

 EXPOSURE DRAFT

# ESRS S3

AFFECTED COMMUNITIES

 JULY 2025

UNAPPROVED DRAFT

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EFRAG's mission is to serve the European public interest in both financial and sustainability reporting by developing and promoting European views in the field of corporate reporting. EFRAG builds on and contributes to the progress in corporate reporting. In its sustainability reporting activities, EFRAG provides technical advice to the European Commission in the form of draft European Sustainability Reporting Standards (ESRS) elaborated under a robust due process and supports the effective implementation of ESRS. EFRAG seeks input from all stakeholders and obtains evidence about specific European circumstances throughout the standard setting process. Its legitimacy is built on excellence, transparency, governance, due process, public accountability and thought leadership. This enables EFRAG to speak convincingly, clearly, and consistently, and be recognised as the European voice in corporate reporting and a contributor to global progress in corporate reporting.



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## **Revised structure and drafting conventions**

As compared to ESRS Set 1 (Delegated Regulation (EU) 2023/2772 adopted by the European Commission in July 2023), the structure of the Standards has been revised and streamlined.

- ~~— All the ‘shall disclose/shall include/shall report/shall describe/shall explain’ are presented in the main body of the Standard. They have been counted as separate datapoints.~~
- ~~— Below the text of each Disclosure Requirement (‘DR’) in topical standards (or chapter for [Draft] Amended ESRS 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is still named ‘Application Requirements’ (‘ARs’). This includes ‘shall consider’ as element of methodology for preparing the disclosure, and ‘may (present)’ for presentation options — which does not represent voluntary disclosure but brings flexibility on how to present the disclosure.~~
- ~~— All the ‘may’ disclosures have been either eliminated or redrafted as application requirements (which do not include separate datapoints but methodology content).~~
- ~~— A minority of the deleted datapoints is gathered in a document named ‘Non-Mandatory Illustrative Guidance’ (‘NMIG’) and has been redrafted to fit this classification. While the content of ‘shall disclose’ datapoints in the main body of the standard and of application requirements are drafted to become part of the delegated act, the legal status of the NMIG (either as appendices in the Delegated Act or as document to be issued by EFRAG independently of the Delegated Act) will be considered by the European Commission (‘EC’) in due course. EFRAG recommends NMIG not to be part of the Delegated Act.~~
- ~~— The ESRS use several terms to indicate similar concepts: matters, topic, sub-topic, sub-subtopic. In Amended ESRS ‘sub-subtopics’ have been eliminated. In addition, to simplify the content and eliminate one term (matter), the Standards only refer to topics and sub-topics. For this reason, in all the documents the term ‘matter’ has been replaced by ‘topic’ where ‘topic’ is meant to refer either to topic or sub-topic depending on the context of the relevant disclosure. When used in this way, the bold italic format is used (topic), as this is a defined term. When used to express one of the 10 topics in Appendix A of [Draft] Amended ESRS 1, a normal font is used.~~
- ~~— The paragraph numbering has been revised to reflect the draft amendments. Where applicable, the paragraph number of the 2023 Delegated Act is indicated in brackets — for example, ‘4. (24)’ or ‘4 (24 amended)’ in paragraph [Draft] Amended ESRS 1.~~

## **ESRS S3 – Affected communities - V1**

**November 2025**

**UNAPPROVED DRAFT**

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## Objective

1. ~~When reporting in accordance with the ESRS, The **sustainability statement** shall cover include~~ information in relation to ~~[Draft] Amended ESRS S3 **Affected communities**, when if this **topic** is related~~ relates to material **impacts, risks** and **opportunities**. ~~The disclosure on the material impacts, risks and opportunities is expected to cover **policies, actions** and **targets** (if in place), **dependencies** when relevant, **metrics** and **financial effects**.~~ cover the reporting areas listed in paragraph 5 of ESRS 1. When only one particular sub-topic prescribed by this Standard is material, paragraph 30 of ESRS 1 applies.
2. The objective of this Standard is to ~~specify Disclosure Requirements (‘DRs’) set out DRs providing information in relation to the items of information mentioned in paragraph 1 reporting areas referred above that are not covered in [Draft] Amended implement and complement the cross-cutting provisions of ESRS 1 General Requirements and ESRS 2 – It is General Disclosures. The objective of this standard and is~~ also to enable **users** ~~an understanding of~~ to understand the extent to which the undertaking aligns or complies with international and European human rights instruments and conventions, including the International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, and the UN Declaration on the Rights of Indigenous People.
3. ~~When only one of the **sub-topics** covered by In this Standard, each DR is material, introduced by a disclosure objective, with the exception of policies, **actions** and **targets**, for which the undertaking shall report only on that sub-topic.~~ provisions in ESRS 2 GDR-P, GDR-A and GDR-T provide the necessary framing for the relevant disclosures.
4. This Standard sets out the DRs related to **affected communities** and, in particular, with respect to the following sub-topics:
  - (a) communities’ economic, social and cultural rights (land-related **impacts**, security-related impacts, adequate housing and food, water and sanitation);
  - (b) communities’ civil and political rights (freedom of expression, freedom of assembly, impacts on human rights defenders); and
  - (c) rights of **indigenous peoples** (**free, prior and informed consent** (~~‘FPIC’~~ **FPIC**)), self-determination, cultural rights).
5. **Interaction with other topical ESRS** ~~The undertaking shall apply the provisions of [Draft] Amended ESRS 2, paragraphs 29 to 32, and GDR P, GDR A, GDR T and GDR M. In particular:~~
  - (a) if the undertaking has not adopted **policies, actions** and **targets** with reference to a **topic** related to **material impacts, risks** and **opportunities**, it shall disclose this fact; and

## ~~the undertaking~~

5. Social and environmental **topics** closely interact with each other. The main points of interaction between ESRS S3 and the other topical standards are the following:
  - (a) All the social standards, i.e. ESRS S1 **Own Workforce**, ESRS S2 **Workers in the value chain**, ESRS S3 **Affected Communities**, ESRS S4 **Consumers and End-Users**, are aligned in terms of content and structure and are closely related to each other. The disclosures in the Social Standards address material information needed for reporting on **impacts** on people, **risks** and **opportunities** related to each **stakeholder** group, including in relation to sustainability due diligence.
  - ~~(b) This Standard is related to the environmental standards (ESRS E1 to E5) because impacts on **affected communities** may present the description of its **material** stem from environmental impacts, risks and opportunities that the undertaking discloses under those. For example, the undertaking’s climate or biodiversity **transition plan** may affect the lands, territories and natural resources of **indigenous peoples**, in accordance with [Draft] Amended ESRS 2 IRO 2, alongside~~

information about its ~~policies, actions, targets~~ and ~~metrics~~ through which it addresses them, to avoid duplication and support a coherent narrative.

6. ~~In this Standard, each DR is introduced by a disclosure objective, with the exception of **policies, actions** and **targets**, for which the provisions in [Draft] Amended ESRS 2 GDR-P, GDR-A and GDR-T provide the necessary framing for the relevant disclosures.~~

## ~~that the undertaking discloses~~ Interaction with other topical ESRS

- (a) ~~—The reporting under this Standard shall be consistent, coherent and, where relevant, clearly linked with reporting on those. For example, the undertaking's **own workforce** and **workers in the value chain** under [Draft] Amended ESRS S1 Own workforce and [Draft] Amended ESRS S2 Workers in the value chain, climate or biodiversity **transition plan** may affect the lands, territories and natural resources of **indigenous peoples**.~~

## Disclosure Requirements

### Impact, risk and opportunity management

#### *Disclosure Requirement S3-1 – Policies related to affected communities*

~~7.6.~~ (14 amended) The undertaking shall describe its policies for managing the material **impacts, risks** and **opportunities** related to **affected communities** in accordance with ~~[Draft] Amended ESRS 2 GDR-P~~. It shall state whether these policies cover specific affected communities (e.g. a community of **indigenous peoplepeoples** or a community living around ~~its~~ **site**) or all affected communities.

~~8.7.~~ (15 amended) The undertaking shall disclose any particular **policy** provisions for preventing and addressing **impacts** on **indigenous peoples**.

#### APPLICATION REQUIREMENTS

<b>AR 1 for para. <del>8.6</del></b> <b>(Policies related to affected communities)</b>	(AR 11 amended) The <del>channels</del> <b>means of communication</b> the undertaking uses to communicate its policies to the individuals, groups of individuals or entities for whom they are relevant, either because they are expected to implement them (e.g. the undertaking's <b>employees</b> , contractors and <b>suppliers</b> ) or because they have a direct interest in their implementation, are examples of <b>policy</b> aspects to disclose.
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#### *Disclosure Requirement S3-2 – Engagement with affected communities, existence of channels for affected communities to raise concerns or needs and approaches to remedy*

~~9.8.~~ (20 amended) The objective of this DR is to enable an understanding of the undertaking's general approach to engagement with **affected communities**, ~~including~~ the availability of channels, ~~including to raise concerns or needs, such as grievance mechanisms~~, and ~~approach to remedy~~.

~~10.9.~~ (21 and 22 amended) The undertaking shall disclose how it engages directly with **affected communities**, their **legitimate representatives**, or with **credible proxies**, and how the perspectives of affected communities inform its decisions or activities aimed at managing the actual and **potential impacts** on affected communities during the reporting year. This shall include, ~~where relevant~~, how ~~it~~**the undertaking** gains insight into the perspectives of affected communities who may be particularly vulnerable to impacts and/or are marginalised (for example, women, girls, migrants, **persons with disabilities**), ~~if the undertaking takes action to understand those perspectives~~.

~~11.10.~~ (23 amended) Where **affected communities** are **indigenous peoples**, the undertaking shall also disclose how it takes into account and ensures respect of their particular rights in its **stakeholder engagement** approach, including their right to **free, prior and informed consent** (~~'FPIC'~~**(FPIC)** with regard to: (i) their cultural, intellectual, religious and spiritual property; (ii) activities affecting their lands and

territories; and (iii) legislative or administrative measures that affect them. In particular, where engagement occurs with indigenous peoples, it shall also disclose whether and how indigenous peoples have been consulted on the mode and parameters of the engagement (for example, in designing the agenda, nature, and timeliness of the engagement).

~~12.11.~~ (2727b and d amended) The undertaking shall describe the channels available to **affected communities** to bring their concerns or needs directly to ~~theirs~~ attention and have them addressed. In particular, it shall state whether it has a ***grievance mechanism in place***<sup>1</sup>. It shall also explain how it assesses the effectiveness of these channels.

~~13.12.~~ (27a amended) The undertaking shall describe its general approach to and processes ~~for providing or contributing to remedy~~ to provide or cooperate in ***remediation*** where it has caused or contributed to a material negative ***impact*** on ***affected communities***.

#### APPLICATION REQUIREMENTS

AR 2 for para. <del>119</del> (Engagement)	(AR 15 amended) <del>The</del> Engagement with <b><i>affected communities</i></b> can take different forms, such as information, consultation or participation, and occur at different frequencies.
AR 3 for para. <del>1210</del> (Engagement process with indigenous people)	(AR 13 amended) Examples <del>for of</del> the engagement disclosure in paragraph <del>12,10</del> include the process to obtain consent from <b><i>indigenous people</i></b> and <del>to ensure</del> good faith negotiations where the undertaking affects lands, territories or resources <del>(for example, through relocation or occupation)</del> .
AR 4 for para. <del>13</del> (Channels for raising concerns)	<del>(AR 18 amended) Channels for raising concerns or needs are formal structures by the undertaking or a third party (for example, governments, NGOs or industry associations), including business relationships, with dedicated processes to which affected communities can raise such concerns or needs. They include grievance mechanisms, hotlines, dialogue processes, as well as, under certain circumstances, whistleblowing mechanisms.</del>
AR <del>54</del> for para. <del>1311</del> (Grievance mechanism)	<del>(28AR 24 amended) The ‘effectiveness criteria for non-judicial grievance mechanisms’ mechanisms, as laid out in the UN Guiding Principles on Business and Human Rights, in particular principle 31, can be used for assessing the effectiveness of the channels.</del> <del>(28 amended) If the undertaking has policies for protecting individuals that use these channels against retaliation, and they are disclosed in {Draft} Amended under DR ESRS G1-1, it the undertaking may refer to that disclosure.</del>
AR 6 for para. <del>14</del> (Remedy)	<del>(AR 19 amended) ‘Processes’ for providing or contributing to remedy may also be used to respond to harms identified. Such processes typically include formalised steps or criteria that are followed to ensure that concerns, complaints or needs are adequately addressed, including, where relevant, by providing or contributing to remedy for actual impacts. This can include channels to raise concerns or needs reported under paragraph 13 if they are used for providing or contributing to remedy.</del>

<sup>1</sup> 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 as set out by indicator #11 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments (‘Lack of processes and compliance mechanisms to monitor compliance with the UNGPs and the OECD Guidelines for Multinational Enterprises’).



**Disclosure Requirement S3-3 – Actions and resources related to affected communities**

~~14.13.~~ (31 amended) The undertaking shall describe the key **actions** and resources used to manage its material **positive and negative impacts, risks and opportunities** related to **affected communities** in accordance with ~~{Draft} Amended~~ ESRS 2 GDR-A.

~~15.14.~~ (~~3232a, b and d~~ amended) In relation to ~~the~~ material **negative impacts related to affected communities**, the undertaking shall describe:

- (a) key **actions** ~~to provide remediation in relation to actual material negative impacts or~~ taken, planned or underway to prevent, ~~and~~ mitigate ~~and remediate potential~~ material negative impacts on affected communities, including its approach in situations where tensions arise between such actions and other business pressures (e.g. its practices in relation to planning and land acquisition or ~~in relation to the~~ exploitation and financing ~~of~~ raw materials); and
- (b) how it tracks and assesses the effectiveness of these actions ~~and initiatives~~ in delivering outcomes for affected communities. This disclosure can be omitted if the undertaking discloses how it tracks the effectiveness of its actions in accordance with ~~{Draft} Amended~~ ESRS 2 GDR-T or GDR-M. In that case, a reference to that disclosure is sufficient.

~~16.15.~~ (36 amended) Subject to the relevant privacy regulation, the undertaking shall ~~also~~ disclose ~~whether the human rights incidents connected with affected communities have been reported and, if applicable, disclose these identified in the reporting period~~<sup>2</sup>.

**APPLICATION REQUIREMENTS**

<p><b>AR 75 for para. 1614</b> <b>(Key actions)</b></p>	<p>(AR 26 and AR 27 amended) The <b>actions</b> taken by the undertaking differ depending on its connection to the <b>impact</b> (causation, contribution, direct linkage), and how it has identified the actions as appropriate for addressing material impacts.</p> <p><del>This also applies to key actions to provide for, contribute to, or enable remedy in cases of actual negative impacts.</del> Key <b>actions</b> to prevent, mitigate or remediate <b>impacts</b> <del>encompass</del>include the use of <b>different types of leverage</b> and/or collective actions taken through multi-stakeholder and/or industry initiatives.</p>
<p><b>AR 86 for para. 1614</b> <b>(Climate transition)</b></p>	<p>(9b amended) The undertaking shall present its <b>actions</b> in a way that allows an understanding of the connections that exist between <del>the interaction of</del> different <b>topics</b>, in accordance with Chapters 3.2 and 9.1 of <del>{Draft} Amended</del> ESRS 1- <b>General Requirements</b>. This applies to <del>the</del> measures taken to mitigate negative <b>impacts</b> on <b>affected communities</b> that arise from the transition to a greener, climate-neutral economy. <del>In cases where</del>For example, innovation and restructuring <del>occur, this could can</del> lead to mine closures or increased mining of minerals needed for the transition to a sustainable economy <del>and solar panel production.</del></p>

<sup>2</sup> 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, 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 the UNGPs and the OECD Guidelines for Multinational Enterprises” and “Number of identified cases of severe human rights issues and incidents”), and 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.



<p><u>AR 7 for para. 15</u> <u>(Human rights incidents)</u></p>	<p>(NEW) The <b>human rights incidents</b> in scope for this disclosure are those that relate to not respecting internationally recognised human rights as defined in CSRD Art. 29b (2) (b) (iii). These incidents are understood as the number of substantiated instances of:</p> <p>(a) judicial and non-judicial proceedings that have been initiated (such as cases before domestic courts and tribunals, mediation, complaints filed with the National Contact Points for OECD Multinational Enterprises); and/or</p> <p>(b) incidents registered by the undertaking, including those identified through its internal processes.</p>
<p><u>AR 98 for para. 15</u> <u>(Human rights incidents)</u></p>	<p>(AR 12 amended) When determining the <b>human rights incidents</b> connected <del>with</del>to <b>affected communities</b>, the undertaking shall consider any legal disputes related to land rights and to the <b>free, prior and informed consent (FPIC)</b> of <b>indigenous peoples</b>.</p>
<p><u>AR 9 for para. 15</u> <u>(Human rights incidents)</u></p>	<p>(NEW) When applying the filter of information <b>materiality</b> (paragraph 23 of ESRS 1) to the information about incidents referred to under paragraph 15, the undertaking's assessment is primarily based on the severity of the <b>impacts on affected communities</b>.</p>
<p><u>AR 10 for para. 15</u> <u>(Contextual information)</u></p>	<p>(NEW) In accordance with GDR-M paragraph 49(c), to allow a proper understanding of the significant changes in performance, whether an increase in incidents being reported by or to the undertaking may reflect improvements in the effectiveness and availability of channels to raise concerns, including <b>grievance mechanisms</b>, can be provided as contextual information.</p> <p>In addition, it shall disclose the methodology it has used to compile the data on the incidents referred to in paragraph 15.</p>
<p><u>AR 11 for para. 15</u> <u>(Remedy or actions related to incidents disclosed)</u></p>	<p>(NEW) The way the undertaking has addressed or is addressing incidents referred to in paragraph 15 may be cross-referenced to paragraph 14.</p>

## Metrics and Targets

### Disclosure Requirement S3-4 – Targets related to affected communities

~~17-16.~~ (41 amended) The undertaking shall disclose ~~the~~ qualitative and/or quantitative **targets** related to **affected communities** in accordance with ~~[Draft] Amended~~ ESRS 2 GDR-T.

~~18.~~ (42 amended) When disclosing in accordance with ~~[Draft] Amended~~ ESRS 2 GDR-T, the undertaking shall disclose whether and how it has engaged directly with **affected communities**, their **legitimate representatives**, or with **credible proxies** that have insight into their situation, for the purpose of ~~target~~ setting and/or tracking performance against those targets.

## APPLICATION REQUIREMENTS

<p><u>AR 1012 for para. 1916</u> <u>(Tracking performance against targets)</u></p>	<p><del>In the context of tracking the undertaking's performance against targets,</del>(42b and c amended) Engagement with <b>affected communities</b>, their <b>legitimate representatives</b>, or with <b>credible proxies</b>, can inform <del>its</del>the undertaking's tracking and assessment of the effectiveness of its <b>actions</b> disclosed under paragraph 14(b), including the development of <b>target-setting</b>, <b>metrics</b>, and/or tracking of performance against those <b>targets</b>.</p>
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	<a href="#">In particular, in relation to the tracking of performance, such engagement can inform the</a> understanding of the effectiveness of <del>the</del> <a href="#">the undertaking's</a> management of material negative <b>impacts</b> and the identification of lessons learnt or improvements.
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