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sustainability reporting

EXPOSURE DRAFT

VOLUNTARY ESRS FOR NON-LISTED SMALL- AND MEDIUM-SIZED ENTERPRISES (VSME ESRS)

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Objective of this [draft] Standard and to which undertakings it applies

1. The objective of this voluntary [draft] Standard is to support micro-, small- and medium-sized undertakings in:

   (a) contributing to a more sustainable and inclusive economy;

   (b) improving the 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 information that will help satisfy the data demand needs of large undertakings requesting sustainability information from their suppliers.

2. This [draft] Standard is voluntary and applies 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.

   (a) An undertaking is micro if it does not exceed two of the following thresholds:

      i. €350,000 in balance sheet total,

      ii. €700,000 in net turnover, and

      iii. 10 employees.

   (b) An undertaking is small if it does not exceed two of the following thresholds:

      i. €4 million in balance sheet total,

      ii. €8 million in net turnover, or

      iii. an average of 50 employees.

   (c) An undertaking is medium if it does not exceed two of the following thresholds:

      i. €20 million in balance sheet total,

      ii. €40 million in net turnover, and

      iii. 250 employees.

3. These undertakings fall outside the scope of the Corporate Social Reporting Directive (CSRD) but are encouraged to use this [draft] Standard to prepare and share with whomever such sustainability information may concern. This [draft] Standard covers the same sustainability issues as the European Sustainability Reporting Standards (ESRS) for large undertakings. However, it is based upon the key concept of proportionality and therefore takes into account micro-, small- and medium-sized undertakings' fundamental characteristics. Micro undertakings are welcome to use only certain parts of this [draft] Standard as highlighted in paragraph 5 (a).

4. Consistency with ESRS for large undertakings has been carefully considered in the preparation of this [draft] Standard, while defining proportionate requirements. This [draft] Standard has no legal authority, unlike the ESRS for large undertakings. It provides undertakings that are outside the scope of the CSRD (see paragraph 2) with a voluntary tool for sustainability reporting.

Modules that constitute this [draft] Standard

5. This [draft] Standard includes three modules that the undertaking can use as the basis for preparation of its sustainability report:

   (a) **Basic Module**: Disclosures B 1, B 2 and Basic Metrics (B 3 – B 12). This module is the target approach for micro-undertakings and constitutes a minimum requirement for other undertakings. Materiality analysis is not required, but disclosures B 3-B 12 are to be provided when they are applicable to the undertaking's specific circumstances.

   (b) **Narrative-Policies, Actions and Targets (PAT) Module**: This module defines narrative disclosures (N1 – N5) in relation to Policies, Actions and Targets (PAT), which are to be reported in addition to disclosures B 1-B 12 if the undertaking has them in place. This module is suggested to undertakings that have formalised and implemented the 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 organisation (see Principles of Materiality below).

   (c) **Business Partners (BP) Module**: This module sets datapoints to be reported in addition to disclosures B 1-B 12, which are likely to be included in data requests from lenders, investors and corporate clients of the undertaking. Materiality analysis is required in order to disclose which of the sustainability matters in Appendix B are relevant for the undertaking's business and organisation (see Principles of Materiality below). If the undertaking prepares also the Narrative (PAT) Module, the material matters are disclosed only once.

   Paragraph 21 below illustrates the available options for the preparation of a sustainability report using this [draft] Standard by adopting one or more of these modules. Once chosen, a module shall be complied with in its entirety (with flexibility allowed under paragraph 19), providing information in each disclosure that is applicable to the undertaking's specific circumstances or it is considered relevant to the undertaking's business and organisation.

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

7. Appendix A *Defined terms* includes the definitions of the terms used in this [draft] Standard. Throughout VSME ED, the terms that are defined in the glossary of definitions (Appendix A) are put in ***bold italic***, except when a defined term is used more than once in the same paragraph.

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

8. 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

9. This [draft] Standard sets requirements that allow the undertaking to provide relevant information on:

   (a) how its business has had and is likely to have a negative impact on people or on the environment; and

   (b) which and how environmental and social issues have affected or are likely to affect its financial position, performance and cash flows.

10. The sustainability report shall provide information that is relevant, faithful, comparable, understandable and verifiable.

11. Depending on the type of activities carried out by the undertaking, the inclusion of additional information (metrics and/or narrative disclosures) not covered in this [draft] Standard is appropriate in order to disclose issues that are common in the undertaking's sector, as this supports the preparation of relevant, faithful, comparable, understandable and verifiable information.

Preparation on a consolidated basis

12. If the undertaking is a parent company of a group, it is recommended that it prepares its sustainability report on a consolidated basis, including the information of its subsidiaries.

Timing and location of the sustainability report

13. The sustainability report shall be prepared on an annual basis. It shall be available for issuance 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 or if the management report is prepared voluntarily. Otherwise, the undertaking may present its sustainability report in a different document.

15. To avoid publishing the same information twice, the undertaking may refer in its sustainability report to disclosures published in other documents that can be accessed at the same time as the sustainability report.

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

16. When the provision of the disclosures in this [draft] Standard would require disclosing classified or ***sensitive information***, the undertaking may omit such information, even if 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 likely negatively affect the financial performance or position of the undertaking.

    If the undertaking decides to omit such information, it shall simply state that is the case under Disclosure B 1 (see paragraph 21).

Basic Module

17. The undertaking shall report on its environmental, social and ***business conduct*** issues using the B 1-B 12 disclosures below. Comparative information in respect of the previous year shall be included in the report except for metrics being disclosed for the first time. The inclusion of comparative information shall begin the second year of reporting and continue henceforth.

18. Disclosures B 1-B 12 are to be reported, and no materiality analysis 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.

19. The undertaking may complement the metrics from B 3 to B 12 with additional qualitative and/or quantitative information, where appropriate, in accordance with paragraph 11 above. The undertaking that wants to provide more comprehensive information may also integrate the metrics required from B 3 to B 12 with disclosures, selecting them from the Narrative-PAT Module and/or from the Business Partners Module.

20. Instructions supporting the preparation of metrics B 3-B 12 are available in the Basic Module guidance***,*** which is found on pages 19 through 34 of this [draft] Standard.

Disclosure B 1 – Basis for preparation

21. The undertaking shall disclose:

    (a) which of the following options it has selected in the preparation of its sustainability report using this [draft] Standard:

        i. OPTION A: Basic Module (only);

        ii. OPTION B: Basic Module and Narrative-PAT Module;

        iii. OPTION C: Basic Module and Business Partners Module; or

        iv. OPTION D: Basic Module, Narrative-PAT Module and Business Partner Module;

    (b) whether the sustainability report has been prepared on a consolidated basis (i.e., the report includes information of the undertaking and its subsidiaries) or on an individual basis (i.e., the report is limited only to the information of the undertaking); and

    (c) the list of the subsidiaries, including their registered address[1] covered in the consolidated sustainability report.

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

22. The undertaking may briefly describe specific practices for transitioning towards a more sustainable economy in case it has them in place. Such practices include what the undertaking does to reduce its negative impacts and to enhance its positive impacts 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 rather, for instance, initiatives to improve working conditions and equal treatment in the workplace, sustainability ***training*** for the undertaking's workforce, collaboration with universities related to sustainability projects, efforts to reduce the undertaking's water and electricity consumption or to prevent pollution, and initiatives to improve product safety.This disclosure does not apply when the undertaking prepares its sustainability report using the Narrative-PAT Module.

[1] The registered address is the official address of the undertaking. Providing the registered address is a legal requirement, and it is available on public record.

Basic metrics – Environment

B 3 – Energy and greenhouse gas emissions

23. The undertaking shall report on its impacts on climate by disclosing its energy usage and greenhouse gas emissions as requested in the following paragraphs.

24. The undertaking shall disclose its total energy consumption in MWh, with a breakdown between:

    (a) fossil fuels; and

    (b) electricity as reflected in utility billings, along with a breakdown between renewable and non-renewable sources if available.

25. The undertaking shall disclose its estimated ***gross greenhouse gas (GHG) emissions*** in tons of CO2 equivalents (tCO2eq) considering the content of the GHG Protocol Corporate Standard, including:

    (a) the Scope 1 GHG emissions in tCO_2eq (from owned or controlled sources); and

    (b) the location-based Scope 2 emissions in tCO_2eq (i.e., emissions from the generation of purchased energy).

B 4 – Pollution of air, water and soil

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

B 5 – Biodiversity

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

28. The undertaking shall disclose the number and area (in hectares) of sites that it owns, has leased, or manages in or near ***biodiversity*** sensitive areas.

29. The undertaking may disclose metrics related to ***land-use*** such as:

    (a) total use of land;

    (b) total ***sealed area***;

    (c) total ***nature-oriented area*** on-site; and

    (d) total ***nature-oriented area*** off-site.

B 6 – Water

30. The undertaking shall disclose its total ***water withdrawal***, i.e., the amount of water drawn into the boundaries of the organisation (or facility); in addition, the undertaking shall separately present the amount of water withdrawn at sites located in areas of high water - stress.

31. If applicable, the undertaking shall disclose its ***water consumption***, calculated as the difference between its ***water withdrawal*** and water discharge from its production processes.

B 7 – Resource use, circular economy and waste management

32. The undertaking shall disclose how it manages resource use, its waste management practices and whether it applies ***circular economy principles***.

33. The disclosure shall include:

    (a) if the undertaking operates manufacturing, construction and/or packaging processes: the recycled content in the products (goods and materials) and their packaging produced by the undertaking;

    (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) the total annual generation of waste in units of weight (preferably) or volume broken down by type (non-hazardous and hazardous); and

    (d) the total annual waste diverted to ***recycling*** or reuse expressed in units of weight (e.g., kg or tonnes).

Basic metrics – Social matters

B 8 – Workforce – General characteristics

34. The undertaking shall disclose the total number of ***employees*** in full-time equivalents or provide a headcount of such employees broken down by:

    (a) type of employment contract (temporary or permanent);

    (b) gender; and

    (c) country if applicable.

    tarkoittaako mistä maasta vai missä maassa tekee työtä?

B 9 – Workforce – Health and safety

35. The undertaking shall disclose the following information regarding its ***employees:***

    (a) the number and rate of ***recordable work-related*** accident; and

    (b) the number of fatalities as a result of work-related injuries and work-related ill health.

B 10 – Workforce – Remuneration, collective bargaining and training

36. 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;

    (b) the percentage gap in ***pay*** between its female and male ***employees***. The undertaking may omit this disclosure when its head count is below 150 employees;

    (c) the percentage of ***employees*** covered by collective bargaining agreements; and

    (d) the average number of annual ***training*** hours per ***employee***, broken down by gender, that are related to the development of skills and competences, whether acquired through formal or informal forms of capacity-building.

B 11 – Workers in the value chain, affected communities, consumers and end-users

37. The undertaking may disclose whether it has a process in place for identifying if there are ***value chain*** workers, ***affected communities***, or ***consumers*** and end-users who are affected or are likely to be affected by severe negative impacts in relation to the undertaking's operations (i.e., its products, services and activities). In that case, the undertaking may describe this process. If identified, the undertaking may also describe the types of impacts, including where they arise and the groups that are affected by them.

Basic metrics – Business conduct

B 12 – Convictions and fines for corruption and bribery

38. In case of convictions and fines in the reporting period, the undertaking shall disclose the number of convictions and the total amount of fines incurred for the violation of anti-corruption and anti-bribery laws.

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

39. This section includes principles that shall be applied when the undertaking prepares its sustainability report using the Narrative-PAT Module and/or the Business Partners Module.

Time horizons

40. When preparing its sustainability report, the undertaking shall adopt the following time horizons:

    (a) for the short-term time horizon, one year;

    (b) for the medium-term time horizon, from two to five years; and

    (c) for the long-term time horizon, more than five years.

Coherence and linkages with disclosures in financial statements

41. When the undertaking also prepares financial statements and other regulatory reports, the information provided in its sustainability report following this [draft] Standard:

    (a) shall be coherent with what is 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 financial statements, for example, by using appropriate cross-references.

Principles of materiality to be applied in the preparation of Narrative-PAT and Business Partners Modules

42. Issues connected to environmental, social and/or ***business conduct*** aspects identified in this context are referred to as sustainability matters. This section explains how to identify sustainability matters that are 'material', meaning 'relevant', and therefore to be reported.

43. Materiality refers to the significance to the undertaking of both a sustainability matter and information about the sustainability matter. Materiality analysis is the process of identifying sustainability matters that undertakings should report on. The undertaking is encouraged to use the list contained in Appendix B *List of sustainability matters* of this [draft] 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.

44. As part of its materiality analysis, the undertaking will assess impacts that it has or is likely to have on people and the environment as well as financial risks and opportunities that derive or may derive from sustainability matters. Identifying which sustainability matters are material is a necessary step particularly when minimising or avoiding 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 and avoid fines, litigations and reputational damages.

45. When assessing whether a sustainability matter is to be reported on 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

46. From the 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, whereas an impact is potential when it is likely to happen; and

    (b) impacts connected to 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.

47. To determine if an actual negative impact is material, the undertaking has to consider the severity of the impact in question on people and the environment severity is based on:

    (a) scale, i.e., how grave the harm caused to people or to the environment is (e.g., a minor injury at work without days lost is placed lower on the scale than a fatality at work; inadequate industrial waste disposal leading to soil pollution within a local facility is placed lower on the scale than a leak of harmful chemicals in a river leading to severe damage of ecosystem and wildlife);

    (b) scope, i.e., how widespread the harm caused to people or to the environment is (e.g., the number of people affected or the size of contaminated land); and

    (c) the irremediable character of the impact, that is, whether and to what extent it is possible to remediate the harm caused to people or to the environment (e.g., cleaning up the contaminated land, issuing compensations and/or indemnities for affected people).

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

49. For potential impacts, the undertaking has to consider both severity and likelihood of occurrence. In the case of a potential negative impact on human rights, the severity of the impact takes precedence over its probability.

50. Quantitative measures of impacts yield the most objective evidence that can be collected to assess their materiality. However, quantitative data is not always available or may be costly to produce. Qualitative analysis can be sufficient for the undertaking to reasonably conclude whether a matter is material or not.

Financial materiality

51. From a financial perspective, a sustainability matter is material if it pertains to financial risks that could be reasonably expected to have material financial effects materially influencing the undertaking's financial position, financial performance, cash flows, access to finance or cost of capital over 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 should also be considered.

52. Material impacts generated by the undertaking generally constitute a source of financial risk. However, the undertaking shall also consider risks that are not related to its material impacts.

53. Like risks, financial opportunities related to a sustainability matter may generate financial effects. Reporting on financial opportunities is optional when preparing a sustainability report under this [draft] Standard.

54. Dependencies on natural and social resources may trigger 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.

55. To determine whether a financial risk is material, the undertaking shall assess the probability, the nature and the potential magnitude of the financial effects on the undertaking.

Stakeholders and their relevance to the materiality analysis process

56. 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, i.e., individuals or groups of people whose interests are or could be – positively or negatively – affected by the undertaking's activities and its business relationships; and

    (b) users of the sustainability report, including investors, lenders, business partners, social partners and civil society organisations.

57. Some stakeholders may belong to both groups defined in paragraph 56. An undertaking may engage with stakeholders in its materiality analysis to find out which sustainability matters are the most important to them. In many cases, micro undertakings will only consider the views of their most relevant stakeholders among those mentioned in paragraph 56.

Narrative – Policies, Actions and Targets (PAT) Module

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

58. 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

59. The undertaking shall disclose the material sustainability matters resulting from its materiality analysis (see paragraphs 42 through 57), including a brief description of each sustainability matter (listed in accordance with paragraph 43) and of:

    (a) how each matter 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

60. 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/or *(iii)* remediate actual or potential negative impacts and/or to *(iv)* address financial risks. If applicable, the undertaking may refer to the [due diligence] or risk management processes implemented;

    (b) if it has policies in place, it shall describe:

        i. the objective(s) of the ***policy*** and which material sustainability matters it addresses;

        ii. the scope of the ***policy*** in terms of activities, ***value chain*** and countries where the undertaking is active;

        iii. if applicable, affected stakeholder groups addressed by the ***policy***;

        iv. if applicable, a reference to third-party standards or initiatives that 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 it has put ***actions*** in place, it shall describe:

        i. the list of key ***actions*** taken in the reporting year and of the actions planned for the future;

        ii. the scope of those ***actions*** (i.e., whether they also address actors in the ***value chain***, whether 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

iv. the ***targets*** the undertaking uses to monitor the ***actions*** implemented and the progress achieved.

61. Where material, the undertaking shall disclose the ***actions*** taken in the reporting period to improve its energy efficiency and to reduce its greenhouse gas emissions as well as the related possible implications in terms of financial risks and, if applicable, opportunities.

62. When the undertaking considers that negative impacts are material in relation to *(i)* workers in the ***value chain***, *(ii)* ***consumers*** and ***end-users*** and/or *(iii)* ***affected communities***, it may disclose:

(a) the policies that it has adopted to manage those material impacts as well as the associated material risks;

(b) the ***actions*** it has taken on material impacts, its approach to managing material risks, and the effectiveness of those actions; and

(c) the ***targets*** related to managing material negative impacts and managing material risks.

63. These disclosures are limited to the description of the policies, ***actions*** and ***targets*** that the undertaking has put in place.

64. Where material, 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.

Disclosure N 4 – Key stakeholders

65. If the undertaking engages with stakeholders, it may disclose:

(a) the categories of key stakeholders being considered (the undertaking can use categories such as investors, lending banks/creditors, business partners, trade unions, NGOs, etc.); and

(b) a brief description of the engagement activities.

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

66. The undertaking shall describe its ***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.

Business Partners Module

67. This module provides additional datapoints in relation to the information that is generally needed by the undertaking's business partners, investors and lenders. They are expected to address data requests that the undertaking receives or is likely to receive from lenders, investors and corporate clients, which 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.

List of material matters

68. In this module, the materiality analysis described in paragraphs 42 through 57 is required. The undertaking shall disclose the material sustainability matters resulting from its materiality analysis based on the list provided in Appendix B: *List of sustainability matters.*

Entity-specific consideration when reporting on GHG emissions under B 3 (Basic Module)

69. Depending on the type of activities carried out by the undertaking, a quantification of its Scope 3 GHG emissions can yield relevant information (see paragraph 11 of this [draft] Standard) on the undertaking's ***value chain*** impacts on climate change.

70. Scope 3 emissions are ***indirect GHG emissions*** (other than Scope 2) 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. 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 GHG Protocol "Technical guidance for Calculating Scope 3 Emissions".

71. When reporting its Scope 1 and Scope 2 emissions, if the undertaking discloses entity-specific information on its Scope 3 emissions, it shall present it together with the information required under "B 3 – Energy and greenhouse gas emissions."

Disclosures in the Business Partners Module

72. The text below provides the list of disclosures from BP1 to BP 11 to be considered and reported upon if they are applicable or if they are considered relevant to the undertaking's business and organisation, following the materiality analysis performed by the undertaking in line with paragraphs from 42 to 57. When not reported upon, a disclosure shall be assumed to be 'not material' for the undertaking.

73. Instructions to support the preparation of disclosures form BP 1- BP 11 are available in the Business Partners Module guidance on pages 35 through 38 of this [draft] Standard.

Disclosure BP 1 – Revenues from certain sectors

74. The undertaking shall include a statement indicating if it is active in one or more of the following sectors while disclosing its related revenues:

    (a) controversial weapons such as anti-personnel mines, cluster munitions, chemical weapons and biological weapons; and/or

(b) the cultivation and production of tobacco; and/or

(c) fossil fuel (coal, oil and gas) sector (i.e., the undertaking derives revenues from 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 17), including a disaggregation of revenues derived from coal, from oil and from gas); and/or

(d) chemicals production, as its activities fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006[2].

Disclosure BP 2 – Gender diversity ratio in governance body

75. If the undertaking has a ***governance*** body in place, the undertaking shall disclose the related gender diversity ratio.

Disclosure BP 3 – GHG emissions reduction target

76. If the undertaking has set GHG emission reduction ***targets***, it shall provide its GHG emission reduction targets for:

(a) scope 1 emissions; and

(b) scope 2 emissions.

77. This disclosure includes Scope 3 emissions, only when they are disclosed under paragraph 71 above and the undertaking has set GHG emission reduction targets for Scope 3 emissions.

Disclosure BP 4 – Transition plan for climate change mitigation

78. The undertaking shall provide information about its transition plan for climate change 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. This disclosure is applicable only if the undertaking has adopted such a transition plan.

Disclosure BP 5 – Physical risks from climate change

79. The undertaking shall disclose the anticipated financial effects that physical risks from climate change may have on the company. This disclosure is applicable only if the undertaking is exposed to material physical risks. In particular, it shall disclose:

(a) the monetary amount and the percentage of the undertaking's total assets that can be subjected to material physical risks over the short-, medium- and long-term before considering ***climate change adaptation actions*** disaggregated by acute and chronic physical risk;

(b) the proportion of assets at material physical risk addressed by the ***climate change adaptation actions***;

(c) the location of the significant assets affected by material physical risks;

(d) the monetary amount and proportion (percentage) of net revenue from its business activities at material physical risk over the short-, medium- and long-term; and

(e) the breakdown of the undertaking's carrying value of its real estate assets by energy efficiency classes.

[2] "Manufacture of pesticides and other agrochemical products" listed in Division 20.2 of Annex I Regulation EC 1893/2006.

Disclosure BP 6 – Hazardous waste and/or radioactive waste ratio

80. If the undertaking generates hazardous and/or radioactive waste, the undertaking shall disclose the total amount of ***hazardous waste*** and/or radioactive waste generated (radioactive waste is defined in Article 3(7) of Council Directive 2011/70/Euratom).

Disclosure BP 7 – Alignment with internationally recognised instruments

81. The undertaking shall disclose whether its policies pertaining to its ***own workforce*** are aligned with relevant internationally recognised instruments, including the UN Guiding Principles on Business and Human Rights.

Disclosure BP 8 – Processes to monitor compliance and mechanisms to address violations

82. The undertaking shall disclose whether it has processes in place to monitor compliance with the OECD Guidelines for Multinational Enterprises and with the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the International Bill of Human Rights and the eight fundamental conventions identified in the ILO Declaration or grievance/complaints handling mechanisms, to address violations of the above standards with regard to its ***own workforce***.

Disclosure BP 9 – Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles (including the principles and rights set out in the eight fundamental conventions of the ILO Declaration and the International Bill of Human Rights)

83. The 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 with regard to its ***own workforce*** during the reporting year.

Disclosure BP 10 – Work-life balance

84. The undertaking shall disclose the percentage of its ***employees:***

    (a) who are entitled to take family-related leave with a breakdown by gender; and

    (b) who took family-related leave with a breakdown by gender.

    Family-related leave includes maternity, paternity, parental and carers' leave.

Disclosure BP 11 – Number of apprentices

85. If applicable, the undertaking shall disclose the number of apprentices in the reporting period.

Basic Module: Guidance

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

Environmental Metrics

Metric B 3 – Energy and greenhouse gas emissions

Impacts on climate: energy usage and greenhouse gas emissions

87. Under paragraphs 24 and 25, the undertaking reports on its climate impacts, providing information about its energy use and greenhouse gas emissions. This guidance for disclosure B 3 does not constitute an additional datapoint to the disclosures described in paragraphs 24 (on energy consumption) and 25 (on GHG emissions) but rather an overarching objective of the Basic disclosure B 3.

88. Climate impacts are significantly driven by energy consumption. Therefore, it is relevant to disclose both the quantity as well as the type – e.g., fossil fuels such as coal, oil, and gas versus ***renewable energy*** – and mix of energy consumed. Examples of energy disclosures are total energy consumption broken down by fossil fuels and electricity. Other breakdowns may be reported such as consumption of purchased or self-generated electricity from renewable sources. This information may be provided in the following format:

	202(x) Energy consumption (MWh)
Fossil fuels	486
Electricity	10

89. Undertakings are to report their energy consumption in terms of final energy, which is understood as the amount of energy delivered to the undertaking, for example, the Megawatt-Hours (MWh) of electricity purchased from a utility, steam received from a nearby industrial plant or diesel purchased at petrol stations.

90. In case the undertaking purchases fossil or renewable fuels such as natural gas, oil or biomass to generate electricity, heat or cooling for its own consumption, it has to avoid double counting. Therefore, the undertaking accounts for the energy content of the purchased fuel only as fuel consumption, but it does not account for or report on its electricity and heat consumption yet again. In case of electricity generation from renewable energies such as solar or wind – and where no fuel use in necessary – the undertaking accounts for the amount of electricity generated and consumed as electricity consumption.

91. 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 25, 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*** resulting from the activities of the reporting company (as they derive from the undertaking's consumed energy) which, however, 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.

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

	202(x) GHG emissions (tCO_2e)
Scope 1	45
Scope 2	6
Total	51

Scope 1 emissions calculation guidance

93. Typical Scope 1 emissions include CO2 (as well as CH4 and N2O) emissions associated with fuel combustion (for example, in boilers, furnaces, vehicles, etc.) and fugitive emissions from air conditioning and industrial processes.

94. Emissions associated with combustion can be calculated by the expression

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

where the value assigned to '$Emissions_{GHG}$' corresponds to the emissions of CO2, CH4 or N2O resulting from the combustion of the Fuel in tCO2e.

'$Activity\ Data_{Fuel}$' corresponds to the quantity of fuel consumed. Though typically expressed in energy units, it can also be expressed in volume (m^3 or l) or mass (tonnes or kg.).

'$EF_{GHG,Fuel}$' corresponds to the specific combustion Emission Factor (EF) used for the fuel. The units of the EF need to be consistent with the units of the activity data.

'GWP_{GHG}' corresponds to the Global Warming Potential of the GHG (CO2, CH4 or N2O). The activity data can be determined using fuel purchase receipts and 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 the further step of converting the volume or mass of the fuel to its energy content is needed (see the example below). This way, the expression above can take different forms, namely

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

$$Emissions_{GHG,Fuel} = [Volume * CaloricficValue]_{Fuel} * EF_{GHG,Fuel} * GWP_{GHG}$$

95. CO2 emission factors are either derived through analysis of the carbon and heat content of the fuel (not likely to be needed for SME undertakings) or through the use of published emission factors for the most common fuels. EFs for CH4 and N2O will depend on the type of combustion technology and will vary with it. In most cases, CH4 and N2O emissions are within the measurement error of CO2 and can be neglected. Sometimes the emission factor can already take into account the GWP of the GHG. In that case the parameter GWP_{GHG} does not need to be considered.

96. For the GWP, use the most recent values published by the Intergovernmental Panel on Climate Change (IPCC) based on a 100-year time horizon to calculate tCO2eq emissions of non-CO2 gases. The current list features the IPCC's 6th Assessment Report, Chapter 7SM[3].

[3] 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

97. The following table provides a list of non-exhaustive sources of emission factors for fuels. Undertakings may also refer to authoritative national sources that may be more relevant to the particulars of their situation.

Documentation Sources:

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

You can find more guidance and tools on how to act and report on climate by visiting https://smeclimatehub.org/.

Example

98. 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^3) as reflected in their fuel receipts. From the receipts, it determines the annual volumes of fuel oil bought, and it keeps track as well of the fuel oil inventory on the first calendar day of the year. In 2023 it purchased 100 m^3 of fuel oil. Based on its records, on 1 January 2023 it had 2.5 m^3 in its reservoirs, and on 1 January 2024 it had 1 m^3. Thus, it determines (through purchase and measurement of inventory) that during 2023 it consumed 101.5 m^3 of fuel oil.

Using the IPCC list of emissions factors (Table 2.3, page 2.18), it estimates its emission factor to be a fifty-fifty blend of diesel oil and residual oil as 75.75 t CO2/TJ and by using published statistics on energy determined that its net calorific value of the fuel is 0.03921 TJ/m^3. Given that the CO_2 GWP equal one, its CO_2 emission for this specific Scope 1 source is:

$$101.5\ m^3 * 0.03921\ TJ/m^3 * 75.75\ t\ CO_2/TJ * 1 = 301.5\ t\ CO_2$$

For completeness of this example, the CH_4 and N_2O emissions are also calculated. Checking the IPCC list of emission factors, these are respectively 3 kg of CH_4/TJ and 0.6 kg of N_2O/TJ, thus the emissions will be:

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 on https://www.ipcc.ch/.

CH_4 emissions = 101.5 m^3 * 0.03921 TJ/m^3 * 3 kg CO_2/TJ * 29.8 = 0.36 tCO_2e

N_2O emissions = 101.5 m^3 * 0.03921 TJ/m^3 * 0.6 kg CO_2/TJ * 273 = 0.65 tCO_2e

As mentioned, CH4 and N2O emissions add around 1 tCO2e to the CO2 value of 301.5 tCO2, which amounts to about 0.3% of the total. This could be considered well within an acceptable reporting error and so could not have been calculated and reported.

Global Warming Potentials for CH_4 and N_2O are derived from IPCC's 6th Assessment Report, Chapter 7SM[4].

Guidance for location-based Scope 2 emissions calculation

99. Location-based Scope 2 includes emissions from electricity, heat, steam and cooling purchased or acquired and consumed by the reporting company. It reflects the average emissions intensity of grids on which the energy consumption occurs and uses mostly grid-average emission factor data.

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

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

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

where '$Emissions_{GHG}$' corresponds to the emissions of GHG resulting from the production of electricity, heat, steam or cooling (in the case of combustion of fuels, typically CO_2, CH_4 and N_2O). '$Activity\ Data$' corresponds to the quantity of fuel consumed, typically expressed in energy units (e.g., MWh). And '$EF_{GHG,Energy}$' corresponds to the EF used for the production of energy (electricity, heat, steam or cooling). The emission factors can be grid average factors. The units of the EF need to be consistent with the units of the activity data.

102. A grid average emission factor is an emission factor that characterises all the GHG emissions associated with the quantity of electricity generation produced by facilities located within a specified geographic boundary. These emission factors are usually produced for periods of one year – by averaging emissions and electricity production over a calendar year – and are often produced by the Electricity System Operator (ESO), Transmission System Operators (TSO), the electricity system supervisory body or other competent authorities. There are also grid average emission factors calculated for much shorter periods, e.g., for seconds or minutes.

103. Undertakings may also want to provide their market-based Scope 2 figure. Emission factors for market-based Scope 2 emissions reflect the contractual arrangements of the undertaking with its energy suppliers. Market-based emission factors can be provided by their electricity or heat suppliers as well as supported by their own purchase of Energy Attribute Certificates or Power Purchase Agreements (PPAs) or the use of residual-mix emission factors.

104. Scope 2 accounting methods are explained in more detail in the GHG Protocol Scope 2 Guidance.

[4] 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/.

Example

105. Company A occupies an office building of 2000 m^2 in Paris, where it pays the electricity consumed for the central heating and cooling, lighting, computers and other electric equipment such as appliances. With 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

$$Emissions_{GHG} = 282\,000\ [kWh] * 73 \left[\frac{g\ CO_2eq}{kWh}\right] = 20.6\ \mathrm{t\ CO2}_2eq$$

106. The following table provides a list of non-exhaustive sources of electricity emission factors. Undertakings may also refer to authoritative national or grid sources that may be more relevant to the particulars of their situation.

Documentation Sources:

Data	*Documentation Source*
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 *https://www.aib-net.org/facts/european-residual-mix* ADEME – Bilant Carbonne *https://base-empreinte.ademe.fr/* JRC – Historical GHG emissions factor for electricity consumption *https://data.jrc.ec.europa.eu/dataset/919df040-0252-4e4e-ad82-c054896e1641#dataaccess* *Life-cycle electricity production emission factors https://www.nowtricity.com/* USEPA GHG emission factors Hub https://www.epa.gov/climateleadership/ghg-emission-factors-hub
North America Grid electricity	Government of Canada https://publications.gc.ca/collections/collection_2023/eccc/En84-294-2023-eng.pdf
Other regions/Global	IEA's Annual GHG emission factors for World countries from electricity and heat generation (2022 data set, paid data set) *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*

107. More guidance and tools on how to act and report on climate can be found at https://smeclimatehub.org/.

Conversion between different energy units

108. Undertakings are to report their energy consumption in terms of final energy, which is understood as the amount of energy delivered to the undertaking, for example, the Megawatt-Hours (MWh) of electricity purchased from the utility steam received from a nearby industrial plant or diesel purchased at petrol stations.

109. Paragraph 24 indicates MWh as the unit of choice for measuring energy consumption. In case of fuel or biomass, a conversion to MWh is necessary for data expressed in other units such as energy content (e.g., kJ, Btu), volume (e.g., litres, m^3) or mass (e.g., metric tonnes, short tonnes).

110. For fuel consumption measured by mass (e.g., wood, coal), the undertaking should

(a) 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);

(b) convert the Net Calorific Value to MWh/ton, for example,

1 TJ = 1,012 J = 277.78 MWh ; 1 Gg = 10^9 g = 1,000 t

11.9 TJ/Gg = 11.9 * 277.78/1000 t = 3.31 MWh/ton; and

(c) calculate the energy content of the mass, for example,

1,245,345 t * 3.31 MWh/ton = 4,117,111 MWh.

111. For liquid fuel, the undertakings should:

(a) convert volume information to mass, multiplying volume by fuel density, for 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;

(b) calculate the energy content, multiplying mass by Net Calorific Value, for example,

3,743 [t] * 43 [TJ/Gg] = 3,743 t * 43 TJ/(1,000 [t]) = 160.95 [TJ] ; and

c) convert TJ to MWh, for example,

1 TJ = 1,012 J = 277.778 MWh

160.95 [TJ] = 277.78 [MWh/TJ] * 160.95 [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

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

112. Paragraph 26 establishes that, if applicable, the undertaking shall disclose the pollutants it emits to air, water and soil in its own operations if such information is already required to be reported by law to competent authorities or under an Environmental Management System such as EMAS.

113. 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 operators of an 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, founding in metal foundries, processing of non-ferrous metals, production of lime, manufacturing 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 in 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 [draft] Standard requires the reporting of the total amount of pollutants of all the facilities. Similarly, companies owning but not operating in a facility do not have to report to the E-PRTR but are expected to reflect their facility-owned emissions in their sustainability report.

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

115. If an undertaking has only one facility or operates in only one facility, and if its pollution data is already publicly available, the undertaking may refer to the document where such information is provided instead of reporting it once again. Likewise, if the undertaking publishes an organisation-wide EMAS report that incorporates pollution data, it can include it in the sustainability report by reference.

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

117. Below can be found an example of how undertakings may present information on their emissions to air, water and soil divided by pollutant type.

Pollutant	**Emissions (kg)**	**Medium of release (air, water, soil)**
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 areas

118. Paragraph 28 stipulates that the undertaking shall disclose the sites it operates in that are located 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.

119. The following table shows how information on sites in or near ***biodiversity sensitive areas*** can be presented. The undertaking may provide information about the location of the plant (e.g., country and site name) without specifying its exact address.

Location	**Area** (hectares)	**Biodiversity sensitive Area**	**Specification** (located in/near biodiversity sensitive areas)
Country – Site 1			
Country – Site 2			
Country – Site 3			
...			

120. For the purposes of this [draft] Standard, the term 'near' should be interpreted as meaning an area that is (partially) overlapping or adjacent to a ***biodiversity sensitive area***.

Documentation Sources:

Data	*Documentation Source*
Natura 2000 Network of protected areas	https://natura2000.eea.europa.eu/
Key Biodiversity Areas – IUCN	https://www.keybiodiversityareas.org/sites/search
UNESCO – World Heritage Centre	https://whc.unesco.org/en/list/

Guidance on how to calculate and report land-use

121. The undertaking may disclose in units of area (e.g., m^2 or ha) on land-use using guidance provided by the EMAS:

(a) its total use of land,

(b) its total ***sealed area***,

(c) its total ***nature-oriented area*** on-site, and

(d) its total ***nature-oriented area*** off-site.

122. The following table shows how information on ***land-use*** may be presented.

Land-use type	**Area** (hectares or m^2)		
	Previous year	**Reporting year**	**% change**
Total sealed area			
Total nature-oriented area on-site			
Total nature-oriented area off-site			
Total use of land			

Documentation Sources:

Data	*Documentation Source*
EMAS Guidance	EU Commission Regulation 2018/2026 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R2026&rid=2

Metric B 6 – Water

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

123. ***Water withdrawal*** relates to the amount of water an undertaking draws into its organisational 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 amounts of water taken 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 water withdrawal.

124. ***Water consumption*** is the amount of water drawn into the boundaries of the undertaking that is not discharged or planned to be discharged back into 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 in products – e.g., in food production – or water for irrigation purposes – e.g., used in agriculture or for watering company premises. Collected rainwater can be considered in the calculation of water consumption, as a separate input from water withdrawal.

125. **Water discharge** means, for example, the amount of water transferred directly to receiving water bodies such as lakes or rivers, the public sewer or to other companies for cascading water use.

126. ***Water consumption*** can therefore be calculated as:

Water consumption = Water [withdrawal + rainwater harvest – discharges]

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

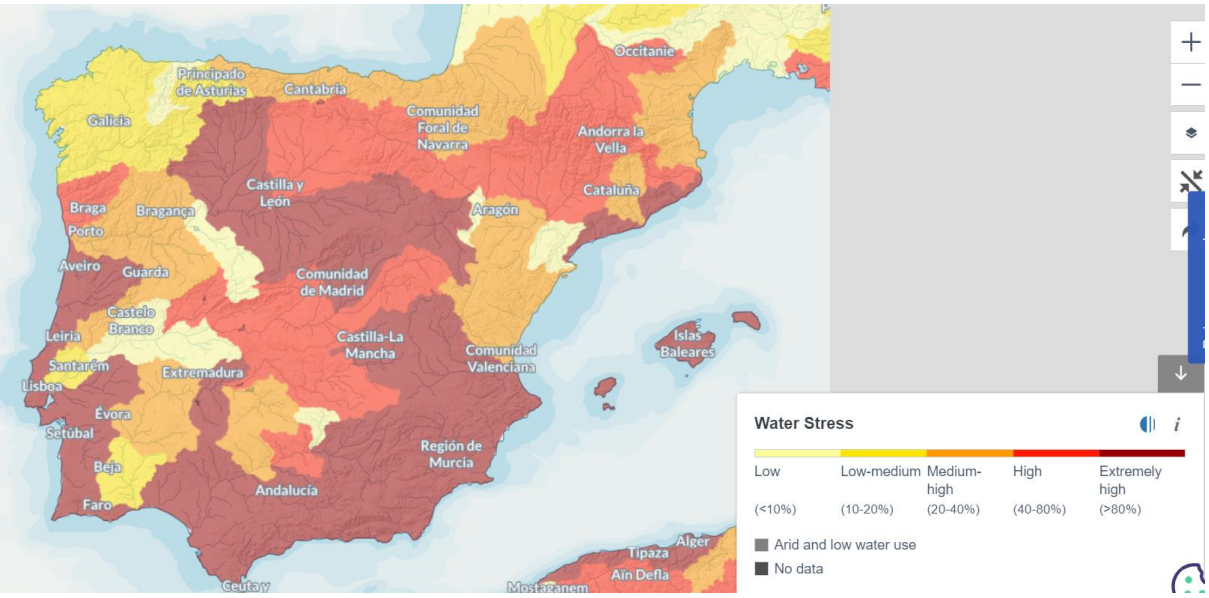
127. The undertaking may provide additional explanatory information to contextualise its water withdrawals or consumption. For example, the undertaking may highlight if rainwater is collected and used as a replacement of tap water or if water is discharged into other parties for cascading use.

128. Below can be found an example of how undertakings may present quantitative information on their withdrawals, discharges and consumption of water divided by site location.

	Water withdrawal E.g., m³	**Water consumption** E.g., m³ (if applicable)
All sites		
Sites in areas with water stress		

Guidance for determining if the undertaking operates in an area of high-water stress

129. To determine if the undertaking operates in an area of high-water stress, you can consult the regional water authorities of the places you operate in to understand their assessment of the water resources for that specific location. Alternatively, you can also consult publicly available and free tools that map out water scarcity globally. One such tool is the [WRI's Aqueduct Water Risk Atlas](). With the help of this tool, undertakings can consult the water stress baseline set for different river basins globally. By way of illustration, the map below shows the main Iberian river basins and their water stress classification according to the WRI Aqueduct.



130. In this image several water basins in the Iberian Peninsula, along with their water stress classification, can be observed. Most of the southern part of the peninsula sits in an area of significant high-water stress – with the exception of the Guadiana basin (in yellow). Thus, if the undertaking has operations within the Guadalquivir basin (e.g., the Andalucia region, which has a significant high-water stress level), the undertaking would have to disaggregate its ***water consumption*** for that region/water basin. But if its operations take place within the southern

part of the Guadiana river basin (where there is low water stress), then it would not be necessary to disaggregate its water consumption for that region/water basin.

Metric B 7 – Resource use, circular economy and waste management

Guidance on circular economy principles

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

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

Circulate products and materials (at their highest value) – *reusability* and ***recycling*** are key for product circulation, but this is enhanced if special consideration is given to circularity at the design phase for issues such as usability, reusability, repairability, remanufacturing and disassembly. Factors such as the incorporation of biomaterials and their *recirculation via 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 (i.e., drainage, habitat provision, thermal regulation, etc.) that may have been lost due to previous human activities.

Guidance on the rate of recycled content in products and packaging

132. When compiling the rate of its recycled content – that is, by adding inputs into the process that have originated from recycled materials – in its products (i.e., its produced goods or materials) and packaging, the undertaking may use as denominator the total weight of recycled materials 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 content in products and packaging

133. When compiling the rate of its recyclable content – that is, materials that can be technically recycled – the undertaking may use as denominator the total weight of materials that are recyclable 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 how to identify manufacturing and/or packaging processes

134. To identify manufacturing and/or packaging processes, the undertaking may refer to those activities that fall under “Section C – Manufacturing” and Section F “Construction” of Annex I to Regulation (EC) No 1893/2006[5].

Guidance on total waste generation and waste diverted to recycling or reuse

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

[5] L_2006393EN.01000101.xml (europa.eu).

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

136. Examples of ***hazardous wastes*** that small businesses may generate include batteries, used oils, pesticides, mercury-containing equipment and fluorescent lamps.

137. The undertaking may provide further breakdowns specifying further types of non-hazardous and ***hazardous wastes***. In doing so it may consider the list of waste descriptions found in the European Waste Catalogue's social metrics.

Metric B 8 – Workforce – General characteristics

138. Full-time equivalent (FTE) is the number of full-time positions in an undertaking. It can be calculated by dividing an employee's scheduled hours (total effective hours worked in a week) by the employer's hours for a full-time workweek (total hours performed by full-time employees). For example, an employee who works 25 hours every week for a company where the full-time week is 40 hours represents a 0,625 FTE (i.e. 25/ 40 hours).

139. Head count is the total number of people employed by the undertaking at a given time.

Guidance on how to present information about employees' contract types

140. The following table shows how information on ***employees*** may be presented by type of employment contract.

Type of contract	**Number of employees (full-time equivalents or head count)**
Temporary contract	
Permanent contract	
Total employees	

The following table shows how information on ***employees*** may be presented by gender.

Gender	Number of employees (full-time equivalents or head count)
Male	
Female	
Other	
Not reported	
Total employees	

141. In some European Union Member States, it is possible for people to legally register themselves as having a third gender, often neutral, which is to be 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. The "not reported" category applies to employees who do not disclose their gender identity.

142. The following table shows how information on employees may be presented by countries.

Country	Number of employees (full-time equivalents or head count)
Country A	
Country B	
Country C	
Country D	
Total employees	

143. Definitions and types of employment contracts may vary depending on the country. If the undertaking has ***employees*** working in more than one country, it shall use the legal definitions stipulated in the national laws of the countries where the employees are based in to calculate country-level data. Such country-level data shall then be added up to calculate total numbers, disregarding differences in national legal definitions.

Metric B 9 – Workforce – Health and safety

Guidance on the rate of recordable work-related accidents

144. In order to calculate the rate of ***recordable work-related*** accidents, the formula below should be used:

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

145. Based on the assumption that one full-time worker works 2,000 hours per year, the rate indicates the number of work-related accidents per 100 full-time workers over a yearly timeframe. 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

146. Company A reported three work-related accidents in the reporting year. Company A has 40 employees and 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 resulting from work-related injuries and work-related ill health

147. Work-related injuries and work-related ill health arise from exposure to dangers at work.

148. 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.

149. In case of injuries and ill health that occur while a person is travelling for work, these are considered work-related if the ***employee*** was performing work activities in the interest of the employer at the time of the injury or ill health. Accidents taking place when travelling, outside of the undertaking's responsibility (i.e., regular commuting to and from work), are subject to the applicable national legislation, which regulates their categorisation as to whether they are considered work-related or not.

150. Mental illness is considered work-related if it has been notified voluntarily by the relevant worker and if an evaluation from a licensed healthcare professional stating that the illness in question is indeed work-related. Health problems resulting from smoking, drug and alcohol abuse, physical inactivity, unhealthy diets, and psychosocial factors not connected to work are not considered work-related.

151. The undertaking may present separately the fatalities resulting from work-related injuries and those resulting from work-related ill health.

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

Guidance on remuneration: ratio of entry level to minimum wage

152. 'Significant proportion of employees' refers to the majority of employees in the undertaking without considering interns and apprentices.

153. 'Entry level wage' refers to 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.

154. 'Minimum wages' refer to the minimum compensation of employment per hour, or other unit of time, allowed by 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 minimum wage for the country it reports on (whether set directly by law or through a collective bargaining agreement).

In order to calculate the ratio of entry level wage to minimum wage, the formula below shall be used:

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

Guidance on remuneration: percentage gap between female and male employees

155. The metric for the percentage gap between female and male ***employees*** addresses the principle of gender equality, which stipulates equal ***pay*** for equal work. The pay gap is defined as the difference of average pay levels between female and male employees expressed as the percentage of the average pay level of male employees.

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

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

157. Depending on the undertaking's remuneration policies, the gross ***pay*** refers to all of the following elements:

(a) base salary, which is the sum of guaranteed, short-term, and non-variable cash compensation;

(b) benefits in cash, which constitute the sum of the base salary and cash allowances, bonuses, commissions, cash profit-sharing, and other forms of variable cash payments;

(c) benefits in kind such as cars, private health insurance, life insurance, and wellness programs; and

(d) direct remuneration, which is the sum of benefits in cash, benefits in kind and the total fair value of all annual long-term incentives.

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

159. 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 in total. Male employees' gross hourly pay is €15 and female employees' gross hourly pay is €13.

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

The formula used to calculate the percentage pay gap between male and female employees is

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

Guidance on collective bargaining coverage

160. 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, it only needs to be counted once. If none of the employees are covered by a collective bargaining agreement, the percentage is zero.

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

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

162. The information required by this disclosure requirement may be reported as coverage rates if the ***collective bargaining*** coverage is between 0–19%, 20–39%, 40–59%, 60–79% or 80–100%.

163. 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.

Business Conduct Metrics

Metric B 12 – Convictions and fines for corruption and bribery

164. ***Corruption*** and bribery fall under the ***business conduct*** sustainability matter.

165. Under paragraph 38, the undertaking shall report on the total number of convictions and the total amount of fines incurred for violating anti-corruption and anti-bribery laws.

Guidance on convictions

166. Convictions for the violation of anti-corruption and anti-bribery laws refer to any verdict of a criminal court against an individual or undertaking in respect of a criminal offence related to ***corruption*** and bribery. For example, where these court decisions are entered in the criminal record of the convicting European Union Member State.

Guidance on fines

167. Fines issued for the violation of anti-corruption and anti-bribery laws refer to mandatory monetary penalties resulting from violations of anti-corruption and anti-bribery laws imposed by a court, commission or other government authority, which are paid to a public treasury.

Business Partners Module: Guidance

168. This guidance is intended to support the preparation of the metrics in the Business Partner Module.

Governance – Business Model Metrics

Disclosure BP 1 – Revenues from certain sectors

169. In accordance with paragraph 74, the undertaking shall declare if it is active in the following sectors, specifying the corresponding revenues:

(a) the manufacturing of controversial weapons such as anti-personnel mines, cluster munitions, chemical weapons and biological weapons (controversial weapons are prohibited by international law because of the indiscriminate harm they can cause to people, including serious bodily harm and death during or past the ending of military conflicts);

(b) the cultivation and production of tobacco;

(c) the fossil fuels (coal, oil and gas) sector (i.e., revenues arising from the exploration, mining, extraction, production, processing, storage, refining or distribution of fossil fuels, including their transportation, storage and trade); and

(d) the production of chemicals, i.e., the activities listed under the Division 20.2 of Annex I to Regulation (EC) No 1893/2006, which involve the manufacturing ". . . of pesticides and other agrochemical products").

170. Criteria regarding those sectors have been stipulated in certain legislation applicable to the financial sector; hence, those sectors have been identified by lenders and investors as carrying sustainability risks.

Disclosure BP 2 – Responsibilities in relation to sustainability matters

171. The ***governance*** body refers to the highest decision-making authority in a company. Depending on the jurisdiction the company is in and its legal entity classification, the governance body can vary in format.

172. The gender diversity ratio of the ***governance*** body is calculated as an average ratio of female to male board members.

$$Gender\ diversity\ ratio = \frac{the\ number\ of\ female\ members}{the\ number\ \ of\ male\ members}$$

Example

173. A certain ***governance*** body is composed of six members, including three women. The gender diversity ratio is one – for every female member there is one male member.

Environmental Metrics

Disclosure BP 3 – GHG emissions reduction target

174. A GHG emission reduction target constitutes a commitment to reduce the undertaking's GHG emissions in a future year as compared to the GHG emissions measured during a base year. Emission reductions may be achieved, for instance, through electrification, renewable electricity, sustainable products development, etc. Removals and avoided emissions do not count as emission reductions. Disclosure BP 3 requires the undertaking to disclose GHG emission reduction ***targets*** for its Scope 1 and Scope 2 emissions.

175. A base year is a preceding year against which the undertaking's current GHG emissions can be measured. In general, the base year should be a recent and representative year of the undertaking's GHG emissions in which there are verifiable data.

176. The target year is the year in the future the undertaking aims to achieve a certain absolute or percentage amount of GHG emission reductions. It should range over a period from one to three years from the base year to a short-term target. Longer term ***targets*** may also be included, for instance, for periods of twenty or thirty years (e.g., 2040 or 2050). Undertakings are encouraged to include target values for the short-term target year of 2030 at the least and, if feasible, for the long-term year of 2050. From 2030 onwards, it is recommended to update the base year and target year for GHG emission reduction targets after every five-year period.

177. To set a target, undertakings should consider the existing scientific evidence on GHG mitigation. The SBTi recommends a cross-sector target in GHG emissions reduction of -42% by the year 2030 and -90% by the year 2050 (base year 2020). Specific pathways also exist by sector and may be considered by undertakings when setting their GHG emission reduction ***targets***.

Disclosure BP 4 – Transition plan for climate change mitigation

178. A climate transition plan is a set of present and future ***actions*** meant to align the undertaking's business model, strategy and operations with the key overarching global goal of limiting global warming to 1.5°C. Underpinned by a GHG reduction target compatible with that goal, the importance of having a transition plan in place lies in the ability of understanding the means by which the undertaking will move towards a low-carbon economy while keeping track of the progress made. A transition plan serves as a mechanism for accountability and transparency prompting undertakings to develop credible pathways for mitigating climate change through their ***actions***.

179. A credible transition plan should *(a)* identify clear responsibilities and roles; *(b)* be integrated in the undertaking's business strategy and financial planning; *(c)* include information on decarbonisation levers and pathways as well as quantifiable indicators that can be monitored throughout predefined timeframes; *(d)* allow for regular reviewing and updating after stakeholder consultations when appropriate; and *(e)* cover the entirety of its own operations and, to the largest possible extent, the ***value chain*** or else provide an explanation as to any limitation.

Disclosure BP 5 – Physical Risks from climate change

180. ***Climate-related physical risks*** arise from the effects that climate change has on the undertaking. They can be classified into acute physical risks, which arise from particular events (such as droughts, floods, extreme precipitations and wildfires), and chronic physical risks, which arise from longer term changes in the climate. Physical risks are a function of climate-related hazards, the exposure of the undertaking's assets and activities to these hazards, and how sensitive the undertaking is to these hazards are. Examples of climate-related hazards are heat waves, increased frequency of extreme weather events, sea level rise, glacial lake outburst flood, and change in precipitation and wind patterns. Climate-related physical risks can be identified and modelled by using climate scenarios that consider high emissions trajectories such as IPCC SSP5-8.5.

Disclosure BP 6 – Hazardous waste and radioactive waste ratio

181. Nuclear waste can be present in a variety of situations, from smoke detectors to sludges to naturally occurring radioactive materials. It can also be present in special equipment used in industry, research facilities and healthcare as well as in other objects.

182. The undertaking may disclose its share of radioactive waste, which is calculated as a percentage of the total amount of ***hazardous waste*** as reported in the Basic Module B 7.

183. Below may be found an example of the radioactive waste ratio calculation:

$$Radioactive\ waste\ ratio = \frac{Radioactive\ waste\ (t)}{Hazardous\ waste\ (t)}\ x\ 100$$

Social Metrics

Disclosure BP 7 – Alignment with internationally recognised instruments

184. The undertaking shall disclose how it manages actual and potential negative impacts on people's human rights. This means that the undertaking shall disclose whether it has policies in place that commits it to respecting human rights, including labour rights, as defined by the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises. Such policies can take many forms, and they have no definitive template or structure. Efforts to implement such policies can include the provision of specific ***training*** on human rights for ***employees*** as well as efforts to map out supply chains in order to proactively identify issues related to child labour or forced labour, particularly in higher risk contexts.

185. Human rights in the workplace include the right to a safe and healthy working environment; the right to freedom of association and the right to ***collective bargaining***; the elimination of discrimination, including the right to equal pay for work of equal value; and the elimination of child labour and forced labour.

186. International instruments such as treaties, conventions, principles, and guidelines constitute the common reference ground upon which the undertaking shall develop policies related to human rights (see the CSRD Article 29 b 2 b). These policies could signal to internal and external stakeholders that an undertaking is taking steps to embed human rights in its business operations and relations.

Disclosure BP 8 – Processes to monitor compliance and mechanisms to address violations

187. A human rights ***policy*** sets out how the undertaking respects human rights by having processes in place to identify, prevent, mitigate and account for how the undertaking addresses its actual or potential adverse human rights impacts. Examples of mechanisms used to report human rights violations include the provision of channels such as ***grievance*** procedures, general complaints and whistleblower complaints through which ***employees*** can raise concerns or file complaints related to human rights, including labour rights.

Disclosure BP 9 – Violations of OECD guidelines by multinational enterprises or the UN Guiding Principles (including the principles and rights set out in the eight fundamental conventions of the ILO Declaration and the International Bill of Human Rights)

188. If applicable, the undertaking shall disclose whether there have been any violations of human rights during the reporting year. The UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises provide a comprehensive overview and list of human rights.

Disclosure BP 10 – Workforce – Work-life balance

189. The undertaking shall disclose separately the percentage of those ***employees:***

(a) who can take family-related leave in the reporting year, with a breakdown by gender, and

(b) who used family-related leave in the reporting year, with a breakdown by gender.

190. To calculate this percentage, the same methodology used for social metrics in the Basic Module should be used for the sake of consistency, which means that ***employees*** can be counted in full-time equivalents or headcount.

191. Family-related leave includes maternity leave, paternity leave, adoption leave, parental leave, dependents' leave and carer's leave. The definition and scope of family-related leave is stipulated in national laws.

Disclosure BP 11 – Number of apprentices

192. The undertaking shall disclose the number of apprentices it has in the reporting period based on the applicable national definitions and schemes of ***apprentices***.

193. The number of apprentices refers to the number of apprentices who work in the undertaking during the reporting year. For example, if the undertaking has a December year end, an apprentice that starts their contract in year x1 and finishes in year x2 should be included in this disclosure in year x1 and year x2.

Appendix A: Defined terms

This appendix is an integral part of this [draft] Standard.

Defined term	Definition
Actions	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.
Affected communities	People or group(s) living or working in the same area that have been or may be affected by a reporting undertaking's operations or through its upstream and downstream value chain. Affected communities can range from those living adjacent to the undertaking's operations (local communities) to those living at a distance. Affected communities include actually and potentially affected indigenous peoples.
Apprentice	Apprentice refers to a person who is serving an apprenticeship. 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, of 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.
Biodiversity	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.
Biodiversity sensitive Area	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.
Business Conduct	The following matters are collectively referred to as 'business conduct or business conduct matters': (a) business ethics and corporate culture, including anti-corruption and anti-bribery, the protection of whistleblowers, and animal welfare; (b) the management of relationships with suppliers, including payment practices, especially with regard to late payment to small and medium-sized undertakings. (c) activities and commitments of the undertaking related to exerting its political influence, including its lobbying activities.
Collective bargaining	All negotiations which take place between an employer, a group of employers or one or more employers' organisations, on the one hand, and one or more trade unions or, in their absence, the representatives of the workers duly elected and authorised by them in accordance with national laws and regulations, on the other, for: 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.
Corruption	Abuse of entrusted power for private gain, which can be instigated by individuals or organisations. It includes practices such as facilitation payments, fraud, extortion, collusion, and money laundering. It also

Defined term	Definition
	includes an offer or receipt of any gift, loan, fee, reward, or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust in the conduct of the undertaking's business. This can include cash or in-kind benefits, such as free goods, gifts, and holidays, or special personal services provided for the purpose of an improper advantage, or that can result in moral pressure to receive such an advantage.
Consumers	Individuals who acquire, consume or use goods and services for personal use, either for themselves or for others, and not for resale, commercial or trade, business, craft or profession purposes.
Classified information	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. 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).
Circular economy principles	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.
Climate change adaptation	The process of adjustment to actual and expected climate change and its impacts.
Climate-related physical risks	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.
Direct GHG emissions (Scope 1)	Direct GHG emissions from sources that are owned or controlled by the undertaking.
Employee	An individual who is in an employment relationship with the undertaking according to national law or practice.
End-users	Individuals who ultimately use or are intended to ultimately use a particular product or service.
Family related leave	Family-related leave include maternity leave, paternity leave, parental leave, and carers' leave that is available under national law or collective agreements. For the purpose of this Standard, these concepts are defined as: (a) maternity leave (also called pregnancy leave): employment-protected leave of absence for employed women directly around the time of childbirth (or, in some countries, adoption); (b) paternity leave: leave from work for fathers or, where and in so far as recognised by national law, for equivalent second parents, on the occasion of the birth or adoption of a child for the purposes of providing care;

Defined term	Definition
	(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; (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.
Grievance mechanism	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 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.
Greenhouse Gases (GHG)	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).
Governance	The governance is the system of rules, practices and processes by which a company is directed and controlled.
Gross greenhouse gas (GHG) emissions	Gross greenhouse gas (GHG) emissions are total emissions before deductions for carbon removals or any other adjustments are made.
Hazardous waste	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 Council17 on waste.
Incident	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

Defined term	Definition
Indirect GHG emissions (Scope 2)	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.
Land-use	The human use of a specific area for a certain purpose (such as residential; agriculture; recreation; industrial, etc.). Influenced by land 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.
Nature-oriented area	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. (Adapted from EMAS regulation)
Own workforce/own workers	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).
Pay	The ordinary basic or minimum wage or salary and any other remuneration, whether in cash or in kind which the worker receives directly or indirectly ('complementary or variable components'), in respect of his/her employment from his/her employer. 'Pay 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
Policy	A set or framework of general objectives and management principles that the undertaking uses for decision-making. A policy implements the undertaking's strategy or management decisions 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. For example, undertakings with less resources may have few (or no) policies formalised in written documents, but this does not necessarily mean they do not have policies. 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.
Recordable work-related injury or ill health	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

Defined term	Definition
	treatment beyond first aid are generally not recordable.
Recycling	Any recovery operation by which waste materials are reprocessed into products, materials or substances whether for the original or other purposes. It includes the reprocessing of organic material but does not include energy recovery and the reprocessing into materials that are to be used as fuels or for backfilling operations
Renewable Energy	Energy from renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas[6].
Sealed area	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. (Source: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02009R1221-20230712)
Sensitive information	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. 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.
Targets	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.
Training	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.
Value Chain	The full range of activities, resources and relationships related to the undertaking's business model and the external environment in which it operates. A value chain encompasses the activities, resources and relationships the undertaking uses and relies on to create its products or services from conception to delivery, consumption and end-of- life. Relevant activities, resources and relationships include: a) those in the undertaking's own operations, such as human resources; b) those along its supply, marketing and distribution channels, such as materials and service sourcing and product and service sale and delivery; and c) the financing, geographical, geopolitical and regulatory environments in which the undertaking operates. 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

[6] 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).

Defined term	Definition
	downstream from the undertaking (e.g., distributors, customers) receive products or services from the undertaking.
Wage	Gross wage, excluding variable components such as overtime and incentive pay, and excluding allowances unless they are guaranteed
Water consumption	The amount of water drawn into the boundaries of the undertaking (or facility) and not discharged back to the water environment or a third party over the course of the reporting period.
Water withdrawal	The sum of all water drawn into the boundaries of the undertaking from all sources for any use over the course of the reporting period.
Work-life balance	Satisfactory state of equilibrium between an individual's work and private life. Work-life balance in a broader sense encompasses not only the balance between work and private life given family or care responsibilities, but also time allocation between time spent at work and in private life beyond family responsibilities.
Worker in the value chain	An individual performing work in the value chain of the undertaking, regardless of the existence or nature of any contractual relationship with the undertaking. In the ESRS, the scope of workers in the value chain include all workers in the undertaking's upstream and downstream value chain who are or can be materially impacted by the undertaking. This includes impacts that are connected to the undertaking's own operations, and value chain, including through its products or services, as well as through its business relationships. This includes all workers who are not in the scope of 'Own Workforce' ('Own Workforce' includes people who are in an employment relationship with the undertaking ('employees') and non-employees who are either individual contractors supplying labour to the undertaking ('self-employed people') or people provided by undertakings primarily engaged in employment activities (NACE Code N78)

Appendix B: List of sustainability matters

The appendix below is an integral part of this [draft] Standard. The compilation of sustainability topics along with their related subtopics and sub-subtopics shall be used as a basis for determining what material matters are to be reported.

Sustainability matters covered in [draft] topical ESRS		
Topic	**Sustainability matter: Sub-topic**	**Sustainability matter: sub-sub topic**
Climate change	– Climate change adaptation – Climate change mitigation – Energy	
Pollution	– Pollution of air – Pollution of water – Pollution of soil – Pollution of living organisms and food resources – Substances of concern – Substances of very high concern	
Water and marine resources	– Water – Marine resources	– Water consumption – Water withdrawals – Water discharges – Water discharges in the oceans – Extraction and use of marine resources
Biodiversity and ecosystems	– Direct impact drivers of biodiversity loss	– Climate Change – Land-use change, fresh water-use change and sea-use change – Direct exploitation – Invasive alien species – Pollution – Others
	– Impacts on the state of species	– Examples: – Species population size – Species global extinction risk
	– Impacts on the extent and condition of ecosystems	– Examples: – Land degradation – Desertification – Soil sealing
	– Impacts and dependencies on ecosystem services	
Circular economy	– Resources inflows, including resource use – Resource outflows related to products and services – Waste	
Own workforce	– Working conditions	– Secure employment – Working time – Adequate wages – Social dialogue – Freedom of association, the existence of works councils and the information, consultation and participation rights of workers

Sustainability matters covered in [draft] topical ESRS		
Topic	**Sustainability matter: Sub-topic**	**Sustainability matter: sub-sub topic**
		– Collective bargaining, including rate of workers covered by collective agreements – Work-life balance – Health and safety
	– Equal treatment and opportunities for all	– Gender equality and equal pay for work of equal value – Training and skills development – Employment and inclusion of persons with disabilities – Measures against violence and harassment in the workplace – Diversity
	– Other work-related rights	– Child labour – Forced labour – Adequate housing – Privacy
Workers in the value chain	– Working conditions	– Secure employment – Working time – Adequate wages – Social dialogue – Freedom of association, including the existence of work councils – Collective bargaining – Work-life balance – Health and safety
	– Equal treatment and opportunities for all	– Gender equality and equal pay for work of equal value – Training and skills development – The employment and inclusion of persons with disabilities – Measures against violence and harassment in the workplace – Diversity
	– Other work-related rights	– Child labour – Forced labour – Adequate housing – Water and sanitation – Privacy
Affected communities	– Communities' economic, social and cultural rights	– Adequate housing – Adequate food – Water and sanitation – Land-related impacts – Security-related impacts
	– Communities' civil and political rights	– Freedom of expression – Freedom of assembly – Impacts on human rights defenders

Sustainability matters covered in [draft] topical ESRS		
Topic	**Sustainability matter: Sub-topic**	**Sustainability matter: sub-sub topic**
	– Rights of indigenous communities	– Free, prior and informed consent – Self-determination – Cultural rights
Consumers and end-users	– Information-related impacts for consumers and/or end-users	– Privacy – Freedom of expression – Access to (quality) information
	– Personal safety of consumers and/or end-users	– Health and safety – Security of a person – Protection of children
	– Social inclusion of consumers and/or end-users	– Non-discrimination – Access to products and services – Responsible marketing practices
Business conduct	– Corporate culture – Protection of whistle-blowers – Animal welfare – Political engagement – Management of relationships with suppliers including payment practices	
	– Corruption and bribery	– Prevention and detection including training – Incidents

Appendix C – dedicated to financial market participants that are users of the information produced using this [draft] Standard

194. This appendix is relevant for users of the sustainability report. The table below illustrates the Sustainable Finance Datapoints that are present in different modules of this Standard.

195. The column 'DR number and Title' identifies the disclosures present in the different modules (i.e. Basic Module, Narrative-PAT Module, and Business Partners Module) that are Sustainable Finance datapoints. The column SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation illustrates how these disclosures relate to these regulations that are relevant for users of the sustainability report (banks, other investors).

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
Basic Module		
Environment	**Disclosure B 3 – Energy and greenhouse gas emissions** The undertaking shall disclose its total energy consumption in MWh, with a breakdown between: (a) fossil fuels; and (b) electricity, as expressed in utility billings (with the breakdown between renewable and non-renewable sources, if available).	**SFDR**[7]
Environment	**Disclosure B 3 – Energy and greenhouse gas emissions** The undertaking shall disclose its estimated gross greenhouse gas (GHG) emissions in tons of CO2 equivalents (tCO2eq), considering the principles, requirements and guidance of the GHG Protocol Corporate Standard, including: (a) The scope 1 GHG emissions in tCO_2eq (from owned or controlled sources); and (b) The location-based scope 2 emissions in tCO_2eq (emissions from the generation of purchased energy).	**SFDR**[8] **Benchmark** **EU Taxonomy**[9]

[7] Regulation (EU) 2019/2088 (SFDR), mandatory indicator #5 in Table 1 of Annex I ("Share of non-renewable energy consumption and production").

[8] 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).

[9] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
Environment	**Disclosure B 4 – Pollution of air, water and soil** 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.	**SFDR**[10]
Environment	**Disclosure B 5 – Biodiversity** 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.	**SFDR**[11]
Social	**Disclosure B 9 – Workforce – Health and safety** The undertaking shall disclose: (a) 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.	**SFDR**[12] **Benchmark**
Social	**Disclosure B 10 – Workforce – Remuneration, collective bargaining and training** The undertaking shall disclose the percentage gap in pay between its female and male employees. The undertaking may omit this disclosure when its headcount is below 150 employees.	**SFDR**[13]

[10] 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").

[11] Regulation (EU) 2019/2088 (SFDR), mandatory indicator #7 in Table 1 of Annex I ("Activities negatively affecting biodiversity-sensitive areas")

[12] 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.

[13] 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.

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
Governance	**Disclosure B 12 – Convictions and fines for corruption and bribery** 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.	**Benchmark**[14]
Narrative-PAT Module		
Environment	***Entity-specific consideration when reporting on GHG emissions under B 3 (Basic Module)*** When reporting its Scope 1 and Scope 2 emissions, if the undertaking discloses entity-specific information on its Scope 3 emissions, it shall present it together with the information required under "B 3 – Energy and greenhouse gas emissions."	**SFDR**[15] **Benchmark** **EU Taxonomy**[16]
Governance	**Disclosure N 3 - Management of material sustainability matters** Where material, the undertaking shall disclose whether it has the following in place to support the prevention of incidents of corruption or bribery: (c) any actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery.	**SFDR**[17]
Business Partners Module		

[14] 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.

[15] 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).

[16] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

[17] 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.

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
Governance	**Disclosure BP 1 – Revenues from certain sectors** The undertaking shall include where applicable, a statement indicating, together with the related revenues, that the undertaking is active in: (a) controversial weapons such as anti-personnel mines, cluster munitions, chemical weapons and biological weapons; and / or	**SFDR**[18] **Benchmark**[19]
	(b) the cultivation and production of tobacco; and/or	**EBA Pillar 3**[20] **Benchmark**[21]
	(c) fossil fuel (coal, oil and gas) sector (i.e., the undertaking derives revenues from 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 Council17), including a disaggregation of revenues derived from coal, from oil and from gas); and/or	**SFDR**[22] **EBA Pillar 3**[23] **Benchmark**[24]

[18] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out by indicator #14 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments ("Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)").

[19] Benchmark Regulation (EU) 2020/1818 Article 12(1): "Administrators of EU-Paris aligned Benchmarks shall exclude all of the following companies from those benchmarks: companies involved in any activities related to controversial weapons; " and Benchmark Regulation (EU) 2020/1816 Annex II: Weighted average percentage of benchmark constituents in the controversial weapons sector."

[20] EBA Pillar 3: Template 1: Banking book - Climate change transition risk: Companies in the manufacturing of tobacco products excluded from EU-Paris aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation

[21] This information supports the needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1818 as set out by paragraph b) of article 12.1. and Benchmark Regulation (EU) 2020/1816 Annex II: "Weighted average percentage of benchmark constituents in the tobacco sector."

[22] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out by indicator #4 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments ("Exposure to companies active in the fossil fuel sector")

[23] EBA Pillar 3: Template 1: Banking book - Climate change transition risk: Companies in Mining and quarrying excluded from EU-Paris aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation

[24] Benchmark Regulation (EU) 2020/1818 Article 12(1).

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
	(d) chemicals production, i.e., its activities fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006.	**SFDR**[25]
Governance	**Disclosure BP 2 – Gender diversity ratio in governance body** If the undertaking has a governance body in place, the undertaking shall disclose the related gender diversity ratio.	**SFDR**[26] **Benchmark**[27]
Environment	**Disclosure BP 3 – GHG emissions reduction target** If the undertaking has set GHG emission reduction targets, it shall provide its GHG emission reduction targets for (a) scope 1 emissions and (b) scope 2 emissions.	**SFDR**[28] **Benchmark**[29]

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

[26] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out by indicator #13 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to disclosures rules on sustainable investments (“Board gender diversity”)

[27] This information supports the information needs of benchmark administrators to disclose ESG factors subject to Commission Delegated Regulation (EU) 2020/1816 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as set out by indicator “Weighted average ratio of female to male board members” in section 1 and 2 of Annex II.

[28] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 (SFDR) because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #4 in Table II of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments (“Investments in companies without carbon emission reduction initiatives”); and is aligned with the Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), Article 6.

[29] Benchmark Regulation (EU) 2020/1818 Article 12(1), "Administrators of EU Climate Transition Benchmarks and administrators of EU Paris-aligned Benchmarks may increase in those benchmarks the weight of the issuers of the constituent securities that set and publish GHG emission reduction targets, where the following conditions are fulfilled: (a) the issuers of the constituent securities publish consistently and accurately their Scope 1, 2 and 3 GHG emissions; (b) the issuers of the constituent securities have reduced their GHG intensity or, where applicable, their absolute GHG emissions, including Scope 1, 2 and 3 GHG emissions, by an average of at least 7 % per annum for at least three consecutive years."

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
Environment	**Disclosure BP 4 – Transition plan for climate change mitigation** The undertaking shall provide information about its transition plan for climate change mitigation, along with an explanation of how its GHG emission reduction targets are compatible with the limiting of global warming to 1.5°C in line with the Paris Agreement.	**Benchmark**[30]
Environment	**Disclosure BP 5 – Physical Risks from climate change** The undertaking shall disclose the anticipated financial effects that physical risks from climate change may have on the company, particularly (a) the monetary amount and the percentage of the undertaking's total assets that can be subjected to material physical risks over the short-, medium- and long-term before considering climate change adaptation actions disaggregated by acute and chronic physical risk; (b) the proportion of assets at material physical risk addressed by climate change adaptation actions; (c) the location of the significant assets affected by material physical risks; (d) the monetary amount and proportion (percentage) of net revenue from its business activities at material physical risks over the short-,medium- and long-term; and	**Benchmark**[31] **EBA Pillar 3**[32]

[30] This information is aligned with the Regulation (EU) 2021/1119 of the European Parliament and of the Council (EU Climate Law), Article 2 (1); and with Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), Article 2.

[31] Benchmark Regulation (EU) 2020/1816 Annex II: Environmental factors to be considered by underlying assets of the benchmark.

[32] EBA Pillar 3: ITS - Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk and EBA Pillar 3: ITS - Template 2: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral.

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
	(e) the breakdown of the undertaking's carrying value of its real state assets by energy efficiency classes.	
Environment	**Disclosure BP 6 – Hazardous waste and radioactive waste ratio** The undertaking 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/Euratom).	**SFDR**[33]
Social	**Disclosure BP 7: Alignment with internationally recognized instruments** The undertaking shall disclose whether its policies with regard to its own workforce are aligned with relevant internationally recognized instruments, including the UN Guiding Principles on Business and Human Rights.	**Benchmark**[34]
Social	**Disclosure BP 8: Processes to monitor compliance and mechanisms to address violations** The undertaking shall disclose whether it has processes in place to monitor compliance with the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the International Bill of Human Rights and the eight fundamental conventions identified in the ILO Declaration or grievance/complaints handling mechanisms to address violations of the above standards with regard to its own workforce.	**SFDR**[35]

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

[34] This information supports the needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Exposure of the benchmark portfolio to companies without due diligence policies on issues addressed by the fundamental International Labour Organisation Conventions 1 to 8" in section 1 and 2 of Annex II.

[35] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by indicator #11 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments.

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
Social	**Disclosure BP 9 – 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)** The 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 with regard to its own workforce during the reporting year.	**SFDR**[36] **Benchmark**[37]
Social	**Disclosure BP 10 – Work-life balance** The undertaking shall disclose the percentage of employees: (a) who are entitled to take family-related leave with a breakdown by gender; and (b) who took family-related leave with a breakdown by gender. Family-related leave includes maternity, paternity, parental and carer's leave.	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.
Social	**Disclosure BP 11 – Number of apprentices** The undertaking shall disclose the number of apprentices in the reporting period.	Having apprentices is a matter of special relevance to undertakings 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.

[36] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory and additional indicator related to principal adverse impacts as set out by indicator #10 in Table I of Annex I and by indicator #14 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Violations of UNGC principles and OECD Guidelines for Multinational Enterprises" and "Number of identified cases of severe human rights issues and incidents")

[37] This information supports the information needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Number of benchmark constituents subject to social violations (absolute number and relative divided by all benchmark constituents), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law" in section 1 and 2 of Annex II.