakeholders can raise grievances and seek remedy. Examples of state-based judicial and non-judicial grievance mechanisms include courts, labour tribunals, national human rights institutions, National Contact Points under the OECD Guidelines for Multinational Enterprises, ombudsperson offices, consumer protection agencies, regulatory oversight bodies, and government-run complaints offices. Non-state-based grievance mechanisms include those administered by the undertaking, either alone or together with stakeholders, such as operational-level grievance mechanisms and collective bargaining, including the mechanisms established by collective bargaining. They also include mechanisms administered by industry associations, international organisations, civil society organisations, or multi-stakeholder groups. Operational-level grievance mechanisms are administered by the organisation either alone or in collaboration with other parties and are directly accessible by the organisation's stakeholders. They allow for grievances to be identified and addressed early and directly, thereby preventing both harm and grievances from escalating. They</u></p>	<u>Fully aligned</u>

<u>Defined term</u>	<u>Definition</u>	<u>Aligned with Set 1 – [THIS COLUMN WILL BE DELETED IN THE ED]</u>
	<p><u>also provide important feedback on the effectiveness of the organisation’s due diligence from those who are directly affected. According to UN Guiding Principle 31, effective grievance mechanisms are legitimate, accessible, predictable, equitable, transparent, rights-compatible, and a source of continuous learning. In addition to these criteria, effective operational-level grievance mechanisms are also based on engagement and dialogue. It can be more difficult for the organisation to assess the effectiveness of grievance mechanisms that it participates in compared to those it has established itself.</u></p>	
<u>Greenhouse Gases (GHG)</u>	<p><u>For the purposes of this Standard, GHGs are the six gases listed in the Kyoto Protocol: carbon dioxide (CO2); methane (CH4); nitrous oxide (N2O); Nitrogen trifluoride (NF3); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); and sulphur hexafluoride (SF6).</u></p>	Fully aligned
<u>Governance</u>	<p><u>The governance is the system of rules, practices and processes by which a company (or aspects of its activities) are directed and controlled.</u></p>	NEW
<u>Hazardous waste</u>	<p><u>Waste which displays one or more of the hazardous properties listed in Annex III of Directive 2008/98/EC of the European Parliament and of the Council<sup>17</sup> on waste.</u></p>	Fully aligned
<u>Incident</u>	<p><u>A legal action or complaint registered with the undertaking or competent authorities through a formal process, or an instance of non-compliance identified by the undertaking through established procedures. Established procedures to identify instances of non-compliance can include management system audits, formal monitoring programs, or grievance mechanisms</u></p>	Fully aligned
<u>Indirect GHG emissions (Scope 2)</u>	<p><u>Indirect emissions are a consequence of the operations of the undertaking but occur at sources owned or controlled by another company. Scope 2 GHG emissions are indirect emissions from the generation of purchased or acquired electricity, steam and heat, or cooling consumed by the undertaking.</u></p>	Fully aligned
<u>Land-use change</u>	<p><u>The human use of a specific area for a certain purpose (such as residential; agriculture; recreation; industrial, etc.). Influenced by land</u></p>	Simplified version (land cover made explicit)

<u>Defined term</u>	<u>Definition</u>	<u>Aligned with Set 1 – [THIS COLUMN WILL BE DELETED IN THE ED]</u>
	<u>cover (grass, asphalt, trees, bare ground, water, etc). Land-use change refers to a change in the use or management of land by humans, which may lead to a change in land cover.</u>	
<u>Nature-oriented area</u>	<p><u>A “nature-oriented area” is an area dedicated primarily to nature preservation or restoration. They can be located on-site and include elements like roof, façade, water drainages designed, to promote biodiversity. Nature-oriented areas can also be located outside the organisation site provided that the area is owned or (co-)managed by the organisation and is primarily dedicated to promoting biodiversity.</u></p> <p><u>(Adapted from: Source: <a href="https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02009R1221-20230712">https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02009R1221-20230712</a>)</u></p>	<u>Not present in Set 1 but requested by an SR TEG member</u>
<u>Own workforce/own workers</u>	<u>Employees who are in an employment relationship with the undertaking (‘employees’) and non-employees who are either individual contractors supplying labour to the undertaking (‘self-employed people’) or people provided by undertakings primarily engaged in ‘employment activities’ (NACE Code N78).</u>	<u>Fully aligned</u>
<u>Pay</u>	<u>The ordinary basic or minimum wage or salary and any other remuneration, whether in cash or in kind which the worker receives directly or indirectly (‘complementary or variable components’), in respect of his/her employment from his/her employer. ‘Pay level’ means gross annual pay and the corresponding gross hourly pay. ‘Median pay level’ means the pay of the employee that would have half of the employees earn more and half less than they do</u>	<u>Fully aligned</u>
<u>Policy</u>	<p><u>A set or framework of general objectives and management principles that the undertaking uses for decision-making. A policy implements the undertaking’s strategy or management decisions related to a material sustainability matter. Each policy is under the responsibility of defined person(s), specifies its perimeter of application, and includes one or more objectives (linked when applicable to measurable targets). A policy is implemented through actions or action plans.</u></p> <p><u>For example, undertakings with less resources</u></p>	<u>Fully aligned</u>

<u>Defined term</u>	<u>Definition</u>	<u>Aligned with Set 1 – [THIS COLUMN WILL BE DELETED IN THE ED]</u>
	<p><u>may have few (or no) policies formalised in written documents, but this does not necessarily mean they do not have policies.</u></p> <p><u>If the undertaking has not yet formalised a policy but has implemented actions or defined targets through which the undertaking seeks to address material sustainability topics and subtopics, it may disclose them.</u></p>	
<u>Recordable work-related injury or ill health</u>	<p><u>Work-related injury or ill health that results in any of the following: death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, or loss of consciousness; or significant injury or ill health diagnosed by a physician or other licensed healthcare professional, even if it does not result in death, days away from work, restricted work or job transfer, medical treatment beyond first aid, or loss of consciousness. Recordable means diagnosed by a physician or other licensed health care professionals. Injuries that do not require medical treatment beyond first aid are generally not recordable.</u></p>	
<u>Recycling</u>	<p><u>Any recovery operation by which waste materials are reprocessed into products, materials or substances whether for the original or other purposes. It includes the reprocessing of organic material but does not include energy recovery and the reprocessing into materials that are to be used as fuels or for backfilling operations</u></p>	<u>Fully aligned</u>
<u>Renewable Energy</u>	<p><u>Energy from renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas<sup>23</sup>.</u></p>	<u>Fully aligned</u>
<u>Sealed area</u>	<p><u>A sealed area means any area where the original soil has been covered (such as roads) making it impermeable. This non-permeability can create environmental impacts.</u></p>	<u>Not present in Set 1, but requested by an SR TEG member</u>

<sup>23</sup> Article 2(1) Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, p. 82).

<u>Defined term</u>	<u>Definition</u>	<u>Aligned with Set 1 – [THIS COLUMN WILL BE DELETED IN THE ED]</u>
	<a href="https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02009R1221-20230712"> (Source: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02009R1221-20230712 )</a>	
<u>Sensitive information</u>	<p><a href="#">Sensitive information as defined in Regulation (EU) 2021/697 of the European Parliament and of the Council of 29 April 2021 establishing the European Defence Fund.</a></p> <p><a href="#">SUGGESTION TO ADD the definition provided in the same Council of 29 April 2021: Sensitive information means information and data, including classified information, that is to be protected from unauthorised access or disclosure because of obligations laid down in Union or national law or in order to safeguard the privacy or security of a natural or legal person.</a></p>	<a href="#">Aligned with Set 1, but see suggestion in order to clarify the definition</a>
<u>Targets</u>	<a href="#">Measurable, outcome-oriented and time-bound goals that the SME aims to achieve in relation to material sustainability topics and subtopics. They may be set voluntarily by the SME or derive from legal requirements on the undertaking.</a>	<a href="#">Fully aligned</a>
<u>Training</u>	<a href="#">Initiatives put in place by the undertaking aimed at the maintenance and/or improvement of skills and knowledge of its own workers. It can include different methodologies, such as on-site training, and online training.</a>	<a href="#">Fully aligned</a>
<u>Value Chain</u>	<a href="#">The full range of activities, resources and relationships related to the undertaking’s business model and the external environment in which it operates. A value chain encompasses the activities, resources and relationships the undertaking uses and relies on to create its products or services from conception to delivery, consumption and end-of- life. Relevant activities, resources and relationships include: a) those in the undertaking’s own operations, such as human resources; b) those along its supply, marketing and distribution channels, such as materials and service sourcing and product and service sale and delivery; and c) the financing, geographical, geopolitical and regulatory environments in which the undertaking operates. Value chain includes actors upstream and downstream from the undertaking. Actors upstream from the undertaking (e.g., suppliers) provide products or services that are used in the development of the undertaking’s products or services. Entities</a>	<a href="#">Aligned – deleted ‘ESRS use the term “value chain” in the singular, although it is recognised that undertakings may have multiple value chains’</a>

<u>Defined term</u>	<u>Definition</u>	<u>Aligned with Set 1 – [THIS COLUMN WILL BE DELETED IN THE ED]</u>
	<u>downstream from the undertaking (e.g., distributors, customers) receive products or services from the undertaking.</u>	
<u>Wage</u>	<u>Gross wage, excluding variable components such as overtime and incentive pay, and excluding allowances unless they are guaranteed</u>	<u>Fully aligned</u>
<u>Work-life balance</u>	<u>Satisfactory state of equilibrium between an individual’s work and private life. Work-life balance in a broader sense encompasses not only the balance between work and private life given family or care responsibilities, but also time allocation between time spent at work and in private life beyond family responsibilities.</u>	<u>Fully aligned</u>

**Disclaimer:** Appendix A – Defined Terms does not include terms or definitions found in the Business Partners Module.

## Appendix B: List of sustainability matters used for materiality assessment

This appendix is an integral part of this [draft] Standard. The compilation of sustainability topics and related sub-topics and sub-sub-topic shall be used as a basis to determine the material matters to be reported.

Sustainability matters covered in [draft] topical ESRS		
Topic	Sustainability matter: Sub-topic	Sustainability matter: sub-sub topic
Climate change	<ul style="list-style-type: none"> <li>– Climate change adaptation</li> <li>– Climate change mitigation</li> <li>– Energy</li> </ul>	
Pollution	<ul style="list-style-type: none"> <li>– Pollution of air</li> <li>– Pollution of water</li> <li>– Pollution of soil</li> <li>– Pollution of living organisms and food resources</li> <li>– Substances of concern</li> <li>– Substances of very high concern</li> </ul>	
Water and marine resources	<ul style="list-style-type: none"> <li>– Water</li> <li>– Marine resources</li> </ul>	<ul style="list-style-type: none"> <li>– Water consumption</li> <li>– Water withdrawals</li> <li>– Water discharges</li> <li>– Water discharges in the oceans</li> <li>– Extraction and use of marine resources</li> </ul>
Biodiversity and ecosystems	– Direct impact drivers of biodiversity loss	<ul style="list-style-type: none"> <li>– Climate Change</li> <li>– Land-use change, fresh water-use change and sea-use change</li> <li>– Direct exploitation</li> <li>– Invasive alien species</li> <li>– Pollution</li> <li>– Others</li> </ul>
	– Impacts on the state of species	<ul style="list-style-type: none"> <li>– Examples:</li> <li>– Species population size</li> <li>– Species global extinction risk</li> </ul>
	– Impacts on the extent and condition of ecosystems	<ul style="list-style-type: none"> <li>– Examples:</li> <li>– Land degradation</li> <li>– Desertification</li> <li>– Soil sealing</li> </ul>
	– Impacts and dependencies on ecosystem services	
Circular economy	<ul style="list-style-type: none"> <li>– Resources inflows, including resource use</li> <li>– Resource outflows related to products and services</li> <li>– Waste</li> </ul>	
Own workforce	<ul style="list-style-type: none"> <li>– Working conditions</li> </ul>	<ul style="list-style-type: none"> <li>– Secure employment</li> <li>– Working time</li> <li>– Adequate wages</li> <li>– Social dialogue</li> <li>– Freedom of association, the existence of works councils and the information,</li> </ul>

Sustainability matters covered in [draft] topical ESRS		
Topic	Sustainability matter: Sub-topic	Sustainability matter: sub-sub topic
		<ul style="list-style-type: none"> <li>consultation and participation rights of workers</li> <li>– Collective bargaining, including rate of workers covered by collective agreements</li> <li>– Work-life balance</li> <li>– Health and safety</li> </ul>
	– Equal treatment and opportunities for all	<ul style="list-style-type: none"> <li>Gender equality and equal pay for work of equal value</li> <li>– Training and skills development</li> <li>– Employment and inclusion of persons with disabilities</li> <li>– Measures against violence and harassment in the workplace</li> <li>– Diversity</li> </ul>
	– Other work-related rights	<ul style="list-style-type: none"> <li>– Child labour</li> <li>– Forced labour</li> <li>– Adequate housing</li> <li>– Privacy</li> </ul>
Workers in the value chain	– Working conditions	<ul style="list-style-type: none"> <li>– Secure employment</li> <li>– Working time</li> <li>– Adequate wages</li> <li>– Social dialogue</li> <li>– Freedom of association, including the existence of work councils</li> <li>– Collective bargaining</li> <li>– Work-life balance</li> <li>– Health and safety</li> </ul>
	– Equal treatment and opportunities for all	<ul style="list-style-type: none"> <li>Gender equality and equal pay for work of equal value</li> <li>– Training and skills development</li> <li>– The employment and inclusion of persons with disabilities</li> <li>– Measures against violence and harassment in the workplace</li> <li>– Diversity</li> </ul>
	– Other work-related rights	<ul style="list-style-type: none"> <li>– Child labour</li> <li>– Forced labour</li> <li>– Adequate housing</li> <li>– Water and sanitation</li> <li>– Privacy</li> </ul>
Affected communities	– Communities' economic, social and cultural rights	<ul style="list-style-type: none"> <li>– Adequate housing</li> <li>– Adequate food</li> <li>– Water and sanitation</li> <li>– Land-related impacts</li> <li>– Security-related impacts</li> </ul>
	– Communities' civil and political rights	<ul style="list-style-type: none"> <li>– Freedom of expression</li> <li>– Freedom of assembly</li> </ul>

Sustainability matters covered in [draft] topical ESRS		
Topic	Sustainability matter: Sub-topic	Sustainability matter: sub-sub topic
		<ul style="list-style-type: none"> <li>- Impacts on human rights defenders</li> </ul>
	<ul style="list-style-type: none"> <li>- Rights of indigenous communities</li> </ul>	<ul style="list-style-type: none"> <li>- Free, prior and informed consent</li> <li>- Self-determination</li> <li>- Cultural rights</li> </ul>
Consumers and end-users	<ul style="list-style-type: none"> <li>- Information-related impacts for consumers and/or end-users</li> </ul>	<ul style="list-style-type: none"> <li>- Privacy</li> <li>- Freedom of expression</li> <li>- Access to (quality) information</li> </ul>
	<ul style="list-style-type: none"> <li>- Personal safety of consumers and/or end-users</li> </ul>	<ul style="list-style-type: none"> <li>- Health and safety</li> <li>- Security of a person</li> <li>- Protection of children</li> </ul>
	<ul style="list-style-type: none"> <li>- Social inclusion of consumers and/or end-users</li> </ul>	<ul style="list-style-type: none"> <li>- Non-discrimination</li> <li>- Access to products and services</li> <li>- Responsible marketing practices</li> </ul>
Business conduct	<ul style="list-style-type: none"> <li>- Corporate culture</li> <li>- Protection of whistle-blowers</li> <li>- Animal welfare</li> <li>- Political engagement</li> <li>- Management of relationships with suppliers including payment practices</li> </ul>	
	<ul style="list-style-type: none"> <li>- Corruption and bribery</li> </ul>	<ul style="list-style-type: none"> <li>- Prevention and detection including training</li> <li>- Incidents</li> </ul>