



2025/1710

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COMMISSION RECOMMENDATION (EU) 2025/1710

of 30 July 2025

on a voluntary sustainability reporting standard for small and medium-sized undertakings

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 292 thereof,

Whereas:

- (1) Directive (EU) 2022/2464 of the European Parliament and of the Council ⁽¹⁾ entered into force on 5 January 2023. That Directive strengthens and modernises corporate sustainability reporting requirements through modifications to Directive 2013/34/EU of the European Parliament and of the Council ⁽²⁾, Directive 2004/109/EC of the European Parliament and of the Council ⁽³⁾, Directive 2014/56/EU of the European Parliament and of the Council ⁽⁴⁾ and Regulation (EU) No 537/2014 of the European Parliament and of the Council ⁽⁵⁾.
- (2) Directive (EU) 2022/2464 is an important element of the European Green Deal ⁽⁶⁾ and of the Sustainable Finance Action Plan ⁽⁷⁾. That Directive aims to ensure that investors have the information they need to understand and manage the risks to which investee undertakings are exposed from climate change and other sustainability issues. That Directive also aims to ensure that investors and other stakeholders have the information they need about the impacts of undertakings on people and the environment.
- (3) Directive (EU) 2022/2464 requires large undertakings, parent undertakings of a large group and undertakings with securities admitted to trading on a regulated market in the Union (except micro-undertakings) to report sustainability information according to sustainability reporting standards. Article 29b of that Directive requires the Commission to adopt such standards through delegated acts, taking account of the technical advice of EFRAG. On 31 July 2023, the Commission adopted the first set of European Sustainability Reporting Standards (ESRS) by means of Commission Delegated Regulation (EU) 2023/2772 ⁽⁸⁾.

⁽¹⁾ Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (OJ L 322, 16.12.2022, p. 15, ELI: <http://data.europa.eu/eli/dir/2022/2464/oj>).

⁽²⁾ Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19, ELI: <http://data.europa.eu/eli/dir/2013/34/oj>).

⁽³⁾ Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (OJ L 390, 31.12.2004, p. 38, ELI: <http://data.europa.eu/eli/dir/2004/109/oj>).

⁽⁴⁾ Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts (OJ L 158, 27.5.2014, p. 196, ELI: <http://data.europa.eu/eli/dir/2014/56/oj>).

⁽⁵⁾ Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ L 158, 27.5.2014, p. 77, ELI: <http://data.europa.eu/eli/reg/2014/537/oj>).

⁽⁶⁾ Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, The European Green Deal, Brussels, 11.12.2019 COM(2019) 640 final.

⁽⁷⁾ Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, Action Plan: Financing Sustainable Growth, Brussels, 8.3.2018 COM(2018) 97 final.

⁽⁸⁾ Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards (OJ L, 2023/2772, 22.12.2023, ELI: http://data.europa.eu/eli/reg_del/2023/2772/oj).

- (4) Directive (EU) 2022/2464 allows small and medium-sized undertakings whose securities are admitted to trading on a regulated market in the Union (listed SMEs) to report using a separate and lighter, proportionate set of standards instead of the full set of ESRS. That Directive does not impose any mandatory sustainability reporting requirements on small and medium-sized undertakings whose securities are not admitted to trading on a regulated market in the Union (non-listed SMEs).
- (5) Directive (EU) 2022/2464 requires undertakings subject to sustainability reporting requirements to report value-chain information to the extent necessary for an understanding of their sustainability-related impacts, risks and opportunities. The requirement to report value-chain information can create a so-called trickle-down effect, whereby undertakings subject to the reporting requirements request sustainability information from undertakings in their value chain. That can lead to additional burden on SMEs in the value chain of larger undertakings, even if, as is the case for non-listed SMEs, they are not themselves subject to the sustainability reporting requirements. Other factors besides Directive (EU) 2022/2464 itself may cause the trickle-down effect. For example, many undertakings seek sustainability information from undertakings in their value chains to better understand and manage their sustainability-related risks, impacts or opportunities, or to meet legal requirements other than those established in Directive (EU) 2022/2464, including as regards corporate sustainability due diligence under Directive (EU) 2024/1760 of the European Parliament and of the Council ⁽⁹⁾.
- (6) To limit the trickle-down effect on SMEs, Directive (EU) 2022/2464 established a so-called value-chain cap, which states that the ESRS may not contain reporting requirements that would require undertakings to obtain information from SMEs in their value chain that exceeds the information to be disclosed under the proportionate standard for listed SMEs (LSME).
- (7) Separately from the LSME standard provided for by Directive (EU) 2022/2464, the Commission requested EFRAG to develop a separate, simpler standard for voluntary use by non-listed SMEs. On 12 September 2023, the Commission published the SME Relief Package ⁽¹⁰⁾. Under Action 14 of that package, the Commission committed to ensuring that SMEs have a simple and standardised framework to report on ESG issues, thereby creating better opportunities for SMEs to obtain green financing and thus facilitating the transition to a sustainable economy. That standardised framework for SMEs would also limit the risk of disclosure requirements trickling down on non-listed SMEs in the value chain of undertakings in the scope of Directive (EU) 2022/2464.
- (8) The primary aim of this voluntary standard is to help undertakings not in scope of Directive (EU) 2022/2464 to respond to information requests that they receive from financial institutions, large undertakings and other stakeholders. This voluntary standard aims to reduce the need for SMEs to respond to separate requests for information from individual counterparties for their reporting, due diligence and risk management or other uses of sustainability information. In addition, voluntary reporting of sustainability information can facilitate access to sustainable finance and help SMEs to better understand and monitor their own sustainability performance, thereby improving resilience and competitiveness.
- (9) A fundamental aspect of a voluntary sustainability reporting standard for SMEs is its market acceptance both from the users' side (i.e. acceptance by business partners and financial partners to replace their own questionnaires and instead use the standard to gather sustainability data from SMEs) and the SME side (i.e. SMEs accepting the standard as a reporting tool).
- (10) EFRAG developed its draft technical advice on a voluntary sustainability reporting standard for non-listed SMEs (or 'VSME') following a rigorous due process which included a public consultation and a field-testing of the draft standard. SMEs themselves and the intended users of the reported information have expressed support for the VSME standard as a simplified reporting tool that is a credible replacement for a substantial portion of information requests that banks and large undertakings often send to SMEs in their value chains. EFRAG delivered the VSME standard to the Commission in December 2024.

⁽⁹⁾ Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859 (OJ L, 2024/1760, 5.7.2024, ELI: <http://data.europa.eu/eli/dir/2024/1760/oj>).

⁽¹⁰⁾ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, SME Relief Package, Strasbourg, 12.9.2023 COM(2023) 535 final.

- (11) The VSME standard developed by EFRAG comprises a basic module and a comprehensive module. Reporting against the basic module is a pre-requisite for reporting against the comprehensive module. The basic module is described as the 'target approach' for micro-undertakings. This means that micro-undertakings do not need to apply the basic module in its entirety and are welcome to use only certain parts of it. For small and medium-sized undertakings, the basic module is described as the 'minimum requirement' for reporting against the standard. In addition to the basic module and the comprehensive module, EFRAG also developed complementary practical guidance to help SMEs implement the provisions of the standard itself. The basic and comprehensive modules are included in Annex I to this Recommendation, whereas the complementary practical guidance is included in Annex II.
- (12) On 26 February 2025, the Commission adopted the proposal for a Directive of the European Parliament and of the Council amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting and due diligence requirements (omnibus simplification package⁽¹⁾) which proposes inter alia a number of amendments to the sustainability reporting requirements introduced by Directive (EU) 2022/2464 and to the sustainability due diligence requirements in Directive (EU) 2024/1760.
- (13) Regarding Directive (EU) 2022/2464, the Commission proposes, inter alia, to reduce the number of undertakings subject to the sustainability reporting requirements. According to the Commission's proposal, only large undertakings with more than 1 000 employees would remain subject to the requirement to report sustainability information. For undertakings with up to 1 000 employees, the Commission proposes to adopt a voluntary standard by means of a delegated act. Such voluntary standard would be based on the VSME standard developed by EFRAG.
- (14) The omnibus simplification proposal as regards Directive (EU) 2022/2464 also extends and strengthens the value-chain cap. According to that proposal, the value chain cap would apply directly to the reporting undertaking instead of being only a limit on what the ESRS can specify. It would protect all undertakings that would no longer be in scope of Articles 19a and 29a of Directive 2013/34/EU according to the omnibus simplification proposals (i.e. undertakings with up to 1 000 employees) rather than just SMEs as is currently the case. And the limit would be defined by the voluntary reporting standard for use by undertakings with up to 1 000 employees, to be adopted by the Commission by means of a delegated act and based on the VSME standard developed by EFRAG, which is the subject of this Recommendation. Furthermore, the omnibus simplification proposal also introduces a value chain cap linked to the VSME standard into Directive (EU) 2024/1760 on Corporate Sustainability Due Diligence, albeit subject to necessary exceptions, concerning information requests regarding the mapping of the value chain. Therefore, the content of the future voluntary reporting standard for use by undertakings with up to 1 000 employees, might differ from the current Recommendation. The empowerment of the Commission to adopt that standard by means of a delegated act, and the timing of any such adoption, depends on the conclusion of negotiations between co-legislators on the omnibus simplification proposal.
- (15) This Recommendation is adopted as a deliverable of the 2023 SME Relief Package and the 2025 Single Market Strategy. It constitutes an intermediary solution to address market demand until a voluntary standard based on the VSME standard developed by EFRAG is adopted by means of a delegated act under the omnibus simplification proposal, the timing of which will depend on the pace and conclusion of negotiations between the co-legislators. In the meantime, it remains urgent and necessary to help SMEs to respond to the information requests that they already receive from financial institutions, large companies and other stakeholders. The Commission can provide guidance to the market and thereby reduce the administrative burden for SMEs and other stakeholders by encouraging SMEs to publish sustainability information using the VSME standard developed by EFRAG and by encouraging those requesting sustainability information from SMEs to use this standard to the extent possible.
- (16) Through this Recommendation, the Commission recommends that non-listed SMEs and micro-undertakings that wish to voluntarily report sustainability information should do so in accordance with the VSME standard developed by EFRAG. To this end, the use of self-declarations by non-listed SMEs and micro-undertakings is deemed proportionate. This means that there is no obligation to provide assurance to the information reported by non-listed SMEs and that a self-declaration by the SME is sufficient. Non-listed SMEs and micro-undertakings may also refer to the practical guidance developed by EFRAG which accompanies the voluntary standard and facilitates the practical application of the voluntary standard.

⁽¹⁾ Proposal for a Directive of the European Parliament and of the Council amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting and due diligence requirements, Brussels, 26.2.2025 COM(2025) 81 final.

- (17) The Commission has encouraged large corporates and financial intermediaries to apply the principle of proportionality when engaging with SMEs and to exercise restraint when requesting information from SME value chain partners. ⁽¹²⁾ Following the adoption of this Recommendation, large corporates and financial intermediaries should limit, as far as possible, such requests to information that is coherent with the disclosures included in the VSME.
- (18) Member States also play an important role in raising awareness and supporting the uptake of the VSME, in order to facilitate burden reduction and streamline the information which SMEs have to provide for the different requests they receive. In line with the objective of a green and digital transition of SMEs, it is important to use digital solutions and tools to facilitate sustainability reporting for SMEs. To this end, the Commission is exploring the use of eInvoicing to automatically extract relevant data for sustainability reporting, in compliance with the VSME set out in Annex I. The Commission has also launched the 2025 Technical Support Instrument (TSI) Flagship project 'Improving sustainability reporting for businesses', which aims to provide technical assistance to Member States to develop digital support and capacity-building at national level for undertakings' sustainability reporting.
- (19) In the future, small businesses may want to make their sustainability information publicly accessible on the European Single Access Point (ESAP) in order to become more visible to potential investors, thereby increasing and diversifying funding opportunities. To this end, small businesses would need to provide certain metadata and use a certain format for submitting such information.
- (20) For the purposes of providing sustainable lending or making sustainable investments, lenders or investors might ask SMEs for other types of sustainability information than what is covered in the VSME standard. The Commission will follow up separately on the commitment made in the SME Relief Package to scale up sustainable finance to SMEs, based also on the report of the Platform on Sustainable Finance on Streamlining Sustainable Finance to SMEs and building on existing frameworks, such as the InvestEU Sustainability guarantee use case document and the European Investment Bank Green Checker.
- (21) The voluntary sustainability reporting standard set out in Annex I operates without prejudice to the reporting obligations of undertakings deriving from other Union legislation,

HAS ADOPTED THIS RECOMMENDATION:

Definitions:

For the purposes of this Recommendation, the following definitions apply:

- (1) 'small and medium-sized undertakings (SMEs)' means undertakings as referred to in Article 3(2) and Article 3(3) of Directive 2013/34/EU;
- (2) 'micro-undertaking' means an undertaking as referred to in Article 3(1) of Directive 2013/34/EU;
- (3) 'financial market participant' means:
 - (a) an insurance undertaking which makes available an insurance-based investment product (IBIP);
 - (b) an investment firm which provides portfolio management;
 - (c) an institution for occupational retirement provision (IORP);
 - (d) a manufacturer of a pension product;
 - (e) an alternative investment fund manager (AIFM);
 - (f) a pan-European personal pension product (PEPP) provider;

⁽¹²⁾ Commission Recommendation (EU) 2023/1425 of 27 June 2023 on facilitating finance for the transition to a sustainable economy (OJ L 174, 7.7.2023, p. 19, ELI: <http://data.europa.eu/eli/reco/2023/1425/oj>).

- (g) a manager of a qualifying venture capital fund registered in accordance with Article 14 of Regulation (EU) No 345/2013 of the European Parliament and of the Council ⁽¹³⁾;
 - (h) a manager of a qualifying social entrepreneurship fund registered in accordance with Article 15 of Regulation (EU) No 346/2013 of the European Parliament and of the Council ⁽¹⁴⁾;
 - (i) a management company of an undertaking for collective investment in transferable securities (UCITS management company);
- (4) 'insurance undertaking' means an insurance undertaking authorised in accordance with Article 18 of Directive 2009/138/EC of the European Parliament and of the Council ⁽¹⁵⁾;
- (5) 'financial institution' means financial institution as defined in Article 4(1), point (26) of Regulation (EU) No 575/2013 of the European Parliament and of the Council ⁽¹⁶⁾.

Recommendations to SMEs:

1. The Commission recommends that non-listed SMEs and micro-undertakings that wish to voluntarily report sustainability information do so in accordance with the voluntary sustainability reporting standard set out in Annex I.
2. The voluntary sustainability reporting standard set out in Annex I may also be used by SMEs and micro-undertakings in third countries which wish to provide sustainability information on a voluntary basis.
3. Undertakings applying the standard set out in Annex I to report sustainability information voluntarily may also use the practical guidance included in Annex II.

Recommendations to financial institutions, financial market participants, insurance undertakings, credit institutions and other undertakings seeking sustainability information from SMEs:

4. The Commission recommends that undertakings subject to the requirements laid down in Articles 19a and 29a of Directive 2013/34/EU, where they need sustainability information from SMEs in their value chains for the purposes of sustainability reporting, should limit as far as possible their requests for such information to the information provided pursuant to the voluntary sustainability reporting standard set out in Annex I to this Recommendation.
5. The Commission recommends that financial institutions, financial market participants, insurance undertakings and credit institutions, where they need sustainability information from SMEs, should limit as far as possible their requests for such information to the information provided pursuant to the voluntary sustainability reporting standard set out in Annex I.

Recommendations to Member States:

6. The Commission recommends that Member States raise awareness among SMEs of the benefits of voluntarily reporting sustainability information in accordance with the standard set out in Annex I.

⁽¹³⁾ Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds (OJ L 115, 25.4.2013, p. 1, ELI: <http://data.europa.eu/eli/reg/2013/345/oj>).

⁽¹⁴⁾ Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds (OJ L 115, 25.4.2013, p. 18, ELI: <http://data.europa.eu/eli/reg/2013/346/oj>).

⁽¹⁵⁾ Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (recast) (OJ L 335, 17.12.2009, p. 1, ELI: <http://data.europa.eu/eli/dir/2009/138/oj>).

⁽¹⁶⁾ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1, ELI: <http://data.europa.eu/eli/reg/2013/575/oj>).

7. The Commission recommends that Member States take appropriate measures at national level to foster the implementation and acceptance of the voluntary sustainability reporting standard for SMEs set out in Annex I.
8. The Commission recommends that Member States also take appropriate measures at national level to encourage the entities referred to in paragraphs 4 and 5 to limit as far as possible their requests to SMEs and micro-undertakings for sustainability information to be used for the purposes of sustainability reporting to the information provided pursuant to the voluntary sustainability reporting standard set out in Annex I.
9. The Commission recommends that Member States take appropriate measures to support the automatic digitalisation of SME sustainability reporting based on the standard set out in Annex I, to enable an efficient exchange of data that respects SMEs data ownership.

Done at Brussels, 30 July 2025.

For the Commission
Maria Luis ALBUQUERQUE
Member of the Commission

ANNEX I

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Objective of this Standard and to which undertakings it applies

1. The objective of this voluntary Standard is to support micro-, small- and medium-sized undertakings in:
 - (a) providing information that will help satisfy the data needs of large undertakings requesting sustainability information from their suppliers;
 - (b) providing information that will help satisfy data needs from banks and investors, therefore helping undertakings in their access to finance;
 - (c) 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; and
 - (d) contributing to a more sustainable and inclusive economy.

2. This Standard is voluntary. It applies to undertakings ⁽¹⁾ 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 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) €450 000 in balance sheet total;
 - (ii) €900 000 in net turnover; and
 - (iii) an average of 10 employees.
 - (b) An undertaking is small if it does not exceed two of the following thresholds:
 - (i) €5 million in balance sheet total;
 - (ii) €10 million in net turnover; and
 - (iii) an average of 50 employees.
 - (c) An undertaking is medium if it does not exceed two of the following thresholds:
 - (i) €25 million in balance sheet total;
 - (ii) €50 million in net turnover; and
 - (iii) an average of 250 employees.

3. These undertakings fall outside the scope of the Corporate Sustainability Reporting Directive (CSRD) but are encouraged to use this Standard. This Standard covers the same sustainability issues as the European Sustainability Reporting Standards (ESRS) for large undertakings. However, it is proportionate and therefore takes into account micro-, small- and medium-sized undertakings' fundamental characteristics. Micro-undertakings are welcome to use only certain parts of this Standard as highlighted in paragraph 5(a).

4. Consistency with ESRS for large undertakings has been carefully considered in the preparation of this Standard while defining proportionate requirements. This Standard has no legal authority unlike the ESRS for large undertakings.

Structure of this Standard

5. This Standard has two modules that the undertaking can use to prepare its sustainability report:
 - (a) **Basic Module:** Disclosures B1 and B2 and Basic Metrics (B3 to B11). This module is the target approach for micro-undertakings and constitutes a minimum requirement for other undertakings; and

⁽¹⁾ This includes self-employed, non-incorporated undertakings and listed micro undertakings.

- (b) **Comprehensive Module:** this module sets datapoints in addition to disclosures B1-B11, which are likely to be requested by banks, investors and corporate clients of the undertaking on top of the Basic Module.

Paragraph 24 below illustrates the available options for the preparation of a sustainability report using this 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 22); however, each item of disclosure shall be provided only when it is applicable to the undertaking's specific circumstances.

6. Applying the Basic Module is a prerequisite for applying the Comprehensive Module.
7. Appendix A *Defined terms* include the definitions of the terms used in this Standard. Throughout the VSME Standard, the terms defined in the glossary of definitions (Appendix A) are set in ***bold italics***, except when a defined term is used more than once in the same paragraph.

Principles for the preparation of the sustainability report (Basic and Comprehensive Module)

Complying with this Standard

8. This Standard sets requirements that allow the undertaking to provide relevant information on:
- how it has had and is likely to have a positive or negative **impact** on people or on the environment in the short-, medium- or long-term; and
 - how environmental and social issues have affected or are likely to affect its financial position, performance and cash flows in the short-, medium- or long-term.
9. The undertaking shall report information that is relevant, faithful, comparable, understandable and verifiable.
10. 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 Standard is appropriate in order to disclose sustainability issues that are common in the undertaking's sector (i.e. typically encountered by businesses or entities operating within a specific industry or field) or that are specific to the undertaking, as this supports the preparation of relevant, faithful, comparable, understandable and verifiable information. This includes the consideration of information on Scope 3 GHG emissions (see paragraphs 50 to 53 of this Standard). Appendix B provides a list of possible sustainability issues.
11. The undertaking may complement the metrics from the Basic and Comprehensive modules with additional qualitative and/or quantitative information where appropriate in accordance with paragraph 10 above.

Comparative information

12. The undertaking shall report comparative information in respect of the previous year except for metrics disclosed for the first time. The undertaking shall report comparative information from the second year of reporting.

If applicable principle

13. Certain disclosures only apply to specific circumstances (?). In particular, the instructions provided in each disclosure specify such circumstances and the information that is to be reported only if considered 'applicable' by the undertaking. When one of these disclosures is omitted, it is assumed to not be applicable.

(?) For example, the legal requirement to disclose specific information, or already voluntarily disclosing specific information through an Environmental Management System.

Inclusion of subsidiaries in the reported data

14. If the undertaking is a parent company of a group, it is recommended that it prepares its sustainability report on a consolidated basis, including information from its subsidiaries.
15. If the parent undertaking has prepared its sustainability report on a consolidated basis, including information from its subsidiaries, the subsidiary undertakings are exempted from reporting.

Timing and location of the sustainability report

16. If a sustainability report is prepared to meet the needs of large undertakings or banks that require an update annually, it shall be prepared annually. If the undertaking prepares financial statements, the sustainability report shall be prepared with a period of time that is consistent with the preparation of the financial statement. If specific datapoints did not change from the previous reporting year, the undertaking may indicate that no changes occurred and refer to the information provided for that specific datapoint in the previous year's report.
17. The primary function of this report is to inform actual or potential business counterparties. The undertaking may decide to make its sustainability report available to the public. In this case, the undertaking may present its sustainability report in a separate section of the management report if it has one. Otherwise, the undertaking may present its sustainability report as a separate document.
18. 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 ⁽³⁾.

Classified and sensitive information

19. When the provision of the disclosures in this Standard requires disclosing ***classified*** or ***sensitive information***, the undertaking may omit such information. If the undertaking decides to omit such information, it shall state that this is the case under disclosure B1 (see paragraph 24).

Coherence and linkages with disclosures in financial statements

20. If the undertaking also prepares financial statements, the information provided in its sustainability report following this Standard shall:
 - (a) be coherent with what is reported in the financial statements for the same period; and
 - (b) 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.

Basic Module

21. The undertaking shall report on its environmental, social and ***business conduct*** issues (together 'sustainability issues') using the B1 to B11 disclosures below.
22. If the undertaking wants to provide more comprehensive information, it may also integrate the metrics required from B1 to B11 with disclosures, selecting them from the Comprehensive Module.

⁽³⁾ In a future online tool version of the VSME Standard, when appropriate, the undertaking may refer to disclosures published in other documents rather than the sustainability report using incorporation by reference. Such reference is made by including the page number of the relevant source, provided that the PDF format of the source document is also made available in the online tool version.

23. Additional guidance on disclosures B1 to B11 is available in paragraphs 1 to 144 of Annex II of this Recommendation.

BASIC MODULE – GENERAL INFORMATION

B1 – Basis for preparation

24. The undertaking shall disclose:
- (a) which of the following options it has selected:
 - (i) OPTION A: Basic Module (only); or
 - (ii) OPTION B: Basic Module and Comprehensive Module;
 - (b) if the undertaking has omitted a disclosure as it is deemed **classified** or **sensitive information** (see paragraph 19), the undertaking shall indicate the disclosure that has omitted.
 - (c) whether the sustainability report has been prepared on an individual basis (i.e. the report is limited to the undertaking's information only) or on a consolidated basis (i.e. the report includes information about the undertaking and its subsidiaries);
 - (d) in case of a consolidated sustainability report, the list of the subsidiaries, including their registered address (*), covered in the report; and
 - (e) the following information:
 - (i) the undertaking's legal form;
 - (ii) NACE sector classification code(s);
 - (iii) size of the balance sheet (total assets in monetary units);
 - (iv) turnover (in monetary units);
 - (v) number of **employees** in headcount or full-time equivalents;
 - (vi) country of primary operations and location of significant asset(s); and
 - (vii) geolocation of **sites** owned, leased or managed.
25. If the undertaking has obtained any sustainability-related certification or label, it shall provide a brief description of those (including, where relevant, the issuers of the certification or label, date and rating score).

B2 – Practices, policies and future initiatives for transitioning towards a more sustainable economy

26. If the undertaking has put in place specific practices, policies or future initiatives for transitioning towards a more sustainable economy, it shall state so. The undertaking shall state whether it has:
- (a) practices. Practices in this context may include, for instance, efforts to reduce the undertaking's water and electricity consumption, to reduce GHG emissions or to prevent pollution, and initiatives to improve product safety as well as current initiatives to improve working conditions and equal treatment in the workplace, sustainability **training** for the undertaking's workforce and partnerships related to sustainability projects;
 - (b) **policies** on sustainability issues, whether they are publicly available, and any separate environmental, social or governance policies for addressing sustainability issues;
 - (c) any future initiatives or forward-looking plans that are being implemented on sustainability issues; and
 - (d) **targets** to monitor the implementation of the **policies** and the progress achieved towards meeting such targets.

(*) The registered address is the official address of the undertaking.

27. Such practices, policies and future initiatives include what the undertaking does to reduce its negative **impacts** and to enhance its positive impacts on people and the environment, in order to contribute to a more sustainable economy. Appendix B provides a list of possible sustainability issues that could be covered in this disclosure. The undertaking may use the template found in paragraph 14 of Annex II of this Recommendation to report this information.
28. If the undertaking also reports on the Comprehensive module, it shall complement the information provided under B2 with the datapoints found in C2.

BASIC MODULE – ENVIRONMENT METRICS

B3 – Energy and greenhouse gas emissions

29. The undertaking shall disclose its total energy consumption in MWh, with a breakdown as per the table below, if it can obtain the necessary information to provide such a breakdown:

	Renewable	Non-renewable	Total
Electricity (as reflected in utility billings)			
Fuels			

30. The undertaking shall disclose its estimated **gross greenhouse gas (GHG) emissions** in tons of CO₂ equivalent (tCO₂eq) considering the content of the GHG Protocol Corporate Standard (version 2004), including:
- the Scope 1 GHG emissions in tCO₂eq (from owned or controlled sources); and
 - the **location-based Scope 2 emissions** in tCO₂eq (i.e. emissions from the generation of purchased energy, such as electricity, heat, steam or cooling).
31. The undertaking shall disclose its GHG intensity calculated by dividing '**gross greenhouse gas (GHG) emissions**' disclosed under paragraph 30 by 'turnover (in monetary units)' disclosed under paragraph 24(e)(iv) ⁽⁵⁾.

B4 – Pollution of air, water and soil

32. If the undertaking is already required by law or other national regulations to report to competent authorities its emissions of pollutants, or if it voluntarily reports on them according to an Environmental Management System, it shall disclose the pollutants it emits to air, water and soil in its own operations, with the respective amount for each pollutant. 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.

B5 – Biodiversity

33. The undertaking shall disclose the number and area (in hectares or m²) of **sites** that it owns, has leased, or manages in or **near a biodiversity sensitive area**.
34. The undertaking may disclose metrics related to **land-use** (in hectares or m²):
- total use of land ;
 - total sealed area;
 - total **nature-oriented area** on-site; and
 - total **nature-oriented area** off-site.

⁽⁵⁾ In a future online tool version of the VSME Standard, this will be automatically calculated.

B6 – Water

35. 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.
36. If the undertaking has production processes in place which significantly consume water (e.g. thermal energy processes like drying or power production, production of goods, agricultural irrigation, etc.), it shall disclose its **water consumption** calculated as the difference between its **water withdrawal** and water discharge from its production processes.

B7 – Resource use, circular economy and waste management

37. The undertaking shall disclose whether it applies **circular economy principles** and, if so, how it applies these principles.
38. The undertaking shall disclose:
- (a) the total annual generation of waste broken down by type (non-hazardous and hazardous);
 - (b) the total annual waste diverted to **recycling** or reuse; and
 - (c) if the undertaking operates in a sector using significant material flows (for example manufacturing, construction, packaging or others), the annual mass-flow of relevant materials used.

BASIC MODULE – SOCIAL METRICS

B8 – Workforce – General characteristics

39. The undertaking shall disclose the number of **employees** in headcount or full-time equivalent for the following metrics:
- (a) type of employment contract (temporary or permanent);
 - (b) gender; and
 - (c) country of the employment contract, if the undertaking operates in more than one country.
40. If the undertaking employs 50 or more **employees**, it shall disclose the employee turnover rate for the reporting period.

B9 – Workforce – Health and safety

41. The undertaking shall disclose the following information regarding its **employees**:
- (a) the number and rate of **recordable work-related** accidents; and
 - (b) the number of fatalities as a result of work-related injuries and work-related ill health.

B10 – Workforce – Remuneration, collective bargaining and training

42. The undertaking shall disclose:
- (a) whether the **employees** receive **pay** that is equal or above applicable minimum **wage** for the country it reports on, determined directly by the national minimum wage law or through a **collective bargaining** agreement;
 - (b) the percentage gap in **pay** between its female and male **employees**. The undertaking may omit this disclosure when its headcount is below 150 employees noting that this threshold will be reduced to 100 employees from 7 June 2031;
 - (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.

BASIC MODULE – GOVERNANCE METRICS

B11 – Convictions and fines for corruption and bribery

43. 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.

Comprehensive Module

44. This module provides disclosures to address in a comprehensive way the information needs of the undertaking's business partners, such as investors, banks and corporate clients in addition to the ones included in the Basic Module. The disclosures in this module reflect the financial market participants and corporate clients' respective obligations under relevant laws and regulations. They also reflect the information needed by the business partners, to assess the sustainability risk profile of the undertaking, e.g. as a (potential) supplier or a (potential) borrower.
45. The text below provides the list of disclosures from C1 to C9 to be considered and reported upon, if they are applicable to the undertaking's business and organisation. When one of these disclosures is omitted, it is assumed to not be applicable.
46. Additional guidance on disclosures C1 to C9 is available in paragraphs 145 to 180 of Annex II of this Recommendation.

COMPREHENSIVE MODULE – GENERAL INFORMATION

C1 – Strategy: Business Model and Sustainability – Related Initiatives

47. The undertaking shall disclose the key elements of its business model and strategy, including:
- (a) a description of significant groups of products and/or services offered;
 - (b) a description of significant market(s) the undertaking operates in (such as B2B, wholesale, retail, countries);
 - (c) a description of main business relationships (such as key suppliers, customers, distribution channels); and
 - (d) if the strategy has key elements that relate to or affect sustainability issues, a brief description of those key elements.

C2 – Description of practices, policies and future initiatives for transitioning towards a more sustainable economy

48. If the undertaking has put in place specific practices, **policies** or future initiatives for transitioning towards a more sustainable economy, which it has already reported under disclosure B2 in the Basic Module, it shall briefly describe them. The undertaking may use the template found in paragraph 149 of Annex II of this Recommendation for this purpose.
49. The undertaking may indicate the most senior level within its employees that is accountable for implementing the policies when this has been determined by the undertaking.

COMPREHENSIVE MODULE - ENVIRONMENTAL METRICS

Consideration when reporting on GHG emissions under B3 (Basic Module)

50. Depending on the type of activities carried out by the undertaking, disclosing a quantification of its Scope 3 GHG emissions can be appropriate (see paragraph 10 of this Standard) to yield relevant information on the undertaking's **value chain impacts** on climate change.

51. 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.).
52. 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 shall include 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's Technical guidance for Calculating Scope 3 Emissions.
53. 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 B3 – Energy and greenhouse gas emissions.

C3 – GHG reduction targets and climate transition

54. If the undertaking has established GHG emission reduction **targets**, it shall disclose its targets in absolute values for Scope 1 and Scope 2 emissions. In line with paragraphs 50 to 53 above and if it has set Scope 3 reduction targets, the undertaking shall also provide targets for significant Scope 3 emissions. In particular, it shall provide:
 - (a) the target year and target year value;
 - (b) the base year and base year value;
 - (c) the units used for **targets**;
 - (d) the share of Scope 1, Scope 2 and, if disclosed, Scope 3 that the target concerns; and
 - (e) a list of main actions it seeks to implement to achieve its **targets**.
55. If the undertaking that operates in high climate impact sectors ⁽⁹⁾ has adopted a transition plan for climate change mitigation, it may provide information about it, including an explanation of how it is contributing to reduce GHG emissions.
56. In case the undertaking operates in high-climate impact sectors and does not have a transition plan for climate change mitigation in place, it shall indicate whether and, if so, when it will adopt such a transition plan.

C4 – Climate risks

57. If the undertaking has identified climate-related hazards and climate-related transition events, creating gross climate-related risks for the undertaking, it shall:
 - (a) briefly describe such climate-related hazards and climate-related transition events;
 - (b) disclose how it has assessed the exposure and sensitivity of its assets, activities and **value chain** to these hazards and transition events;
 - (c) disclose the **time horizons** of any climate-related hazards and transition events identified; and
 - (d) disclose whether it has undertaken **climate change adaptation** actions for any climate-related hazards and transition events.

⁽⁹⁾ High climate impact sectors are those listed in NACE Sections A to H and Section M as defined in Annex I to Delegated Regulation (EU) 2023/137.

58. The undertaking may disclose the potential adverse effects of climate risks that may affect its financial performance or business operations in the short-, medium- or long-term, indicating whether it assesses the risks to be high, medium, low.

COMPREHENSIVE MODULE – SOCIAL METRICS

C5 – **Additional (general) workforce characteristics**

59. If the undertaking employs 50 or more **employees**, it may disclose the female-to-male ratio at management level for the reporting period.
60. If the undertaking employs 50 or more **employees**, it may disclose the number of those self-employed without personnel who are working exclusively for the undertaking, and temporary workers provided by undertakings primarily engaged in 'employment activities'.

C6 – **Additional own workforce information - Human rights policies and processes**

61. The undertaking shall disclose an answer to the following questions.
- (a) Does the undertaking have a code of conduct or human rights **policy** for its **own workforce**? (YES/NO)
- (b) If yes, does this cover:
- (i) child labour (YES/ NO);
 - (ii) forced labour (YES/ NO);
 - (iii) human trafficking (YES/NO);
 - (iv) discrimination (YES/NO);
 - (v) accident prevention (YES/NO); or
 - (vi) other? (YES/NO – if yes, specify).
- (c) Does the undertaking have a complaints-handling mechanism for its **own workforce**? (YES/ NO)

C7 – **Severe negative human rights incidents**

62. The undertaking shall disclose an answer to the following questions:
- (a) Does the undertaking have confirmed incidents in its **own workforce** related to:
- (i) child labour (YES/ NO);
 - (ii) forced labour (YES/ NO);
 - (iii) human trafficking (YES/ NO);
 - (iv) discrimination (YES/ NO); or
 - (v) other? (YES/NO – if yes, specify).
- (b) If yes, the undertaking may describe the **actions** being taken to address the **incidents** described above.
- (c) Is the undertaking aware of any confirmed **incidents** involving **workers in the value chain, affected communities, consumers** and **end-users**? If yes, specify.

COMPREHENSIVE MODULE – GOVERNANCE METRICS

C8 – **Revenues from certain activities and exclusion from EU reference benchmarks**

63. If the undertaking is active in one or more of the following sectors, it shall disclose related revenues derived from activities in:
- (a) controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons);
 - (b) the cultivation and production of tobacco;

- (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 ⁽⁷⁾), including a disaggregation of revenues derived from coal, oil and gas; or
 - (d) chemicals production if the undertaking is a manufacturer of pesticides and other agrochemical products.
64. The undertaking shall disclose whether it is excluded from any EU reference benchmarks that are aligned with the Paris Agreement as described in paragraph 177 of Annex II of this Recommendation.

C9 – Gender diversity ratio in the governance body

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

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⁽⁷⁾ Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p. 1).

Appendix A

Defined terms

This appendix is an integral part of this Standard.

Defined term	Definition
Accident prevention	Accident prevention refers to the policies and initiatives to prevent workplace accidents and ensure the safety and well-being of employees. This not only includes measures to reduce physical risks but also involves fostering a safe and inclusive work environment free from discrimination and harassment.
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 geographical 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.
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.
Bribery	Dishonestly persuading someone to act in your favour by giving them a gift of money or another inducement.
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.
Child Labour	Work that deprives children of their childhood, potential, and dignity and harms their physical and mental development. It includes work that is mentally, physically, socially, or morally dangerous and/or interferes with their schooling (by preventing them from the opportunity to attend school).
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.

Defined term	Definition
Corruption	Abuse of entrusted power for private gain, which can be instigated by individuals or organisations. It includes practices such as facilitation payments, fraud, extortion, collusion, and money laundering. It also includes an offer or receipt of any gift, loan, fee, reward, or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust in the conduct of the undertaking's business. This can include cash or in-kind benefits, such as free goods, gifts, and holidays, or special personal services provided for the purpose of an improper advantage, or that can result in moral pressure to receive such an advantage.
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.
Discrimination	Discrimination can occur directly or indirectly. Direct discrimination occurs when an individual is treated less favourably by comparison to how others, who are in a similar situation. Indirect discrimination occurs when an apparently neutral rule disadvantages a person or a group sharing the same characteristics.
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.
Forced Labour	All work or service which is exacted from any person under the threat of penalty and for which the person has not offered himself or herself voluntarily according to the ILO Forced Labour Convention, 1930 (No.29). The term encompasses all situations in which persons are coerced by any means to perform work.

Defined term	Definition
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 (CO ₂); methane (CH ₄); nitrous oxide (N ₂ O); Nitrogen trifluoride (NF ₃); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); and sulphur hexafluoride (SF ₆).
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 GHG emissions released by the undertaking into the atmosphere, without considering any deductions for carbon removals or other adjustments.
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 Council on waste.
Human trafficking	The recruitment, transportation, transfer, harbouring or reception of persons, including the exchange or transfer of control over those persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation.
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.
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.

Defined term	Definition
Impact	<p>Impact refers to the effect an organisation has or could have on the economy, environment, and people, including effects on their human rights, as a result of the organization's activities or business relationships. The impacts can be actual or potential, negative or positive, short-term or long-term, intended or unintended, direct or indirect, and reversible or irreversible. These impacts indicate the organization's contribution, negative or positive, to sustainable development. The impacts on the economy, environment, and people are interrelated.</p> <p>The organization's impacts on the environment refer to the impacts on living organisms and non-living elements, including air, land, water, and ecosystems. An organization can have an impact on the environment through, for example, its use of energy, land, water, and other natural resources.</p> <p>The organization's impacts on people refer to the impacts on individuals and groups, such as communities, vulnerable groups, or society. This includes the impacts the organization has on people's human rights. An organization can have an impact on people through, for example, its employment practices (e.g. the wages it pays to employees), its supply chain (e.g. the working conditions of workers of suppliers), and its products and services (e.g. their safety or accessibility).</p>
Land-use (change)	<p>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.</p>
Location-based Scope 2 emissions	<p>Emissions from electricity, heat, steam and cooling purchased or acquired and consumed by the reporting company, calculated using the location-based 'allocating' method, which allocates generator emissions to end-users. They reflect the average emissions intensity of grids on which the energy consumption occurs and uses mostly grid-average emission factor data. 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.).</p>
Nature-oriented area	<p>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.</p>
Near (Biodiversity Sensitive Area)	<p>Near, in the context of B5 – Biodiversity, shall refer to an area that is (partially) overlapping or adjacent to a biodiversity sensitive area.</p>
Own workforce/own workers	<p>Employees who are in an employment relationship with the undertaking ('employees') and non-employees who are either individual contractors supplying labour to the undertaking ('self-employed people') or people provided by undertakings primarily engaged in 'employment activities' (NACE Code O78).</p>
Pay	<p>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.</p>

Defined term	Definition
Policy	<p>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 sustainability issue. 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.</p> <p>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 sustainability issues, it shall disclose them.</p>
Radioactive waste	<p>Any radioactive material in gaseous, liquid, or solid form, for which no further use is foreseen, as per Article 3(7) of Council Directive 2011/70/Euratom (?).</p>
Recordable work-related accident / Recordable work-related injury or ill health	<p>A work-related accident is an event that leads to physical or mental harm therefore to injury or ill health. It happens whilst engaged in an occupational activity or during the time spent at work. Recordable means diagnosed by a physician or other licensed health care professionals.</p> <p>Work-related injury or ill health can result 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. Injuries that do not require medical treatment beyond first aid are generally not recordable.</p>
Recycling	<p>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.</p>
Renewable Energy	<p>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 (?).</p>
Sealed area	<p>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.</p>
Sensitive information	<p>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.</p> <p>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.</p>
Site	<p>The location of one or more physical installations. If there is more than one physical installation from the same or different owners or operators and certain infrastructure and facilities are shared, the entire area where the physical installation are located may constitute a site.</p>
Targets	<p>Measurable, outcome-oriented and time-bound goals that the SME aims to achieve in relation to sustainability issues. They may be set voluntarily by the SME or derive from legal requirements on the undertaking.</p>

Defined term	Definition
Time horizons	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.
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 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.
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 O78).

(¹) Council Directive 2011/70/Euratom of 19 July 2011 establishing a Community framework for the responsible and safe management of spent fuel and radioactive waste.

(²) 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).

Appendix B

List of possible sustainability issues

The appendix below is an integral part of this Standard and provides a list of possible sustainability issues.

Topic	Sustainability issue: Sub-topic	Sustainability issue: sub-sub topic
Climate change	<ul style="list-style-type: none"> — Climate change adaptation — Climate change mitigation — Energy 	
Pollution	<ul style="list-style-type: none"> — Pollution of air — Pollution of water — Pollution of soil — Pollution of living organisms and food resources — Substances of concern — Substances of very high concern — Microplastics 	
Water and marine resources	<ul style="list-style-type: none"> — Water — Marine resources 	<ul style="list-style-type: none"> — 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	<ul style="list-style-type: none"> — 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	<ul style="list-style-type: none"> — Examples: — Species population size — Species global extinction risk
	— Impacts on the extent and condition of ecosystems	<ul style="list-style-type: none"> — Examples: — Land degradation — Desertification — Soil sealing
	— Impacts and dependencies on ecosystem services	
Circular economy	<ul style="list-style-type: none"> — Resources inflows, including resource use — Resource outflows related to products and services — Waste 	
Own workforce	<ul style="list-style-type: none"> — Working conditions 	<ul style="list-style-type: none"> — 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 — Collective bargaining, including rate of workers covered by collective agreements

Topic	Sustainability issue: Sub-topic	Sustainability issue: sub-sub topic
		<ul style="list-style-type: none"> — Work-life balance — Health and safety
	<ul style="list-style-type: none"> — Equal treatment and opportunities for all 	<ul style="list-style-type: none"> — 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
	<ul style="list-style-type: none"> — Other work-related rights 	<ul style="list-style-type: none"> — Child labour — Forced labour — Adequate housing — Privacy
Workers in the value chain	<ul style="list-style-type: none"> — Working conditions 	<ul style="list-style-type: none"> — 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
	<ul style="list-style-type: none"> — Equal treatment and opportunities for all 	<ul style="list-style-type: none"> — 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
	<ul style="list-style-type: none"> — Other work-related rights 	<ul style="list-style-type: none"> — Child labour — Forced labour — Adequate housing — Water and sanitation — Privacy
Affected communities	<ul style="list-style-type: none"> — Communities' economic, social and cultural rights 	<ul style="list-style-type: none"> — Adequate housing — Adequate food — Water and sanitation — Land-related impacts — Security-related impacts
	<ul style="list-style-type: none"> — Communities' civil and political rights 	<ul style="list-style-type: none"> — Freedom of expression — Freedom of assembly — Impacts on human rights defenders
	<ul style="list-style-type: none"> — Rights of indigenous communities 	<ul style="list-style-type: none"> — Free, prior and informed consent — Self-determination — Cultural rights

Topic	Sustainability issue: Sub-topic	Sustainability issue: sub-sub topic
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:

Background information for financial market participants that are users of the information produced using this Standard (reconciliation with other EU regulations)

66. 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 that satisfy the requests of multiple user types (banks, investors, large undertakings).
67. The column 'DR number and Title' identifies the disclosures present in the different modules (i.e. Basic Module, and Comprehensive 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														
General information	B1 – Basis for preparation The undertaking shall disclose: vii. geolocation of sites owned, leased or managed.	EBA Pillar 3 ⁽¹⁾												
Environment	B3 – Energy and greenhouse gas emissions The undertaking shall disclose its total energy consumption in MWh, with a breakdown as per the table below, if it can obtain the necessary information to provide such a breakdown: <table border="1" data-bbox="454 1352 1190 1603"> <thead> <tr> <th></th> <th>Renewable</th> <th>Non-renewable</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Electricity (as reflected in utility billings)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Fuels</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		Renewable	Non-renewable	Total	Electricity (as reflected in utility billings)				Fuels				SFDR ⁽²⁾
	Renewable	Non-renewable	Total											
Electricity (as reflected in utility billings)														
Fuels														
Environment	B3 – Energy and greenhouse gas emissions The undertaking shall disclose its estimated gross greenhouse gas (GHG) emissions in tons of CO ₂ equivalent (tCO ₂ eq) considering the content of the GHG Protocol Corporate Standard (version 2004), including: <ul style="list-style-type: none"> (a) the Scope 1 GHG emissions in tCO₂eq (from owned or controlled sources); and (b) the location-based Scope 2 emissions in tCO₂eq (i.e. emissions from the generation of purchased energy, such as electricity, heat, steam or cooling). 	SFDR ⁽³⁾ Benchmark ⁽⁴⁾												
Environment	B3 – Energy and greenhouse gas emissions The undertaking shall disclose its GHG intensity calculated by dividing 'total GHG emissions' disclosed under paragraph 30 by 'turnover (in monetary units)' disclosed under paragraph 24(e)(iv).	SFDR ⁽⁵⁾ Benchmark ⁽⁶⁾												

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
Environment	<p>B4 – Pollution of air, water and soil</p> <p>If the undertaking is already required by law or other national regulations to report to competent authorities its emissions of pollutants, or if it voluntarily reports on them according to an Environmental Management System, it shall disclose the pollutants it emits to air, water and soil in its own operations, with the respective amount for each pollutant. 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.</p>	SFDR ⁽⁷⁾
Environment	<p>B5 – Biodiversity</p> <p>The undertaking shall disclose the number and area (in hectares) of sites that it owns, has leased, or manages in or near a biodiversity sensitive area.</p>	SFDR ⁽⁸⁾
Environment	<p>B7 – Resource use, circular economy and waste management</p> <p>The undertaking shall disclose:</p> <p>(a) the total annual generation of waste broken down by type (non-hazardous and hazardous);</p>	SFDR ⁽⁹⁾
Social	<p>B9 – Workforce – Health and safety</p> <p>The undertaking shall disclose the following information regarding its employees:</p> <p>(a) the number and rate of recordable work-related accidents; and</p> <p>(b) the number of fatalities as a result of work-related injuries and work-related ill health.</p>	SFDR ⁽¹⁰⁾ Benchmark ⁽¹¹⁾
Social	<p>B10 – Workforce – Remuneration, collective bargaining and training</p> <p>The undertaking shall disclose:</p> <p>(b) the percentage gap in pay between its female and male employees. The undertaking may omit this disclosure when its headcount is below 150 employees noting that this threshold will be reduced to 100 employees from 7 June 2031;</p>	SFDR ⁽¹²⁾
Governance	<p>B11 – Convictions and fines for corruption and bribery</p> <p>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.</p>	Benchmark ⁽¹³⁾

Comprehensive Module

Environment	<p>Consideration when reporting on GHG emissions under B3 (Basic Module)</p> <p>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 B3 – Energy and greenhouse gas emissions.</p>	SFDR ⁽¹⁴⁾ Benchmark ⁽¹⁵⁾
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Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
Environment	<p>C3 – GHG emissions reduction target</p> <p>If the undertaking has established GHG emission reduction targets, it shall disclose its targets in absolute values for Scope 1 and Scope 2 emissions. In line with paragraphs 50 to 53 above and if it has set Scope 3 reduction targets, the undertaking shall also provide targets for significant Scope 3 emissions. In particular, it shall provide:</p> <ul style="list-style-type: none"> (a) the target year and target year value; (b) the base year and base year value; (c) the units used for targets; (d) the share of Scope 1, Scope 2 and, if disclosed, Scope 3 that the target concerns; and (e) a list of main actions it seeks to implement to achieve its targets. <p>If the undertaking that operates in high climate impact sectors ⁽¹⁶⁾ has adopted a transition plan for climate change mitigation, it may provide information about it, including an explanation of how it is contributing to reduce GHG emissions.</p> <p>In case the undertaking operates in high-climate impact sectors and does not have a transition plan for climate change mitigation in place, it shall indicate whether and, if so, when it will adopt such a transition plan.</p>	<p>SFDR ⁽¹⁷⁾ Benchmark ⁽¹⁸⁾ EBA Pillar 3 ⁽¹⁹⁾ Benchmark ⁽²⁰⁾</p>
Environment	<p>C4 – Climate risks</p> <p>If the undertaking has identified climate-related hazards and climate-related transition events, creating gross climate-related risks for the undertaking, it shall:</p> <ul style="list-style-type: none"> (a) briefly describe such climate-related hazards and climate-related transition events; (b) disclose how it has assessed the exposure and sensitivity of its assets, activities and value chain to these hazards and transition events; (c) disclose the time horizons of any climate-related hazards and transition events identified; and (d) disclose whether it has undertaken climate change adaptation actions for any climate-related hazards and transition events. <p>The undertaking may disclose the potential adverse effects of climate risks that may affect its financial performance or business operations in the short-, medium- or long-term, indicating whether it assesses the risks to be high, medium, low.</p>	<p>Benchmark ⁽²¹⁾ EBA Pillar 3 ⁽²²⁾</p>

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
Social	<p>C6 – Additional own workforce information - Human rights policies and processes</p> <p>The undertaking shall disclose an answer to the following questions.</p> <p>(a) Does the undertaking have a code of conduct or human rights policy for its own workforce? (YES/NO)</p> <p>(b) If yes, does this cover:</p> <ol style="list-style-type: none"> i. child labour (YES/ NO); ii. forced labour (YES/ NO); iii. human trafficking (YES/NO); iv. discrimination (YES/NO); v. accident prevention (YES/NO); or vi. other? (YES/NO – if yes, specify). <p>Does the undertaking have a complaints-handling mechanism for its own workforce? (YES/ NO)</p>	<p>Benchmark ⁽²³⁾ SFDR ⁽²⁴⁾</p>
Social	<p>C7 – Severe human rights incidents</p> <p>The undertaking shall disclose an answer to the following questions:</p> <p>(a) Does the undertaking have confirmed incidents in its own workforce related to:</p> <ol style="list-style-type: none"> i. child labour (YES/ NO); ii. forced labour (YES/ NO); iii. human trafficking (YES/ NO); iv. discrimination (YES/ NO); or v. other? (YES/NO – if yes, specify). <p>(b) If yes, the undertaking may describe the actions being taken to address the incidents described above.</p> <p>Is the undertaking aware of any confirmed incidents involving workers in the value chain, affected communities, consumers and end-users? If yes, specify.</p>	<p>SFDR ⁽²⁵⁾ Benchmark ⁽²⁶⁾</p>
Governance	<p>C8 – Revenues from certain sectors and exclusion from EU reference benchmarks</p> <p>If the undertaking is active in one or more of the following sectors, it shall disclose its related revenues in the sector(s):</p> <p>(a) controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons);</p>	<p>SFDR ⁽²⁷⁾ Benchmark ⁽²⁸⁾</p>

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
	(b) the cultivation and production of tobacco;	EBA Pillar 3 ⁽²⁹⁾ Benchmark ⁽³⁰⁾
	(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); or	SFDR ⁽³¹⁾ EBA Pillar 3 ⁽³²⁾ Benchmark ⁽³³⁾
	(d) chemicals production, if the undertaking is a manufacturer of pesticides and other agrochemical products.	SFDR ⁽³⁴⁾ EBA Pillar 3 ⁽³⁵⁾
	The undertaking shall disclose whether it is excluded from any EU reference benchmarks that are aligned with the Paris Agreement as described in paragraph 177 of Annex II of this Recommendation.	EBA Pillar 3 ⁽³⁶⁾ Benchmark ⁽³⁷⁾
Governance	C9 – 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 ⁽³⁸⁾ Benchmark ⁽³⁹⁾

⁽¹⁾ This disclosure requirement is consistent with the requirements included in Commission Implementing Regulation (EU) 2022/2453 - Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.

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

⁽³⁾ Regulation (EU) 2019/2088 (SFDR), mandatory indicators #1 and #2 in Table 1 of Annex I (“GHG emissions”; Carbon footprint”).

⁽⁴⁾ Regulation (EU) 2020/1816 Benchmark Regulation, Articles 5 (1), 6 and 8 (1).

⁽⁵⁾ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by indicator #3 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments (“GHG intensity of investee companies”).

⁽⁶⁾ This information is aligned with Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), Article 8 (1).

⁽⁷⁾ 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”).

⁽⁸⁾ Regulation (EU) 2019/2088 (SFDR), mandatory indicator #7 in Table 1 of Annex I (“Activities negatively affecting biodiversity-sensitive areas”).

⁽⁹⁾ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by indicator #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”).

⁽¹⁰⁾ 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”).

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- (¹¹) 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.
- (¹²) 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.
- (¹³) 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.
- (¹⁴) Regulation (EU) 2019/2088 (SFDR), mandatory indicators #1 and #2 in Table 1 of Annex I (“GHG emissions”; Carbon footprint”)
- (¹⁵) Regulation (EU) 2020/1816 Benchmark Regulation, Articles 5 (1), 6 and 8 (1).
- (¹⁶) High climate impact sectors are those listed in NACE Sections A to H and Section M as defined in Annex I to Delegated Regulation (EU) 2023/137.
- (¹⁷) 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”)
- (¹⁸) This information is aligned with the Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), Article 6.
- (¹⁹) This information is aligned with Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics
- (²⁰) 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.
- (²¹) Benchmark Regulation (EU) 2020/1816 Annex II: Environmental factors to be considered by underlying assets of the benchmark.
- (²²) 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.
- (²³) 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.
- (²⁴) 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 (“Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises”) and by indicator #5 in Table III of Annex I (“Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters”) and by indicator #9 in Table III of Annex I (“Share of investments in entities without a human rights policy”) of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments.
- (²⁵) 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”)
- (²⁶) 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.
- (²⁷) 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”).
- (²⁸) 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.”
- (²⁹) 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.
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- ⁽³⁰⁾ 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."
- ⁽³¹⁾ 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").
- ⁽³²⁾ 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.
- ⁽³³⁾ Benchmark Regulation (EU) 2020/1818 Article 12(1).
- ⁽³⁴⁾ 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").
- ⁽³⁵⁾ 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.
- ⁽³⁶⁾ This disclosure requirement is consistent with the requirements in Commission Implementing Regulation (EU) 2022/2453 - template 1 climate change transition risk.
- ⁽³⁷⁾ This disclosure requirement is aligned with Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), Article 12.1.
- ⁽³⁸⁾ 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").
- ⁽³⁹⁾ 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.
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ANNEX II

Providing practical guidance on the application of the voluntary sustainability reporting standard for small and medium-sized undertakings contained in Annex I of this Recommendation

This Annex provides practical guidance on the application of the voluntary sustainability reporting standard for small and medium-sized undertakings (VSME) laid down in Annex I of this Recommendation.

This Annex provides guidance which clarifies the application of certain sustainability disclosure requirements contained in the voluntary sustainability reporting standard for small and medium-sized undertakings. Undertakings and other stakeholders may also wish to consult the implementation guidance on ESRS published by EFRAG.

Through the provision of the guidance contained in this Annex, the Commission intends to facilitate the application of the disclosure requirements by small and medium-sized undertakings in a cost-effective way and to ensure the usability and comparability of the reported sustainability information. By providing greater clarity and certainty to companies, this guidance will contribute to the Commission's objective of simplifying sustainability reporting requirements and reducing administrative burdens on undertakings associated with sustainability reporting.

The guidance contained in this Annex does not extend or add in any way the provisions laid down in the Commission Recommendation nor in the voluntary sustainability reporting standard for small and medium-sized undertakings in Annex I of that Recommendation. This Annex is merely intended to assist undertakings in the practical implementation of the relevant disclosure requirements.

Basic Module: Guidance

1. The guidance contained in the sections below is intended to facilitate the application of the sustainability disclosure requirements contained in paragraphs 21 to 43 of Annex I to the Commission Recommendation on a voluntary sustainability reporting standard for small and medium-sized undertakings.
2. The guidance below is intended as part of an ecosystem that could include also the development of further support guides by EFRAG, further digital tools and implementation support (educational activities, stakeholders' engagement) that aim to facilitate the understanding of some of the technical elements in the guidance.
3. This guidance supports undertakings that wish to apply the Basic Module.

1.1. Basic Module Guidance – General information**B1 – Basis for Preparation**

4. When reporting on the legal form of the undertaking according to national legislation under paragraph 24(e)(i), the undertaking can choose from one of the following undertaking structures:
 - (a) private limited liability undertaking
 - (b) sole proprietorship
 - (c) partnership
 - (d) cooperative
 - (e) other (please specify based on country specifications for legal forms).
5. When reporting on the NACE code(s) of the undertaking under paragraph 24(e)(ii), NACE codes (Nomenclature statistique des Activités économiques dans la Communauté Européenne) are classifications of economic activities used in the European Union. They provide a standardized framework for classifying economic activities into sectors, enabling comparability and a common understanding among the various EU countries.

- 6. The NACE code consists of a number of digits ranging from 2 to 5 depending on the level of specificity with which the economic activity is identified. The list of NACE codes can be found in the following document: Regulation (EU) 2023/137.

Level Nr	Identifier	Description
1	Section	Sections are identified by an alphabetic letter, and they define 21 general economic areas such as agriculture, manufacturing industry or commerce.
2	Division	The division is identified by a two-digit numerical code and identifies a specific sector within the general economic area. There are a total of 88 divisions.
3	Group	The group is identified by a three-digit numerical code (also considering the division's two digits) and defines a specific area within the sector. There are about 270 groups.
4	Class	The class is identified by a four-digit numerical code (considering the digits of division and group) and defines a specific activity within the group. There are about 450 classes.

- 7. When reporting the number of **employees** under paragraph 24(e)(v), 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).
- 8. Headcount is the total number of people employed by the undertaking reported either at the end of the reporting period or as an average across the reporting period.
- 9. When reporting on the country of primary operations and the location of significant assets under paragraphs 24(e)(vi) and (vii), the undertaking shall disclose this information for each of its **sites** using the table below:

Sites	Address	Postal Code	City	Country	Coordinates (geolocation)
Registered Office (e.g.)					
Warehouse (e.g.)					
Industrial Plant (e.g.)					

- 10. The geolocation of an undertaking is expected to be a valuable datapoint for stakeholders for the assessment of risks and opportunities connected to the SME, particularly in relation to the sustainability issues of **climate change adaptation**, water, ecosystems and biodiversity.
- 11. The geolocation shall be provided in spatial points for single units or polygon points defining the boundaries of a larger, less unit-like **site**, such as a farm, mine or facility. The undertaking may also provide a cluster of points to allow for the easy identification of the concerned area. The spatial points shall be provided as coordinates, with five decimal places (e.g. 0° 00' 0.036").

- 12. When disclosing the geolocation of **sites** owned, leased, or managed, the undertaking shall include the coordinates of the sites in the table shown in paragraph 73. The undertaking may use web mapping tools to identify the coordinates of sites that it owns, leases or manages. The undertaking may also use any appropriate software tools or platforms to further establish the perimeter or area of larger sites.

- 13. In relation to paragraph 25, sustainability-related certification can include registered eco-labels from an EU, national or international labelling scheme, corresponding to the main activity of an SME. For instance, the EU Ecolabel covers specific products, such as textiles and footwear, coverings (e.g. wood floor coverings), cleaning and personal care products, electronic equipment, or furniture. The undertaking may consult the *EU Ecolabel Product Groups and Product Catalogue* for further information.

B2 – Practices, policies and future initiatives for transitioning towards a more sustainable economy

- 14. Undertakings may use the following template to report on B2 datapoints.

	Do you have existing sustainability practices/ policies/ future initiatives that address any of the following sustainability issues? [YES/NO]	Are they publicly available? [YES/NO]	Do the policies have any targets? [YES/NO]
Climate Change			
Pollution			
Water and Marine Resources			
Biodiversity and Ecosystems			
Circular Economy			
Own Workforce			
Workers in the Value Chain			
Affected Communities			
Consumers and end-users			
Business conduct			

- 15. If the undertaking is a cooperative, it may disclose:
 - (a) the effective participation of workers, users or other interested parties or communities in governance;

- (b) the financial investment in the capital or assets of social economy entities referred to in the Council Recommendation of 29 September 2023 (excluding donations and contributions); and
- (c) any limits to the distribution of profits connected to the mutualistic nature or to the nature of the activities consisting in services of general economic interest (SGEI).

Guidance for own workforce, workers in the value chain, affected communities and consumers and end/users

16. In order to understand the sustainability issues that relate to social and human rights, refer to Appendix B for a list of possible sustainability issues. This list could help identify if the policies, practices or future initiatives are aimed at addressing negative human rights **impacts** in a comprehensive way or if they are limited to certain groups of affected stakeholders (for example, workers in the upstream **value chain**). As part of this disclosure undertakings may also disclose whether they have a process to address human rights related complaints.

1.2. Basic Module Guidance – Environmental Metrics

B3 – Energy and greenhouse gas emissions

Impacts on climate: energy usage and greenhouse gas emissions

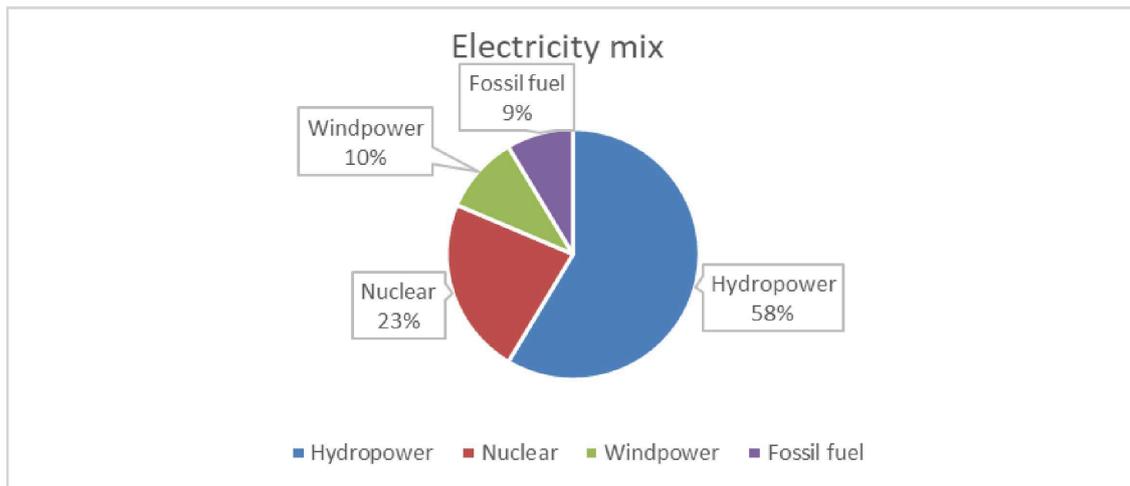
17. Under paragraphs 29 and 30, the undertaking reports on its climate **impacts**, providing information about its energy use and **greenhouse gas emissions**. This guidance for disclosure B3 does not constitute an additional datapoint to the disclosures described in paragraphs 29 (on energy consumption) and 30 (on GHG emissions) but rather reinstates an overarching objective and provides context for the Basic disclosure B3.

Energy consumption

18. Climate related **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. An example of the information requested in paragraph 29 follows.

	Renewable Energy Consumption (MWh)	Non-renewable Energy Consumption (MWh)	Total 202(x) Energy consumption (MWh)
<i>Electricity (as reflected in utility billings)</i>	300	186	486
<i>Fuels</i>	3	7	10

19. In case the undertaking purchases fossil fuels (e.g. natural gas, oil) or renewable fuels (e.g. biofuels, such as biodiesel and bioethanol) 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 produced from that fuel yet again. In case of electricity generation from renewable energies such as solar or wind – and where no fuel use is necessary – the undertaking accounts for the amount of electricity generated and consumed as electricity consumption.



20. The undertaking shall not offset its energy consumption by its energy production even if on **site** generated energy is sold to and used by a third party. The undertaking shall also avoid double counting fuel consumption when disclosing self-generated energy consumption. If the undertaking generates electricity from either a non-renewable or renewable fuel source and then consumes the generated electricity, the energy consumption shall be counted only once under fuel consumption. The share of **renewable energy** consumption can be calculated based on guarantees of origin, renewable energy certificates or electricity composition as stated in the electricity bill. The electricity bill may refer to electricity units consumed and specify the percentage of electricity provided coming from renewable sources and it may look like the figure below.
21. When preparing the information on energy consumption required under paragraph 29, the undertaking shall exclude feedstocks and fuels that are not combusted for energy purposes. The undertaking that consumes fuel as feedstocks can disclose information on this consumption separately from the required disclosures.

Conversion between different energy units

22. 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. Electricity explicitly refers to heat, steam and cooling. Fuels include anything burned, e.g. gas, natural gas, biomass, etc.
23. Paragraph 29 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, m³) or mass (e.g. metric tonnes, short tonnes).
24. For fuel consumption measured by mass (e.g. wood, coal), the undertaking should:
- 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);
 - convert the Net Calorific Value to MWh/ton, for example:
 $1 \text{ TJ} = 10^{12} \text{ J} = 277.78 \text{ MWh}$; $1 \text{ Gg} = 10^9 \text{ g} = 1\,000 \text{ t}$
 $11.9 \text{ TJ/Gg} = 11.9 * 277.78 / 1\,000 \text{ t} = 3.31 \text{ MWh/ton}$; and
 - calculate the energy content of the mass, for example:
 $1\,245\,345 \text{ t} * 3.31 \text{ MWh/ton} = 4\,117\,111 \text{ MWh}$.

- 25. 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
 - $4\,456\,000\text{ (l)} \times 0.84\text{ (kg/l)} = 3\,743\,040\text{ kg} = 3\,743\text{ t}$;
 - (b) calculate the energy content, multiplying mass by Net Calorific Value, for example, $3\,743\text{ [t]} \times 43\text{ [T]/Gg} = 3\,743\text{ t} \times 43\text{ T}/(1\,000\text{ [t]}) = 160.95\text{ [T]}$; and
 - (c) convert Tj to MWh, for example $1\text{ Tj} = 10^{12}\text{ J} = 277.778\text{ MWh}$
 $160.95\text{ [T]} = 277.78\text{ [MWh/Tj]} \times 160.95\text{ [T]} = 44\,708\text{ MWh}$.

Documentation Source:

<i>Data</i>	<i>Documentation Source</i>
CDP	CDP Technical Note: Conversion of fuel data to MWh

Greenhouse gas emissions

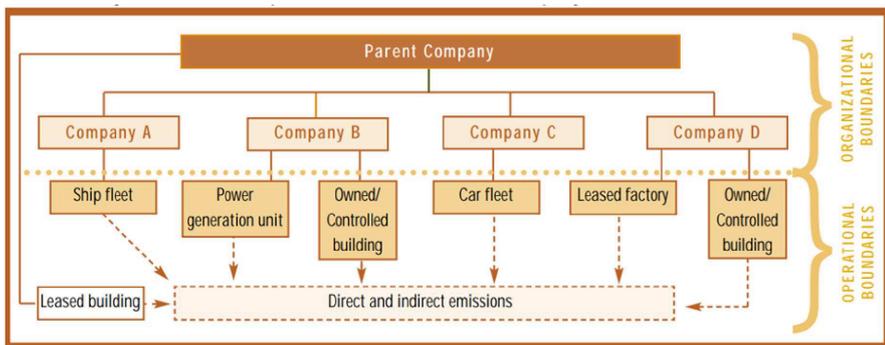
- 26. As for gross **greenhouse gas emissions** (GHG) arising from the undertaking’s activities, the requirement in paragraph 30 builds on the definitions and rules of the GHG Protocol, the leading accounting standard for GHG emissions. Under paragraph 30, undertakings are to report on their Scope 1 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.
- 27. Scope 1 and 2 emissions may be reported in the following format.

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

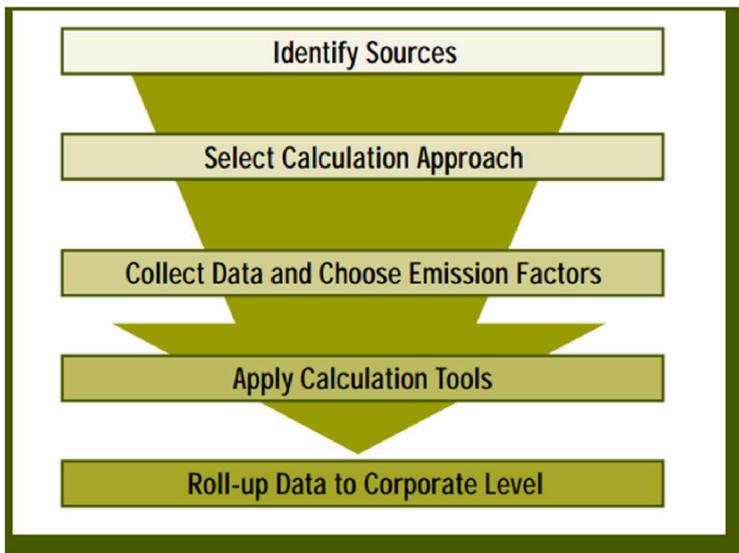
- 28. The GHG Protocol is a global standard for measuring, reporting and managing GHG emissions while ensuring consistency and transparency. The corporate standard covers Scope 1, Scope 2 and Scope 3 emissions guidance for companies and other organisations (NGOs, government, etc.).
- 29. To ensure a fair account of the undertaking’s emissions, the GHG Protocol has set a list of reporting principles:
 - (a) relevance: ensuring that the GHG inventory reflects the GHG emissions of the organisation.
 - (b) completeness: ensuring that the GHG inventory account for all GHG emission sources and activities within the chosen boundary;
 - (c) consistency: ensuring the consistency of the methodology used to allow for comparisons over time;
 - (d) transparency: disclosing the assumptions, references and methodology used when computing GHG emissions; and
 - (e) accuracy: ensuring that GHG emissions data is sufficiently precise to allow users to make decisions.
- 30. In alternative to the GHG Protocol, undertakings may resort to ISO 14064-1, should it be better suited to their reporting needs.

31. When reporting on GHG emissions, it is important to set the appropriate boundaries to ensure that the GHG inventory is correct and to avoid double counting emissions. The GHG Protocol defines two main types of boundaries – organisational or operational boundaries.

- (a) Organisational boundary: the GHG Protocol defines it as the boundaries that determine the operations owned or controlled by the reporting undertaking depending on the consolidation approach taken. There are two approaches to consolidation of emissions – the equity or control approach. The undertaking will choose the approach that reflects its circumstances.
- (b) The equity share approach relates to accounting for GHG emissions from operations according to its shares of equity in the operation.
- (c) When using the control approach, the undertaking accounts for GHG emissions from operations over which it has either financial or operational control. Companies will use either the operational control or financial control criteria when using this approach to consolidate and capture its emissions in the report.
 - i. Financial control means that the undertaking has financial control over the operation if the former has the ability to direct the financial and operating policies of the latter with a view to gaining economic benefits from its activities.
 - ii. Operational control means that an undertaking has operational control over an operation if the former or one of its subsidiaries has full authority to introduce and implement its operating policies at the operation.
- (d) Operational boundary: the GHG Protocol defines it as the boundaries that determine the direct and indirect emissions associated with operations owned or controlled by the reporting company. This assessment offers an undertaking the ability to establish which operations and sources cause direct (Scope 1) and indirect emissions (Scope 2 and Scope 3) and to decide which indirect emissions to include resulting from its operations.
- (e) Boundary considerations need to follow the principles detailed above (consistency over time, transparency in documenting them and completeness) and are visualised in the image below ⁽¹⁾.



⁽¹⁾ Greenhouse Gas Protocol. *GHG Protocol Corporate Accounting and Reporting Standard – Revised Edition*. World Resources Institute & World Business Council for Sustainable Development.



- 32. The GHG Protocol also introduces guidance as well as steps to follow to identify, calculate and track GHG emissions as visualised in the image below ⁽²⁾.
- 33. Different tools have been developed by private and public initiatives to help undertakings in developing their GHG emissions inventory and facilitating challenges related to its preparation. EFRAG maintains on its website a set of suggested GHG calculators.

Scope 1 and location-based Scope 2 emissions guidance

- 34. 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.
- 35. **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. 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.).
- 36. Evaluating GHG emissions can be done in several ways, including by the calculation approach, measurement, or a combination of measurement and calculations. One common approach is based on calculating with use of emission factors (EF) – which may incorporate the global warming potential (GWP) of the GHG. Direct measurement using sensors (flow and concentration) can also be applied. The table below summarises the most common methods.

GHG evaluation method	Details	Necessary data
Measuring	Multiplying the quantities of gas directly measured by their respective global warming potential.	Direct quantity of gas emitted obtained from gas measurement (flow, concentration, volume) Global warming potential (GWP) of the gases
Calculating	Multiplying the activity data by the emission factor (EF) that integrates the global warming potential (GWP)	Activity data Emission factors (EF)

⁽²⁾ Greenhouse Gas Protocol. *GHG Protocol Corporate Accounting and Reporting Standard – Revised Edition*. World Resources Institute & World Business Council for Sustainable Development.

37. The table above introduces the following terms:
- activity data, which typically corresponds to the quantity of fuel consumed. It may be expressed in energy units (e.g. MWh), volume (e.g. m³ or l) or mass (e.g. tonnes or kg.). These can be accessed by the undertaking by reviewing fuel purchase receipts or utility bills;
 - global warming potential, which quantifies the **impact** of the given GHG on the climate compared to an equivalent unit of carbon dioxide; and
 - emission factors (EF), quantifying how much GHG is emitted per unit of activity. The emission factors frequently take into account the GWP of the GHG, in which case the undertaking does not need to consider the latter.
38. The table below summarises non-exhaustive sources where both emission factors (EF) and global warming potential (GWP) can be easily accessed by undertakings. Undertakings may also refer to authoritative national sources that may be more relevant to their circumstances.

Emission factors (EF)	<p>ADEME – Base Empreinte®</p> <p>IPCC – Emissions Factor Database</p> <p>IPCC – Guidelines for National Greenhouse Gas Inventories</p> <p>Association of Issuing Bodies (AIB) – Residual Mix Grid Emission Factors</p> <p>JRC – Historical GHG emissions factor for electricity consumption</p> <p>IEA - Annual GHG emission factors for World countries from electricity and heat generation (paid data set)</p>
Global warming potential (GWP)	IPCC – Global Warming Potential

39. The undertakings can also find more guidance and tools on how to act and report on their GHG emissions and climate **impacts** by visiting the SME Climate Hub website.

Example of Scope 1 emission calculation

40. 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 (m³) 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 m³ of fuel oil. Based on its records, on 1 January 2023 it had 2.5 m³ in its reservoirs, and on 1 January 2024 it had 1 m³. Thus, it determines (through purchase and measurement of inventory) that during 2023 it consumed 101.5 m³ of fuel oil.
41. 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, determines that its net calorific value of the fuel is 0.03921 TJ/m³. Given that the CO₂ GWP equals one, its CO₂ emission for this specific Scope 1 source is:

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

42. For the purpose of completeness in this example, the CH₄ and N₂O emissions are also calculated. Checking the IPCC list of emission factors shows that these are, respectively, 3 kg of CH₄/TJ and 0.6 kg of N₂O/TJ, the emissions thus being:

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

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

43. 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 CH₄ and N₂O are derived from the IPCC's *Sixth Assessment Report, Chapter 7SM*.

Example of Scope 2 emission calculation

44. Company A occupies an office building of 2 000 m² 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 an emission factor of 73 g CO₂eq/kWh for France in 2022, it has estimated its Scope 2 emissions for its building electricity consumption to be

$$Emissions_{GHG} = 282\,000 \text{ [kWh]} * 73 \left[\frac{\text{g CO}_2\text{eq}}{\text{kWh}} \right] = 20.6 \text{ t CO}_2\text{eq}$$

45. Undertakings may also want to provide their market-based Scope 2 figures. 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* (AIB, 2024).

B4 – Pollution of air, water and soil

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

46. Paragraph 32 establishes that 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. This means that the undertaking will first assess whether it already reports such information, either as a legal requirement or voluntarily. If it already reports information on pollutants emissions (or is legally required to do so), the undertaking will then provide further information on such emissions according to the requirements in paragraph 32. However, if the undertaking does not yet report such information (and is not legally required to do so), it is simply required to state this to be the case.
47. In general, this requirement is expected to apply to undertakings that are operators of an industrial installation or intensive livestock farm covered by the Industrial and Livestock Rearing Emissions Directive (IED 2.0 - Directive 2024/1785/EU), amending the Industrial Emissions Directive (IED - Directive 2010/75/EU). The IED 2.0 applies to some 75 000 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, rearing of any mix of pigs or poultry representing 380 livestock units or more, tanning of hides, slaughterhouses, etc. In these cases, the installation must already report to the competent authority the pollutants released to air, water and soil, and the data is publicly available at the Industrial Emissions Portal Regulation (IEPR - Regulation 2024/1244/EU), replacing the European Pollutant Release and Transfer Register (E-PRTR - Regulation 166/2006/EC). 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 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.
48. Likewise, if an undertaking has been identified as having to monitor and report on the pollutants listed in the E-PRTR under an Environmental Management System such as, for example, an Eco-Management and Audit Scheme (EMAS) or ISO 14001 certification. These are in principle relevant aspects for the undertaking to include in its sustainability report.
49. 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 report such as, for example, an EMAS report that incorporates pollution data, it can include it in the sustainability report by reference.

- 50. 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).
- 51. 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		

- 52. As for the types of pollutants that need to be considered when reporting under paragraph 32, the undertaking may refer to the following main pollutants that are currently covered under EU law. Nevertheless, each undertaking shall consider the specific pollutants covered by the legislation in their respective jurisdictions.
- 53. Examples of key pollutants to air (Directive (EU) 2024/299; Regulation (EU) 2024/1244; *Air pollution from key sectors, EC, 2024; Sources and emissions of air pollutants in Europe, European Environmental Agency, 2022*) are: sulphur oxides (Sox/SO2 – e.g. from energy generation and heating in manufacturing), nitrogen oxides (NOx/NO2 – e.g. from transport), non-methane volatile organic compounds (NMVOC – e.g. from agricultural activities), carbon monoxide (CO – e.g. from fossil fuel combustion), ammonia (NH3 – e.g. manure application and storage), particulate matter (PM10 – e.g. from combustion in manufacturing, transport, agricultural activities), heavy metals (Cd, Hg, Pb, As, Cr, Cu, Ni, Zn), POPs (total PAHs, HCB, PCBs, dioxins/furans), ozone-depleting substances or ‘ODS’ (chlorofluorocarbons ‘CFCs’, hydrochlorofluorocarbons ‘HCFCs’, halons), black carbon (BC – e.g. from energy consumption), etc.
- 54. The major sources of emissions of air pollutants in the private sector (that are also highly impactful for the entire **value chain**) include: (a) electricity generation from fossil fuel or biomass combustion (which may be done externally, distributed through a national grid, then consumed along the value chain activities); (b) direct stationary fossil fuel or biomass combustion within an undertaking’s activities or industrial processes, or the operation of stationary machinery or other activities that require fuel combustion; (c) transport (freight, road, rail, shipping and aviation, off-road vehicles such as those used in agriculture or construction); (d) industrial processes (all other emissions that do not stem from fuel combustion and that occur during industrial processes); (e) agriculture (livestock and manure management, crop production such as crop residue burning, manure and fertiliser application); (f) waste disposal (e.g. landfilling, incineration or open burning, or composting).
- 55. Below is an example of a simple methodology for developing a company’s air pollutant emission inventory and calculating the emissions of respective air pollutants. This methodology is divided into the following steps; excluding the mapping of the **value chain** as under the VSME Standard the information required by this Disclosure Requirement is to be reported at the level of the reporting company: (1) identifying emission sources within the value chain, (2) identifying methodologies for quantifying emissions, (3) collecting activity data, (4) identifying emissions factors, and (5) quantifying emissions. The guide provides a mapping of sources of pollution to methodologies for calculating information on emissions stemming from the main air pollutants (table below). (?)

Sources of pollution	Methodology for quantifying emissions (Section in the guidance)
Electricity	Section 4,1
Fuel combustion	Section 4,2

(?) SEI and CCAC (2022). A Practical Guide for Business Air Pollutant Emission Assessment. Stockholm Environment Institute (SEI) and Climate and Clean Air Coalition (CCAC).

Sources of pollution	Methodology for quantifying emissions (Section in the guidance)
Transport	Section 4,3
Industrial processes	Section 4,4
Agriculture	Section 4,5
Waste	Section 4,6

56. Below is an example of a calculation method for air pollutant emissions using the method for manufacturing outlined above. In the example considered, M_p is the quantity of material M used in (or produced by) a company's **value chain** produced using process p (tonnes, litres); $EF_{k,p}$ is the emission factor for pollutant k for process p (g unit production⁻¹); $Em_{k,p}$ are emissions of the specific pollutant k for process p (g).

$$Em_{k,p} = M_p * EF_{k,p}$$

57. For instance, a medium-sized chocolate manufacturer producing 1 750 tonnes of chocolate in 2022 would apply the default emission factor of 2 to calculate its emissions of NMVOCs, which would result in the following calculation:

$$1\ 750\ \text{tonnes of chocolate} * 2\ (\text{emission factor of NMVOCs}) = 3\ 500\ \text{tonnes of emissions of NMVOCs.}$$

58. Transport may be another significant source of air pollution within own operations and at **value chain** level. In this case, to estimate the emission of a particular pollutant from road transport, for example, the entity will need to use the following formula, where $FC_{v,f}$ is the fuel consumption of vehicle type v using fuel f (kg); $EF_{k,v,f}$ is the emission factor for pollutant k for vehicle type v and fuel f (g vehicle-km⁻¹); $Em_{k,v,f}$ represents the emissions of the specific pollutant k for vehicle type v and fuel f (g).

$$Em_{k,v,f} = FC_{v,f} * EF_{k,v,f}$$

59. For example, a light commercial vehicle (LCV) running on diesel that travelled a total of 2 800 km in 2022 produced the following amount of PM10 emissions (PM10 emission factor of 1,52 g/kg):

$$2\ 800\ \text{km} * 1,52 = 4\ 256\ \text{grammes of emissions of PM}_{10}.$$

60. Fuel combustion is an additional critical source of air emissions. In this case an example of a formula may be the following, where FC_n is the fuel n consumed within the source category (Gj); EF_k is the emission factor for this pollutant k (g/Gj); and Em_k are emissions of the specific pollutant k (g).

$$Em_k = FC_n * EF_k;$$

61. For example, a company consuming 3 000 000 grammes of fuel in 2020 will have an EF of 0,67 for SO₂, resulting in:

$$3\ 000\ 000 * 0,67 = 2\ 010\ 000\ \text{grammes of emissions of SO}_2\ \text{from fuel combustion in 2020.}$$

62. Examples of key pollutants to water (Regulation (EU) 2024/1244; Directive 2000/60/EC; Directive 2006/118/EC; Directive 91/676/EEC; Directive 2010/75/EU; and amendment Directive 2024/1785; *Industrial pollutant releases to water in Europe, EEA, 2024*) are: nitrogen (N), phosphorus (P), heavy metals (Cd, Hg, Pb as well as As, Cr, Cu, Ni, Zn), POPs and pesticides, BTEX (benzene, toluene, ethylbenzene, xylenes) and other Volatile Organic Compounds (VOCs), substances unfavourably influencing the oxygen balance (measured using parameters such as BOD, COD, etc.), total organic carbon (TOC), etc.

63. Pesticides and nutrients (e.g. N and P) may be released through agricultural activities (*Main sources of water pollution, EEA, 2023; Introduction to Freshwater Quality Monitoring and Assessment - Technical Guidance Document, UNEP, 2023*) (e.g. manure or inorganic fertiliser application). Heavy metal concentrations may stem from mining and wastewater discharges. TOC is a generic indicator of water contamination with organic matter which indicates the presence of living material, for example in wastewater, but also surface and groundwater (usual concentration levels of less than 10 mg^l⁻¹ and 2 mg^l⁻¹, respectively). COD widely indicates the presence of industrial effluents or sewage, with values that are typically lower than 20 mg^l⁻¹ in unpolluted waters and industrial wastewaters reaching values of up to 60 000 mg^l⁻¹. BOD is normally used to determine pollution by organic matter in surface waters as well as for the efficiency of sewage treatment, and it usually features values around 2 mg^l⁻¹ in unpolluted waters and 10 mg^l⁻¹ and more in polluted waters. The release of VOCs can be the result of spills to water.
64. As for the methodology used to measure emissions to water, the EEA (*Calculating emissions to water – a simplified method (ETC/ICM Report 3/2022)*) recommends a simple estimation technique similar to the one used for the aforementioned air pollutants. In the formula below, AR_a is the activity rate for activity a (to be chosen based on the specific activity or process; e.g. see Mp in the air emissions calculation above); EF_{p,a} is the emission factor for pollutant p for activity a; and Emissions_{p,a} are emissions of the specific pollutant p for activity a.

$$\text{Emissions}_{p,a} = \text{AR}_a * \text{EF}_{p,a}$$

65. Examples of key pollutants emitted to soil (Regulation (EU) 2024/1244; Directive 86/278/EEC) are: N, P, heavy metals (e.g. land application of sewage sludge), BTEX and other VOCs, POPs and pesticides.
66. Overall, the private sector sources of soil pollution are mainly the products or by-products of industrial processes (e.g. production of chemicals, energy, textiles manufacturing), accidental spills of petrol-derived products, livestock and agricultural activities (e.g. irrigation with untreated wastewater, poultry rearing), production and treatment of wastewater, production and processing of metals and minerals, and transportation (*Global assessment of soil pollution: Report, FAO, 2021*).
67. Several national manuals have been developed to support companies in the calculation of their emissions to air, water and soil, for example, in Australia (*Emission Estimation Technique Manual for Soft Drink Manufacture, National Pollution Inventory*) and South Africa (*A Guide to Reporting and Estimating Emissions for the IPWIS*) entities are presented with a few estimation options to choose from, depending on their possibilities: direct measurement (e.g. sampling, continuous monitoring system), mass balance, engineering calculations, emission factors (same formula as above for air and water emissions), etc. The general approach to calculating such emissions is to: 1) identify the emission sources within the facility (combustion, manufacturing, solvent evaporation, storage, fugitive); 2) make a stock of the information available; 3) identify in the list of estimation methods the most suitable one for the specific process under evaluation, the information available, and the measuring tools that can be acquired to get the data that is needed; 4) gather the data required for each method; and 5) calculate emissions. The manuals provide several formulas and examples for each emissions' calculation method.
68. A list of emission factors for air pollutants can be found at the dedicated webpage of the European Environmental Agency. Although emission factors are more commonly used for air pollution, certain ones for surface water discharge and land disposal for specific processes were made available by the World Health Organisation. Additional emission factors for POPs may be consulted on the webpage of the *Toolkit for Identification and Quantification of Releases of Dioxins, Furans and Other Unintentional POPs*.
69. It is to be noted that the requirements under paragraph 32 are only applicable to SMEs operating in specific sectors. Undertakings that are involved in the provision of services (e.g. operating in co-working or shared facilities or remotely), for instance, are typically not included in the scope of this disclosure. By contrast undertakings carrying out production activities (e.g. chemicals) generally have **impacts** in terms of pollution and are, therefore, expected to report under this disclosure. The table below (adapted from the *EMAS User Guide*) provides examples of sectoral impacts, including for office services, for which pollution-related aspects may not be significant.

Activity	Environmental aspect	Environmental impact
Transport	<ul style="list-style-type: none"> — consumed machine oils, fuel consumption — vehicle emissions — tyre abrasion (fine dust) 	<ul style="list-style-type: none"> — soil, water, air pollution — greenhouse effect, noise
Construction	<ul style="list-style-type: none"> — primary raw material (resource) consumption — air emissions, noise, vibrations, etc. From construction machinery — land consumption 	<ul style="list-style-type: none"> — raw material availability — noise, soil, water, air pollution — destruction of ground cover — biodiversity loss
Office services	<ul style="list-style-type: none"> — consumption of materials, (e.g. paper, toner) — electricity consumption (leads to indirect CO₂ emissions) 	<ul style="list-style-type: none"> — generation of mixed municipal waste — greenhouse effect
Chemical industry	<ul style="list-style-type: none"> — primary raw material (resource) consumption — wastewater — emissions of volatile organic compounds — emissions of ozone-depleting substances 	<ul style="list-style-type: none"> — raw material availability — water pollution — photochemical ozone — destruction of the ozone layer

B5 – Biodiversity

Guidance on how to identify sites in or near biodiversity sensitive areas

70. Paragraph 33 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 designated as requiring special protection by governmental authorities (e.g. forest-protected areas or areas lying within river basin districts).
71. To identify protected areas and **biodiversity sensitive areas**, the undertaking may refer to databases such as the *World Database on Protected Areas (WDPA)* (a global database to help identify marine and terrestrial protected areas), the *World Database on Key Biodiversity Areas*, and the *IUCN Red List of Threatened Species*. The undertaking may also use tools such as the Integrated Biodiversity Assessment Tool (IBAT).
72. **Near**, in the context of B5 – Biodiversity, shall refer to an area that is (partially) overlapping or adjacent to a **biodiversity sensitive area**.
73. The following table shows how information on **sites** in or near **biodiversity sensitive areas** can be presented.

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

Guidance on how to calculate and report land-use

- 74. A **'sealed area'** is to be understood as an area where the original soil has been covered (e.g. roads, buildings, parking lots), making it impermeable and resulting in an **impact** on the environment.
- 75. Green area or **'nature-oriented area'** is an area that primarily preserves or restores nature. Near natural/green areas may be located on the organisation's **site** and may include roofs, facades, water-drainage systems or other features designed, adapted or managed to promote biodiversity. Near-natural areas may also be located off the organisation's site if they are owned or managed by the organisation and primarily serve to promote biodiversity.
- 76. The following table shows how information on how **land-use** may be presented (EMAS, 2023).

Land-use type	Area (hectares or m ²)
Total sealed area	
Total nature-oriented area on-site	
Total nature-oriented area off-site	
Total use of land	

B6 – Water

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

- 77. **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. In the specific case of undertakings operating in agriculture, water withdrawal would include rainwater if collected directly and stored by the undertaking.
- 78. **Water withdrawal** data can be retrieved from measurements using flow meters or water bills; indeed, in practice for most undertakings water withdrawal relates to the amount of water taken from the public water supply network as indicated in the utility bills. In cases in which direct measurements are not feasible or are deemed not sufficient and therefore need to be complemented, data on water withdrawal can be estimated using, for example, calculations models, and industry standards.
- 79. For example, in the case of a shared office or coworking space, a possible method to calculate the **water withdrawal** could be to retrieve the overall water withdrawal of the building from the water bill and calculate the water withdrawal per **employee** with the following equation:

$$\text{Water withdrawal per employee daily (L)} = \frac{\text{annual water withdrawal (L)}}{(\text{n. of employees in the whole shared building} \times \text{n. of working days})}$$

The undertaking could then multiply the water withdrawal per employee for the number of its employees and the days they worked in the reporting year to obtain the final number required in the datapoint.

To make a numerical example applying the proposed formula, the annual water withdrawal retrieved from the water bill of a coworking space is 1 296 m³ (corresponding to 1 296 000 L), coworking space where 100 employees of different companies work together for an assumed number of 240 days a year. The assumption on the average number of days worked can be based on national statistics, for example. The water withdrawal per employee daily would be in this case:

$$\text{water withdrawal per employee daily} = 1\,296\,000\text{ L} / (100 \times 240) = 54\text{ L}$$

80. Assuming now that that the **employees** of the reporting undertaking are 25 and that they use the coworking space for 220 days a year, the yearly **water withdrawal** of the undertaking in the coworking space would be the water withdrawal per employee multiplied for the number of its employees and the days worked, therefore $54\text{L} \times 25 \times 220 = 297\,000\text{ L}$ (corresponding to 297 m³).
81. This calculation could be useful when it is possible to access the water bill of the shared building. This simple calculation method has some limitations, as it does not consider, for example, differences in use between different parts of the building (e.g. a seven-floor building could have six floors dedicated to offices and one floor with a canteen or a restaurant), which the undertaking might be able to overcome if additional data are available, further refining the basic calculation provided above as an example.
82. An alternative way to obtain **water withdrawal** data in the example of shared offices when it is not possible to retrieve the water bill could be to calculate it using fixture flow rates and occupancy data as primary inputs. A possible formula could be:

$$\text{Total water withdrawal} = \sum(\text{Flow Rate} \times \text{Number of Uses per Day} \times \text{Number of Days per Year} \times \text{Occupancy})$$

where:

- (a) flow rates or each fixture can be retrieved from the project documentation or labels of the fixtures, for example, or estimated basing on average data publicly available if more accurate information is not retrievable;
 - (b) the number of uses per day can be estimated based on averages publicly available;
 - (c) 'number of days' stands for the number of operational days for the reporting undertaking in a year;
 - (d) 'occupancy' represents the number of **employees** of the undertaking using the office; it is often calculated as full-time equivalent (FTE); and
 - (e) the sign \sum indicates that the calculations for each fixture should be summed up to obtain the total water withdrawal of the reporting undertaking operating in a shared office.
83. An additional possible source that could support the reporting of **water withdrawal** for undertakings operating in shared offices is the *JRC Level(s) indicator 3.1: Use stage water consumption user manual* as well as additional related documents and calculation sheets (see *PG Section Documents | Product Bureau (europa.eu)*). Furthermore, the undertaking could consult *EMAS Reference Document for the Public Administration sector* and *EMAS Reference Document for the Construction sector* as well as rating systems and certifications like, which might provide useful indications in their methodologies on how to further refine the calculation for water withdrawal in offices and shared spaces.
84. The provided examples to obtain **water withdrawal** data in the case of shared offices can be transposed to and applied by undertakings operating in different sectors, with adjustments that might be necessary for the sectoral and entity-specific situation the undertaking operates in. *EMAS "easy" for small and medium enterprises* and *EMAS Sectoral Reference Documents (SRDs)* could be consulted for SME and sector-specific methodology and indicators on water withdrawal as well as industry standards and benchmarks.
85. **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.

86. 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. It can be seen as the water output of the undertaking.

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

$$\text{Water consumption} = \text{Water Inputs} - \text{Water Outputs}$$

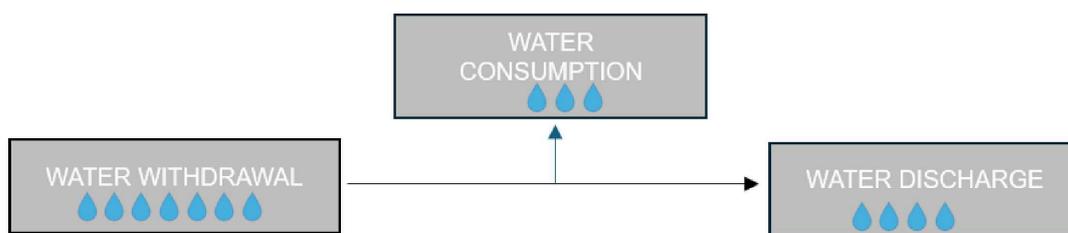
or in other words:

$$\text{Water consumption} = (\text{Water withdrawal}) - \text{Water discharges.}$$

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.

More broadly, the applicability of the disclosure requirement on water consumption relates to information already requested by law, already reported, and/or appropriate for the sector.

88. A schematic view of the relationship between **water withdrawal**, **water consumption** and water discharge can be seen in the image below.



89. 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 for tap water or if water is discharged into other parties for cascading use.

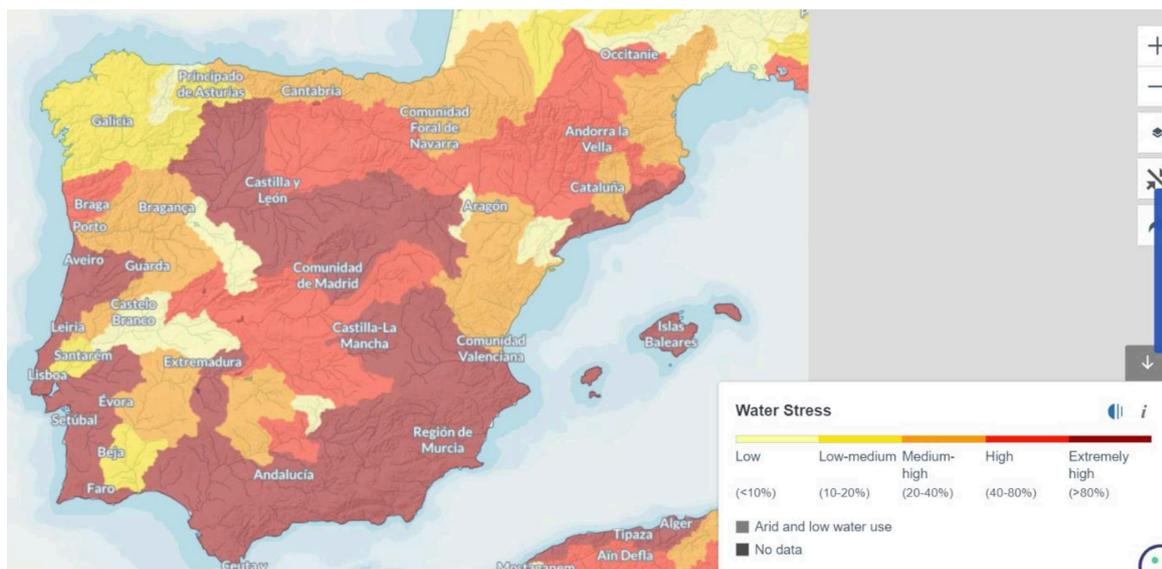
90. Below can be found an example of how undertakings may present quantitative information on their withdrawals, discharges and consumption of water divided by **site** location.

	Water withdrawal E.g. m ³	Water consumption E.g. m ³ (if applicable)
All sites		
Sites in areas with water stress		

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

91. The undertaking can consult local (e.g. national, regional) water authorities of the place(s) it operates in to inform its assessment of water resources for the specific location(s), including the identification of areas of high-water stress. The undertaking 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*, which provides an interactive map of a water stress indicator (the 'baseline water stress', which measures the ratio of total water demand to available renewable surface and groundwater supplies) at sub-basin level. With the help of this tool, undertakings can consult the water stress baseline set for different river basins globally. Values of the baseline water stress indicator above 40% indicate an area of high-water stress.

92. By way of illustration, the map below shows the main Iberian River basins and their water stress classification according to the WRI Aqueduct.



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 Andalucía 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.

93. Other possible tools that undertakings can consult to determine their location in water stressed areas are the static map (and related dataset) provided by the European Environment Agency (EEA) *Water Exploitation Index plus (WEI+) for summer and Urban Morphological Zones (UMZ)* and the interactive map *Water exploitation index plus (WEI+) for river basin districts (1990-2015)*, both presenting the water stress indicator WEI+ that measures total **water consumption** as a percentage of the renewable freshwater resources at sub-basin level. WEI+ values equal or greater than 40% generally indicate situations of high-water stress. It is worth underlining that WRI Aqueduct bases its baseline water stress indicator on water demand, while the EEA indicator of water stress WEI+ is based on water consumption.

B7 – Resource use, circular economy and waste management

Guidance on circular economy principles

94. 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 circular economy principles are outlined below and 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 total waste generation and waste diverted to recycling or reuse

95. The requirements in paragraph 38 may be omitted by undertakings that generate only household waste. In such cases, the undertaking will only state that it generates this type of waste.
96. When reporting on **hazardous waste** according to paragraph 38(a), the undertaking fulfils the requirements on **radioactive waste** of indicator number 9 from Table #1 of Annex 1 of the Sustainable Finance Disclosure Regulation (SFDR) ⁽⁴⁾. This SFDR indicator (ratio between tonnes of radioactive and **hazardous waste**) can be computed by using the numerator and denominator that the undertaking provides when reporting according to paragraph 38(a).
97. SMEs must disclose hazardous and **radioactive waste** if their operations involve generating such waste. Applicability depends on the presence of hazardous or radioactive materials in business processes.
98. Undertakings are recommended to classify their **hazardous waste** using the *European Waste Catalogue, or EWC in short* (Commission decision of 18 December 2014 amending Decision 2000/532/EC on the list of waste pursuant to Directive 2008/98/EC of the European Parliament and of the Council), which categorises waste by type. Any waste marked with an asterisk (*) is classified as hazardous in the EWC, normally with reference to ‘containing hazardous substances’. For example:
- (a) medical sector: contaminated sharps like needles and syringes used in medical settings (‘wastes whose collection and disposal is subject to special requirements in order to prevent infection’ EWC Code 18 01 03*), cytotoxic and cytostatic medicines (EWC Code 18 01 08*), spent radiopharmaceuticals, and certain diagnostic equipment containing radioactive materials;
 - (b) manufacturing sector: used lubricants and oils classified as hazardous (EWC Code 13 02 05*);
 - (c) construction sector: asbestos-containing materials (EWC Code 17 09 03*), soil and stones containing hazardous substances (EWC Code 17 05 03*), and
 - (d) batteries and accumulators: lead batteries (16 06 01*), Ni-Cd batteries (16 06 02*), batteries containing mercury (16 06 03*).
99. Nevertheless, a waste is considered hazardous if it displays one or more of the hazardous properties listed in Annex II of the Waste Framework Directive (Directive 2008/98/EC). For easier reference, these are presented below together with the respective pictograms to help identify hazardous properties such as flammability, toxicity and corrosiveness, which may lead to waste being classified as hazardous.
100. **Radioactive waste** also has or can have hazardous properties that render it hazardous, namely carcinogenic, mutagenic or toxic for reproduction. Nevertheless, radioactive substances are subject to separate regulations within the EU (Council Directive 2011/70/Euratom). Companies using radioactive materials with the ability of generating radioactive waste subject to EU regulation should be aware of it. Radioactive waste should be identified based on the presence of radionuclides at levels above regulatory clearance thresholds.
101. **Radioactive waste** can be present in a variety of items such as medical, research and industrial equipment, smoke detectors, or sludges.

⁽⁴⁾ 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 regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of do no significant harm, specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in precontractual documents, on websites and in periodic reports, C/2022/1931, OJ L 196, 25.7.2022, pp. 1–72.

102. Hazard Pictograms for each hazard class are presented below.

Hazard pictogram	Pictogram statement, symbol and class	What does it mean?
	'Gas under pressure' Symbol: Gas cylinder Physical Hazard	<ul style="list-style-type: none"> — Contains gas under pressure; may explode if heated — Contains refrigerated gas; may cause cryogenic burns or injury
	'Explosive' Symbol: Exploding bomb Physical Hazard	<ul style="list-style-type: none"> — Unstable explosive — Explosive; mass explosion hazard — Explosive; severe projection hazard — Explosive; fire, blast or projection hazard — May mass explode in fire
	'Oxidising' Symbol: Flame over circle Physical Hazard	<ul style="list-style-type: none"> — May cause or intensify fire; oxidiser. — May cause fire or explosion; strong oxidiser.
	'Flammable' Symbol: Flame Physical Hazard	<ul style="list-style-type: none"> — Extremely flammable gas — Flammable gas — Extremely flammable aerosol — Flammable aerosol — Highly flammable liquid and vapour — Flammable liquid and vapour — Flammable solid
	'Corrosive' Symbol: Corrosion Physical Hazard / Health Hazard	<ul style="list-style-type: none"> — May be corrosive to metals — Causes severe skin burns and eye damage
	'Health hazard/Hazardous to the ozone layer' Symbol: Exclamation mark Health Hazard	<ul style="list-style-type: none"> — May cause respiratory irritation — May cause drowsiness or dizziness — May cause an allergic skin reaction — Causes serious eye irritation — Causes skin irritation — Harmful if swallowed — Harmful in contact with skin — Harmful if inhaled — Harms public health and the environment by destroying ozone in the upper atmosphere

Hazard pictogram	Pictogram statement, symbol and class	What does it mean?
	'Acute toxicity' Symbol: <i>Skulls and Crossbones</i> Health Hazard	<ul style="list-style-type: none"> — Fatal if swallowed — Fatal in contact with skin — Fatal if inhaled — Toxic: if swallowed — Toxic in contact with skin — Toxic if inhaled
	'Serious health hazard' Symbol: <i>Health Hazard</i> Health Hazard	<ul style="list-style-type: none"> — May be fatal if swallowed and enters airways — Causes damage to organs — May cause damage to organs — May damage fertility or the unborn child — Suspected of damaging fertility or the unborn child — May cause cancer — Suspected of causing cancer — May cause genetic defects — Suspected of causing genetic defects — May cause allergy or asthma symptoms or breathing difficulties if inhaled
	'Hazardous to the environment' Symbol: <i>Environment</i> Environmental Hazard	<ul style="list-style-type: none"> — Very toxic to aquatic life with long-lasting effects — Toxic to aquatic life with long-lasting effects

Pictograms that indicate hazardous properties, Annex V, from the Classification, Labelling and Packaging (CLP) Regulation (EC) No 1272/2008.

103. When presenting information on its waste generation or diversion from disposal, the undertaking should preferably report such information in units of weight (e.g. kg or tonnes). Nevertheless, should the units of weight be considered an inappropriate unit by the undertaking, they may alternatively disclose the aforementioned metrics in volumes (e.g. m³) instead.
104. When disclosing information on the total annual waste diverted to **recycling** or reuse, the undertaking should consider the waste that is sorted and sent to recycling or reuse operators (e.g. the amount of waste put into recycling container or sorting of waste into certain categories of materials and their delivery to waste treatment facilities) rather than the waste that gets effectively recycled or reused.
105. When disclosing information on waste, the undertaking may adopt the following tables.

	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			
...			

	Waste generated (e.g. tonnes)		
	Total waste generated, of which:		
		Waste diverted to recycle or reuse	Waste directed to disposal
Hazardous waste			
Type of waste ¹			
...			

- 106. Examples of **hazardous wastes** that small businesses may generate include batteries, used oils, pesticides, mercury-containing equipment and fluorescent lamps.
- 107. 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.

Guidance on the annual mass-flow of relevant materials used

- 108. The annual mass-flow is an indicator aligned with the EMAS requirements on efficiency of material consumption, and it illustrates an undertaking's dependency on specific materials in its operations (e.g. wood and steel for the construction industry). The undertaking is here required to provide information on the materials it uses, including both the materials acquired from suppliers and those sourced internally from production. To compute the annual mass-flow of the relevant materials it has used, the undertaking will need to first identify the specific key materials on which its operations are dependent and for which material efficiency needs to be evaluated (e.g. material efficiency of wood). If different types of materials are used, the undertaking will need to provide separately the annual mass-flow (i.e. total weight for each relevant material used, e.g. tonnes of wood purchased) for each key material in an appropriate manner, for example by breaking it down by the use to which they are put (*EMAS User's Guide*). The mass flow of relevant materials used will result from the sum of the weight of all used materials, including raw materials, auxiliary materials, input materials, semi-finished products, or others (excluding energy sources and water). This indicator is to be preferably expressed in units of weight (e.g. kilograms or tonnes), volume (e.g. m³) or other metric units commonly used in the sector.

Guidance on how to identify manufacturing, constructions and /or packaging processes

- 109. To identify manufacturing, construction and/or packaging processes, the undertaking may refer to the activities that fall under Section C – Manufacturing, Section F – Construction as well as Class O82.92 'Packaging activities' of Annex I to Regulation (EU) 2023/137.

1.3. Basic Module Guidance – Social Metrics

B8 – Workforce – General characteristics

- 110. 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).
- 111. Headcount is the total number of people employed by the undertaking reported either at the end of the reporting period or as an average across the reporting period.

Guidance on how to present information about employees' contract types

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

Type of contract	Number of employees (headcount or full-time equivalents)
Temporary contract	
Permanent contract	
Total employees	

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

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

114. 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.

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

Country (of employment contract)	Number of employees (headcount or full-time equivalents)
Country A	
Country B	
Country C	
Country D	
Total employees	

116. 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.

117. **Employee** turnover refers to employees who leave the undertaking voluntarily or due to dismissal, retirement or death in service.

118. In order to calculate the **turnover** rate, the formula below should be used.

$$\frac{\text{Number of employees who left during the reporting year}}{\text{Average number of employees during the reporting year}} \times 100$$

B9 – Workforce – Health and safety

Guidance on the rate of recordable work-related accidents

119. 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 time frame. If the undertaking cannot calculate directly the number of hours worked, it may estimate this on the basis of normal or standard hours of work.
120. In order to calculate the rate of **recordable work-related** accidents of **employees**, the formula below should be used.

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

Example

121. 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 $3/80\,000 \times 200\,000 = 7.5$.

Guidance on the number of fatalities resulting from work-related injuries and work-related ill health

122. Work-related injuries and work-related ill health arise from exposure to dangers at work.
123. 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.
124. 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.
125. Mental illness is considered work-related if it has been notified voluntarily by the employee and if an evaluation from a licensed healthcare professional stating that the illness in question is indeed work-related has been issued and notified, too. 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.
126. The undertaking may present separately fatalities resulting from work-related injuries and those resulting from work-related ill health.

B10 – Workforce – Remuneration, collective bargaining and training

Guidance on remuneration: minimum wage

127. 'Minimum **wage**' refers to the minimum compensation of employment per hour or another unit of time. 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.
128. For the lowest **pay** category, excluding interns and apprentices, minimum **wage** serves as the foundation for calculating entry-level wage. Therefore, entry-level wage includes pay equal to minimum wage as well as any additional fixed payments guaranteed to **employees** in that category.

Guidance on remuneration: percentage gap between female and male employees

129. 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.
130. In order to compute 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:

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

131. Depending on the undertaking's remuneration policies, gross **pay** refers to all of the following elements:
- (a) base salary, which is the sum of guaranteed, short-term, 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; and
 - (c) benefits in kind ^(?).
132. The gross **pay** is the sum of all the applicable elements listed above.
133. The average gross hourly **pay** is the weekly/annual gross pay divided by the average hours worked per week/year.

Example

134. 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.
135. 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.
136. The formula used to calculate the percentage **pay** gap between male and female **employees** is

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

Guidance on collective bargaining coverage

137. 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.
138. The percentage of **employees** covered by **collective bargaining** agreements is calculated by using the following formula.

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

^(?) Examples could include cars, private health insurance, life insurance and wellness programs.

139. 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%.
140. 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.

1.4. Basic Module Guidance – Business Conduct Metrics

B11 – Convictions and fines for corruption and bribery

141. **Corruption** and **bribery** fall under the **business conduct** sustainability issue.
142. Under paragraph 43, 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

143. 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

144. 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.

Comprehensive Module: Guidance

145. The guidance contained in the sections below is intended to facilitate the application of the sustainability disclosure requirements contained in paragraphs 44 to 65 of Annex I to the Commission Recommendation on a voluntary sustainability reporting standard for small and medium-sized undertakings.
146. The guidance below is intended as part of an ecosystem that could include also the development of further support guidance by EFRAG, further digital tools and implementation support (educational activities, stakeholders' engagement and so forth), aiming to facilitate some of the technical elements present in the guidance.
147. This guidance is intended to support the preparation of metrics in the Comprehensive Module.

1.5. Comprehensive Module Guidance – General information

C1 – Strategy: Business Model and Sustainability – Related Initiatives

148. When describing the main **consumers** and supplier relationships under paragraph 47 (c), the undertaking shall disclose the estimated number of suppliers, and their related sectors and geographies (i.e. countries).

C2 – Description of practices, policies and future initiatives for transitioning towards a more sustainable economy

149. Undertakings may use the following template to report on C2 datapoints.

	If you answered YES to existing practices/ policies/ future initiatives in disclosure B2, please briefly describe them along with their consequent actions. (In case the practice/ policy/ future initiative covers suppliers or clients, the undertaking shall mention it)	If you answered YES to targets in disclosure B2, please specify them.	The undertaking may indicate the most senior level within its employees that is accountable for implementing the policies when this has been determined by the undertaking.
Climate Change			
Pollution			
Water and Marine Resources			
Biodiversity and Ecosystems			
Circular Economy			
Own Workforce			
Workers in the Value Chain			
Affected Communities			
Consumers and end-users			
Business conduct			

1.6. **Comprehensive Module Guidance – Environmental Metrics**

Consideration when reporting on GHG emissions under B3 (Basic Module)

150. When determining whether disclosure of Scope 3 is appropriate following paragraph 50, the undertaking may screen its total Scope 3 GHG emissions based on the 15 Scope 3 categories identified by the GHG Protocol using appropriate estimates and report by incorporating this information by reference. This allows for the identification and disclosure of its significant Scope 3 categories based on the magnitude of their estimated GHG emissions and other criteria provided by the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011, p. 61 and 65-68) or EN ISO 14064-1:2018 Annex H.3.2, such as financial spend, influence, related transition risks and opportunities or stakeholder views.

151. SMEs operating with manufacturing, agrifood, real estate construction and packaging processes are likely to have significant Scope 3 categories (*CDP Technical Note: Relevance of Scope 3 Categories by Sector, 2024*), which may be considered relevant for reporting in the undertaking’s sector.

C3 – GHG reduction targets and climate transition

152. Emission reductions can prove to be both a challenge and opportunity for an undertaking, as it often requires changes to the strategic and operational reality of the business. The goal of reducing emissions may require a review of strategic and financial priorities. Decarbonisation may require important initial investment in, for example, electrifying a fleet of vehicles, implementing new technologies to reduce energy consumption or developing new product lines that are less reliant on carbon-intensive materials. On the other hand, implementing low-carbon solutions to achieve GHG emission reduction can significantly lessen the costs of purchased energy and materials. Undertakings embarking on their decarbonisation journey are often facing important adjustments to their business models or daily operations. For instance, a logistics and delivery services undertaking may need to redesign its fleet management to minimise potential service disruptions due to the need of regular vehicle charging. A consumer goods manufacturing undertaking planning to replace a component of its product with a sustainable, low-carbon alternative may need to allocate time and resources to product innovation and to searching for new suppliers. These efforts can, in turn, result in reducing costs, accessing new markets, creating new workplaces and attracting additional financing, making GHG emission reduction not only a challenge, but also a strategic business opportunity. In this context, **targets** for GHG reductions are an important measure of responding to the need for a sustainable transition, as they allow undertakings to manage the change in a systematic, controlled and organised way.
153. A GHG emission reduction target is a commitment to reduce the undertaking's GHG emissions in a future year compared to the GHG emissions measured during a chosen base year. **Actions** that may lead to emission reductions include, for instance, electrification, renewable electricity, sustainable products development, etc. Disclosure C3 requires that the undertaking discloses GHG emission reduction **targets** for its Scope 1 and Scope 2 emissions.
154. Removals and avoided emissions shall not be accounted as reduction of the undertaking's gross GHG emissions. This is due to the important distinction between accounting practices for gross GHG emissions (inventory accounting) and GHG removals and avoided emissions (project-based or intervention accounting). Gross GHG emissions of the undertaking are designed to track the actual emissions released to the environment, providing a consistent and comparable baseline to set up GHG **targets**. Avoided emissions and carbon removals, on the other hand, relate to specific project activities of the undertaking, which means that their accounting is done separately from gross GHG emissions.
155. To follow this practice, the undertaking needs to distinguish between its gross GHG emissions and other **impacts** which are not captured in it, such as GHG removals and avoided emissions. Removals refer to the withdrawal of GHG from the atmosphere as a result of deliberate human activities. Examples of such activities can include plant growth (transfer of atmospheric CO₂ through photosynthesis) and direct air capture of CO₂ and are typically linked to the subsequent storage of CO₂. Avoided GHG emissions are typically referred to as emissions that would have otherwise happened but that, as a result of the undertaking's activities, did not happen. These may include introducing new products and technologies that reduce demand for their carbon-intensive equivalents, for example insulation solutions in a building that avoid the demand for energy services therein. More information on the concepts related to carbon removals and avoided emissions can be found in the *GHG Protocol Land Sector and Removals Guidance*.
156. 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.
157. The target year is the year in the future in which 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.

158. 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). SBTi also proposes a streamlined target-setting route for small- and medium-sized undertakings⁽⁶⁾. Specific pathways also exist by sector and may be considered by undertakings when setting their GHG emission reduction **targets**.
159. To achieve a quick reduction of both direct and indirect emissions, there are some simple **actions** that the undertaking can take. Some actions may be easy but still able to deliver a notable emission reduction and support the undertaking reaching its **targets**. For instance, electrification of the vehicle fleet by replacing vehicles running on fossil fuel with electric vehicles will lead to emission reduction as soon as the previous fleet is replaced. This can mean notable emission reduction especially for a business that is reliant on transportation. Similarly, replacing commutes and business travels by car with low carbon alternatives such as bicycles or public transport is an effective, simple and achievable decarbonisation action. Another area of low-hanging fruit is to review the internal energy management and update it to energy-efficient equipment and integrate maintenance into routine business operations. By regularly maintaining equipment and machinery and replacing these with more energy-efficient alternatives when and where possible, the undertaking can reduce its energy consumption. Such equipment can include, for example, boilers, telecommunication systems, heat pumps, air-conditioning etc. Through regular maintenance their efficient operation can be ensured, wear and tear minimised and waste minimised. By also automating systems and using timers to define periods of use, the undertaking is able to lower the emissions of such equipment even further.
160. A climate transition plan for climate change mitigation 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.
161. Establishing a credible transition plan for the undertaking is something that should be supported by elements such as (a) identifying clear responsibilities and roles; (b) integrating the plan into the undertaking's business strategy and financial planning; (c) including information on decarbonisation levers and pathways as well as quantifiable indicators that can be monitored throughout predefined timeframes; (d) allowing for regular reviewing and updating after stakeholder consultations when appropriate; and (e) covering the entirety of its own operations and, to the largest possible extent, the **value chain** or else providing an explanation as to any limitation.
162. Undertakings that are disclosing **targets** according to the EMAS Regulation Annex IV B (d) may use its GHG reduction targets to fulfil the VSME requirement if it has set such targets. The undertaking may also support this disclosure through its implementation of the EMAS environmental management system and link to EN ISO 14001:2015 as set out by EMAS Regulation Annex II B A.6.2.1 and B.5 (environmental objectives).

Guidance on how to identify manufacturing, constructions and /or packaging processes

163. To identify manufacturing, construction and/or packaging processes, the undertaking may refer to these activities that fall under Section C – Manufacturing, Section F Construction as well as Class O82.92 'Packaging activities' of Annex I to Regulation (EU) 2023/137.

C4 – Climate risks

164. **Climate-related hazards** are drivers of climate-related physical risks that arise from the effects that climate change has on the undertaking. They can be classified into acute hazards, which arise from particular events (such as droughts, floods, extreme precipitations and wildfires), and chronic hazards (such as changing temperatures, sea level rise and soil erosion), which arise from longer-term changes in the climate (Commission delegated regulation (EU) 2021/2139). 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. 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.

⁽⁶⁾ SBTi also offers resources for SMEs to set science-based targets.

- 165. **Climate-related transition events** may be (according to the *Recommendations of the Task Force on Climate-related Financial Disclosures, (TCFD), 2017*) policy- and legal-based (e.g. enhanced emission-reporting obligations), technology-based (e.g. costs of transition to lower emissions technology), market-based (e.g. increased cost of raw materials) and reputation-based (e.g. increased stakeholder concern).
- 166. **Gross climate-related risks** refer to gross physical risks and gross transition risks that may result from exposure of the undertaking's assets and business activities to climate-related hazards.

1.7. **Comprehensive Module Guidance – Social Metrics**

C5 – **Additional (general) workforce characteristics**

- 167. To determine the female-to-male ratio, divide the number of female **employees** by the number of male employees at management level. This will yield the proportion of women to men in your company.

$$female - to - male \ ratio = \frac{number \ of \ female \ employees \ at \ management \ level}{number \ of \ male \ employees \ at \ management \ level}$$

- 168. Management level is considered the level below the board of directors unless the undertaking has a specific definition to use.
- 169. For example, if there are 28 female **employees** and 84 male employees at management level, the female-to-male ratio would be 1:3, meaning that for every woman at management level, there are three men.
- 170. Relevant factors for an undertaking to consider in deciding whether or not to disclose the number of self-employed workers and temporary workers under paragraph 60 would be: (1) the ratio of **employees** to self-employed and temporary workers, especially in case of significant and/or increasing reliance or (2) when the risk of negative social **impacts** on self-employed or temporary workers is greater compared to the undertaking's own employees.
- 171. The following table shows how information on self-employed people without personnel that are working exclusively for the undertaking and temporary workers provided by undertakings primarily engaged in employment activities may be presented.

Types of workers	Number of self-employed people and temporary workers engaged in employment activities
Total self-employed without personnel that are working exclusively for the undertaking	
Total temporary workers provided by undertakings primarily engaged in employment activities	

- 172. Undertakings can refer to NACE Code O78 for temporary workers provided by undertakings primarily engaged in 'employment activities'.

C6 – **Additional own workforce information - Human rights policies and processes**

173. Undertakings that have a due diligence process for human rights in place can answer positively (YES) and could clarify the contents of the policies and/or processes using the drop-down menu.

C7 – **Severe negative human rights incidents**

174. A “confirmed **incident**” refers to 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**.

1.8. **Comprehensive Module Guidance – Business Conduct Metrics**

C8 – **Revenues from certain sectors and exclusion from EU reference benchmarks**

175. **Fossil fuels**, as defined in Article 2(62), of Regulation (EU) 2018/1999 of the European Parliament and the Council, are non-renewable carbon-based energy sources such as solid fuels, natural gas and oil.

176. The **production of chemicals** refers to the activities listed under Section C Division 20.2 of Annex I to Regulation (EU) 2023/137, i.e. the manufacturing of pesticides and other agrochemical products.

177. As defined by Article 12.1 of the Commission Delegated Regulation (EU) 2020/1818, the companies excluded from EU Paris-aligned Benchmarks are the following:

- (a) companies that derive 1% or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite;
- (b) companies that derive 10% or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;
- (c) companies that derive 50% or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels; and
- (d) companies that derive 50% or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO₂ e/kWh.

C9 – **Gender diversity ratio in governance body**

178. 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.

179. Based on the requirements in the SFDR, the gender diversity ratio of the **governance** body is calculated as an average ratio of female to male board members.

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

Example

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