

 EXPOSURE DRAFT

# ESRS S3

AFFECTED COMMUNITIES

 JULY 2025

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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 For this reason, in all the documents the term ‘matter’ has been replaced by ‘topic’ where ‘topic’ is meant to refer either to topic or sub-topic depending on the context of the relevant disclosure.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.

## Table of contents

OBJECTIVE .....	5
INTERACTION WITH OTHER TOPICAL ESRS .....	5
DISCLOSURE REQUIREMENTS .....	5
IMPACT, RISK AND OPPORTUNITY MANAGEMENT .....	5
Disclosure Requirement S3-1 – Policies related to affected communities .....	5
Disclosure Requirement S3-2 – Engagement with affected communities, existence of channels for affected communities to raise concerns or needs and approaches to remedy .....	6
Disclosure Requirement S3-3 – Actions and resources related to affected communities .....	7
METRICS AND TARGETS .....	8
Disclosure Requirement S3-4 – Targets related to affected communities .....	8

## Objective

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1. When reporting in accordance with the ESRS, the **sustainability statement** shall cover information in relation to [Draft] Amended ESRS S3 *Affected communities*, when this **topic** is related 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**.
2. The objective of this Standard is to specify Disclosure Requirements ('DRs') in relation to the items of information mentioned in paragraph 1 that are not covered in [Draft] Amended ESRS 2. It is also to enable **users** an understanding of 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 this Standard is material, the undertaking shall report only on that sub-topic.
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')**), self-determination, cultural rights).
5. 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
  - (b) the undertaking may present the description of its **material impacts, risks** and **opportunities**, 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.

## Interaction with other topical ESRS

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7. The reporting under this Standard shall be consistent, coherent and, where relevant, clearly linked with reporting on 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*.

## Disclosure Requirements

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### Impact, risk and opportunity management

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

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8. (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 people** or a community living around its **site**) or all affected communities.
9. (15 amended) The undertaking shall disclose any particular **policy** provisions for preventing and addressing **impacts** on **indigenous peoples**.

## APPLICATION REQUIREMENTS

AR 1 for para. 8 (Policies related to affected communities)	(AR 11 amended) The channels the undertaking uses to communicate its <b>policies</b> 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 policy 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**

10. (20 amended) The objective of this DR is to enable an understanding of the undertaking's general approach to engagement with **affected communities**, the availability of channels, including **grievance mechanisms**, and **remedy**.
11. (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 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**).
12. (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')** 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).
13. (27 amended) The undertaking shall describe the channels available to **affected communities** to bring their concerns or needs directly to their attention and have them addressed. In particular, it shall state whether it has a **grievance mechanism**<sup>1</sup>. It shall also explain how it assesses the effectiveness of these channels.
14. (27a amended) The undertaking shall describe its general approach to and processes for providing or contributing to **remedy** where it has caused or contributed to a material negative **impact** on **affected communities**.

**APPLICATION REQUIREMENTS**

AR 2 for para. 11 (Engagement)	(AR 15 amended) The engagement with <b>affected communities</b> can take different forms, such as information, consultation or participation, and occur at different frequencies.
AR 3 for para. 12 (Engagement process with indigenous people)	(AR 13 amended) Examples for the engagement disclosure in paragraph 12, include the process to obtain consent from <b>indigenous people</b> and good faith negotiations where the undertaking affects lands, territories or resources (for example, relocation or occupation).
AR 4 for para. 13 (Channels for raising concerns)	(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 <b>affected communities</b> can raise such concerns or needs. They include <b>grievance mechanisms</b> , hotlines,

<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').

	dialogue processes, as well as, under certain circumstances, whistleblowing mechanisms.
<b>AR 5 for para. 13</b> <b>(Grievance mechanism)</b>	<p>(28 amended) The ‘effectiveness criteria for non-judicial <b><i>grievance mechanisms</i></b>’, 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.</p> <p>If the undertaking has <b><i>policies</i></b> for protecting individuals that use these channels against retaliation, and they are disclosed in [Draft] Amended ESRS G1-1, it may refer to that disclosure.</p>
<b>AR 6 for para. 14</b> <b>(Remedy)</b>	<p>(AR 19 amended) ‘Processes’ for providing or contributing to <b><i>remedy</i></b> 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 <b><i>actual impacts</i></b>. This can include channels to raise concerns or needs reported under paragraph 13 if they are used for providing or contributing to remedy.</p>

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

15. (31 amended) The undertaking shall describe the key ***actions*** and resources used to manage its ***material impacts, risks*** and ***opportunities*** related to ***affected communities*** in accordance with [Draft] Amended ESRS 2 GDR-A.
16. (32 amended) In relation to the material ***impacts*** related to ***affected communities***, the undertaking shall describe:
17. key ***actions*** taken, planned or underway to prevent, mitigate and remediate 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 exploitation and financing raw materials); and
18. 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.
19. (36 amended) Subject to the relevant privacy regulation, the undertaking shall also disclose whether human rights ***incidents*** connected with ***affected communities*** have been reported and, if applicable, disclose these<sup>2</sup>.

#### APPLICATION REQUIREMENTS

<b>AR 7 for para. 16</b> <b>(Key actions)</b>	<p>(AR 27 amended) The <b><i>actions</i></b> taken by the undertaking differ depending on its connection to the <b><i>impact</i></b> (causation, contribution, direct linkage), and how it has identified the actions as appropriate for addressing material impacts.</p> <p>This also applies to key actions to provide for, contribute to, or enable <b><i>remedy</i></b> in cases of actual negative impacts. Key actions to prevent,</p>
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<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.

	mitigate or remediate impacts encompass the use of <b>leverage</b> and/or collective actions taken through multi-stakeholder and/or industry initiatives.
<b>AR 8 for para. 16</b> <b>(Climate transition)</b>	(9b amended) The undertaking shall present its <b>actions</b> in a way that allows an understanding of the connections that exist between the interaction of different topics in accordance with Chapters 3.2 and 9.1 of [Draft] Amended ESRS 1. This applies to the measures taken to mitigate negative <b>impacts</b> on <b>affected communities</b> that arise from the transition to a greener, climate-neutral economy. In cases where innovation and restructuring occur, this could lead to mine closures or increased mining of minerals needed for the transition to a sustainable economy and solar panel production.
<b>AR 9 for para. 17</b> <b>(Human rights incidents)</b>	(AR 12 amended) When determining the human rights <b>incidents</b> connected with <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> .

## Metrics and Targets

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

20. (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.
21. (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

<b>AR 10 for para. 19</b> <b>(Tracking performance against targets)</b>	In the context of tracking the undertaking's performance against <b>targets</b> , engagement with <b>affected communities</b> , their <b>legitimate representatives</b> , or with <b>credible proxies</b> , can inform its understanding of the effectiveness of its management of material negative <b>impacts</b> and the identification of lessons learnt or improvements.
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