

 EXPOSURE DRAFT

ESRS S3

AFFECTED COMMUNITIES

 JULY 2025

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~~The questionnaire for submitting comments is available [here](#) in both online and PDF formats. Comments must be received by end of day CEST on 29 September 2025. All comments will be on the public record and posted on our website at www.efrag.org unless the respondent requests confidentiality.~~

About EFRAG

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 For this reason, in all the documents the term ‘matter’ has been replaced by ‘topic’ where ‘topic’ is meant to refer either to topic or sub-topic depending on the context of the relevant disclosure.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

[Draft] ESRS S3 Affected Communities

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Objective

1. ~~When reporting in accordance with the ESRS, the~~ 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.~~ all the reporting areas listed in paragraph 5 of ESRS 1 General Requirements. If not all the sub-topics prescribed by this Standard are to be reported following the materiality assessment, paragraph 30 of ESRS 1 General Requirements applies.
2. ~~The objective of this Standard is to specify Disclosure Requirements ('DRs') in~~ 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.
3. In this Standard, each DR is introduced by a disclosure objective except for policies, actions and targets, for which the provisions in ESRS 2 GDR-P, GDR-A and GDR-T provide the necessary framing for the relevant DRs.
- 2.4. ~~The objective of this Standard is~~ also to enable ~~users~~ an understanding of the extent to which the undertaking aligns or complies with the international and European human rights instruments and conventions, including the International Bill of Human Rights,ⁱ the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises,ⁱ 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.~~
- 4.5. ~~This Standard sets~~ outs the out DRs related to **affected communities** ~~and~~, in particular,⁷ with respect to the following sub-topics:
 - (a) communities' economic, social and cultural rights (including land-related impacts, security-related impacts, adequate housing and food, water and sanitation);
 - (b) communities' civil and political rights (including freedom of expression, freedom of assembly, impacts on human rights defenders); and
 - (c) rights of **indigenous peoples** (including **free, prior and informed consent** (~~'FPIC'~~ **(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

6. Social and environmental topics interact with each other. The points of interaction between ESRS S3 Affected Communities 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 and ESRS S4 Consumers and End-users, are aligned in terms of

content and structure and are 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; and

- (b) this Standard is related to the environmental standards (ESRS E1 to E5) because impacts on **affected communities** may 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**.

~~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

~~Impact, risk~~ **Impacts, risks** and ~~opportunity~~ **opportunities** management

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

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

APPLICATION REQUIREMENTS

<p>AR 1 for para. 87 (Policies related to affected communities)</p>	<p>(AR 11 amended) The channels <u>Examples of policy aspects to disclose are the means of communication</u> 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. for example, the undertaking's employees, contractors and suppliers) or because they have a direct interest in their implementation, are examples of policy aspects to disclose.</p>
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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. (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 its approach to remedy.
10. (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 under-~~ taking gains insight into the perspectives of affected communities who may be particularly vulnerable to impacts and/or who are marginalised (for example, women, girls, migrants, **persons with disabilities**), if the undertaking takes action to understand those perspectives.
11. (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. (27(b)(d) amended) The undertaking shall describe the channels available to **affected communities** to bring their concerns or needs directly to ~~their~~^{its} attention and have them addressed. In particular, it shall state whether it has a ***grievance mechanism in place***¹. It shall also explain how it assesses the effectiveness of these channels.
13. (~~27a~~27(a) amended) The undertaking shall describe its general approach to and ***processes for providing to provide or contributing to remedy cooperate in remediation*** where it has caused or contributed to a material negative ***impact on affected communities***.

APPLICATION REQUIREMENTS

AR 2 for para. 11 ¹⁰ (Engagement)	(AR 15 amended) The Engagement with affected communities can take different forms, such as information <u>sessions</u> , consultation or participation, and occur ^{take place} at different frequencies ^{intervals} .
AR 3 for para. 12 ¹¹ (Engagement process with indigenous people ^{peoples})	(AR 13 amended) Examples for ^{of} the engagement disclosure in paragraph 12 ¹¹ include the process to obtain consent from indigenous people ^{peoples} and <u>to ensure</u> good faith negotiations where the undertaking affects lands, territories or resources (for example, through 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 affected communities can raise such concerns or needs. They include grievance mechanisms, hotlines, dialogue processes, as well as, under certain circumstances, whistleblowing mechanisms.
AR 5 ⁴ for para. 13 ¹² (Grievance mechanism)	(28 AR 24 amended) The ‘effectiveness criteria for non-judicial <i>grievance mechanisms</i> ’, 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 <i>channels</i> . (28 amended) If the undertaking has <i>policies</i> for protecting individuals that use these channels against retaliation, and they are disclosed in [Draft] Amended ^{under} ESRS G1-1, it ^{the undertaking} may refer to that disclosure.
AR 6 for para. 14 (Remedy)	(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.

¹ 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. (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. (32(a)(b)(d) amended) In relation to ~~the~~ material negative impacts related to **affected communities**, the undertaking shall describe:
 - (a) its 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. for example~~, 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. (36 amended) For the sub-topics assessed as material for this Standard, subject to the relevant privacy regulation, the undertaking shall ~~also~~ disclose ~~whether human rights incidents connected with to affected communities have been reported and, if applicable, disclose these~~ identified in the reporting period².

APPLICATION REQUIREMENTS

<p>AR 75 for para. 1615 (Key actions)</p>	<p>(AR 26 and AR 27 amended) The actions taken by the undertaking differ depending on its connection to the impact (causation, contribution, direct linkage), and how it has identified the actions as appropriate for addressing material impacts.</p> <p>This <u>disclosure requirement</u> also applies to key actions to provide for, contribute to, <u>cooperate in</u>, or enable remedy <u>remediation</u> in cases of actual negative impacts. Key actions to prevent, mitigate or remediate impacts encompass <u>include</u> the use of <u>different types of leverage</u> and/or collective actions taken through multi-stakeholder and/or industry initiatives.</p>
<p>AR 86 for para. 1615 (Climate transition)</p>	<p>(9b9(b) amended) The undertaking shall present its actions in a way that allows an understanding of <u>enables users to understand</u> the connections that exist between the interaction of different topics in accordance with Chapters 3.23 and 9.1 of [Draft] Amended ESRS 1- <u>General Requirements</u>. This applies to the measures taken to mitigate negative impacts on affected communities that arise from the transition to a <u>greener, low-carbon and</u> climate neutral <u>resilient</u> economy. In cases where <u>For example</u>, innovation and restructuring occur, this could <u>can</u> lead to mine closures or increased mining of minerals <u>that are</u> needed for the transition to a sustainable economy and solar panel production.</p>

² 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>AR 7 for para. 16 (Human rights incidents)</p>	<p>(New) The human rights incidents 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 substantiated instances of:</p> <p>(a) <u>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</u></p> <p>(b) <u>incidents registered by the undertaking, including those it identified through its internal processes.</u></p>
<p>AR 98 for para. 1716 (Human rights incidents)</p>	<p>(AR 12 amended) When determining the human rights incidents connected with<u>to</u> affected communities, the undertaking shall consider any legal disputes related to land rights and to the free, prior and informed consent (FPIC) of indigenous peoples.</p>
<p>AR 9 for para. 16 (Human rights incidents)</p>	<p>(New) When applying the filter of information materiality (paragraph 23 of ESRS 1 <i>General Requirements</i>) to the information about incidents referred to under paragraph 16, the undertaking's assessment is primarily based on the severity of the impacts on affected communities.</p>
<p>AR 10 for para. 16 (Human rights incidents)</p>	<p>(New) The undertaking is not expected to disclose a list of each human rights incident, and may aggregate the information provided, such as by relevant types of incidents and/or communities affected.</p>
<p>AR 11 for para. 16 (Cross-referencing)</p>	<p>(New) If the undertaking considers that changes in human rights incidents are relevant for understanding the effectiveness and availability of channels to raise concerns or needs, including grievance mechanisms, it may cross-reference paragraph 16 and paragraph 12.</p> <p>(New) The way the undertaking has addressed or is addressing human rights incidents may be cross-referenced to information disclosed in accordance with paragraph 15.</p>

Metrics and Targets

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

17. (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>AR 1012 for para. 1917 (Tracking performance against targets)</p>	<p>In the context of tracking the undertaking's performance against targets, (42(b)(c) amended) Engagement with affected communities, their legitimate representatives, or with credible proxies, can inform its<u>the</u> <u>undertaking's tracking and assessment of the effectiveness of its actions disclosed under paragraph 15(b), including the development of metrics, target-setting and/or tracking of performance against those metrics and targets.</u></p> <p><u>In particular, in relation to the tracking of performance, such engagement can inform the understanding of the effectiveness of its the undertaking's</u></p>
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	management of material negative impacts and the identification of lessons learnt or improvements.
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