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ANNEX 2

ANNEX

to the

Commission Recommendation

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

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 to 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.

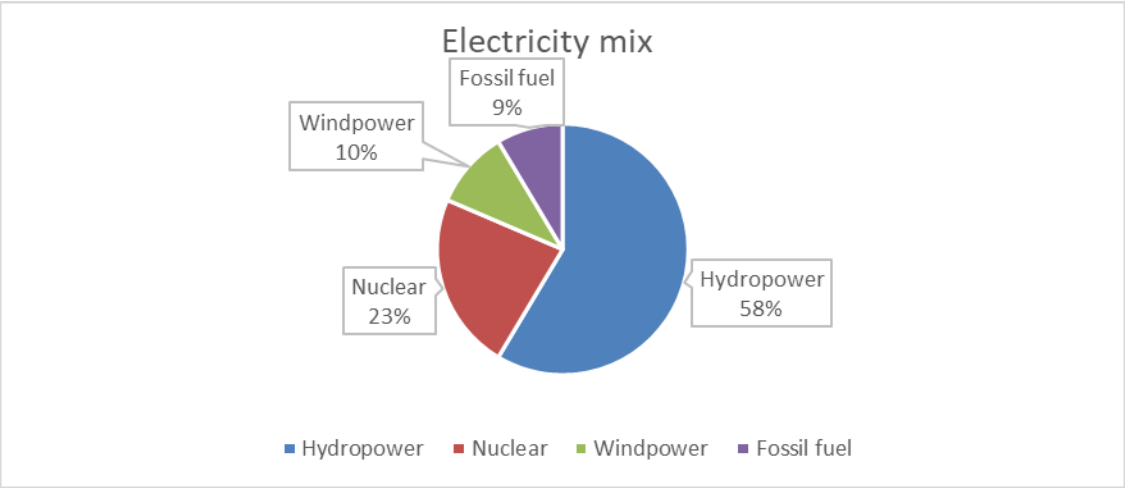
Energy consumption

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**	**Total 202(x) Energy consumption (MWh)**

		Consumption (MWh)	
Electricity (as reflected in utility billings)	300	186	486
Fuels	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, m^3) or mass (e.g. metric tonnes, short tonnes).

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

    (a) obtain the Net Calorific Value (e.g. kJ/metric ton, TJ/Gg) of the fuel (it can be a typical value published by reliable sources, e.g. IPCC, or may be provided by the supplier or attained internally);

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

    $$1\ TJ = 10^{12}\ J = 277.78\ MWh\ ; \qquad 1\ Gg = 10^{9} g = 1{,}000\ t$$

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

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

    $$1{,}245{,}345\ t * 3.31\ MWh/ton = 4{,}117{,}111\ MWh.$$

25. For liquid fuel, the undertakings should:

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

    $$Diesel = 4{,}456{,}000\ l; \qquad Diesel\ density = 0.84\ kg/l$$

    $$4{,}456{,}000\ (l) * 0.84\ (kg/l) = 3{,}743{,}040\ kg = 3{,}743\ t;$$

    (b) calculate the energy content, multiplying mass by Net Calorific Value, for example, 3,743 [t] * 43 [TJ/Gg] = 3,743 t * 43 TJ/(1,000 [t]) = 160.95 [TJ] ; and

    (c) convert TJ to MWh, for example 1 TJ = 10^{12} J = 277.778 MWh

    $$160.95\ [TJ] = 277.78\ [MWh/TJ] * 160.95\ [TJ] = 44{,}708\ MWh.$$

Documentation Source:

Data	*Documentation Source*
CDP	CDP Technical Note: Conversion of fuel data to MWh

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_2e)
Scope 1	45
Scope 2	6
Total	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.

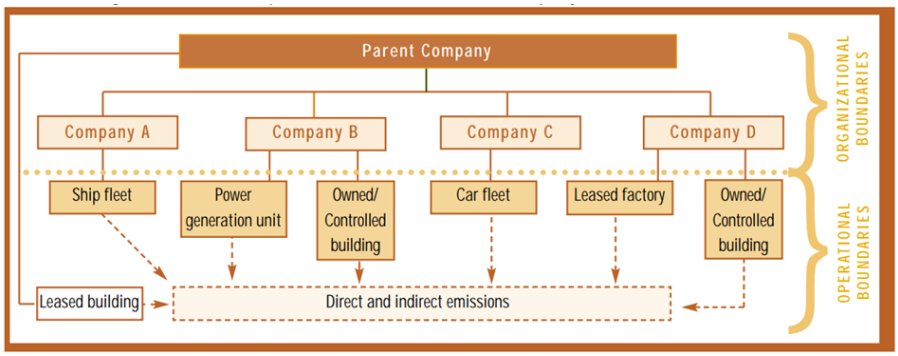
(c) When using the control approach, the undertaking accounts for GHG emissions from operations over which it has either financial or operational control. Companies will use either the operational control or financial control criteria when using this approach to consolidate and capture its emissions 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.

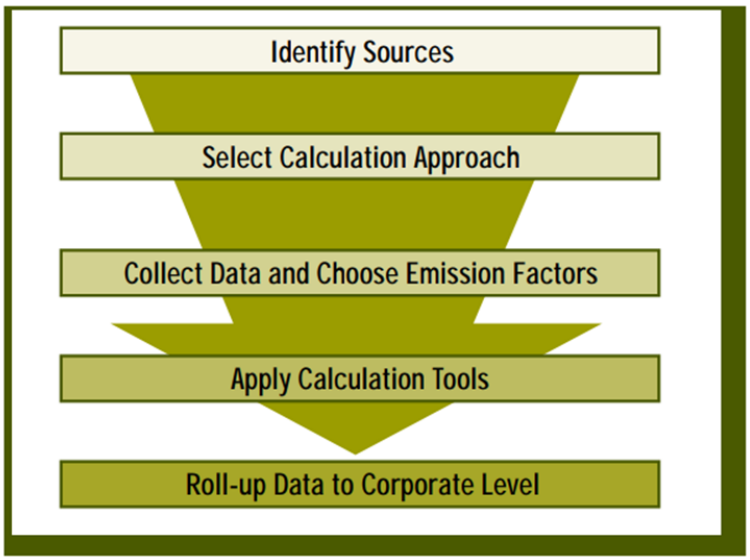
i. Operational control means that an undertaking has operational control over an operation if the former or one of its subsidiaries has full authority to introduce and implement its operating policies at the operation.

(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 CO_2 (as well as CH_4 and N_2O) 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	Details	Necessary data

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

method		
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)

37. The table above introduces the following terms:

    (a) activity data, which typically corresponds to the quantity of fuel consumed. It may be expressed in energy units (e.g. MWh), volume (e.g. m^3 or l) or mass (e.g. tonnes or kg.). These can be accessed by the undertaking by reviewing fuel purchase receipts or utility bills:

    (b) global warming potential, which quantifies the ***impact*** of the given GHG on the climate compared to an equivalent unit of carbon dioxide; and

    (c) 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)	*ADEME – Base Empreinte®* *IPCC – Emissions Factor Database* *IPCC – Guidelines for National Greenhouse Gas Inventories* *Association of Issuing Bodies (AIB) – Residual Mix Grid Emission Factors* *JRC – Historical GHG emissions factor for electricity consumption* *IEA - Annual GHG emission factors for World countries from electricity and heat generation (paid data set)*
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 (m^3) as reflected in their fuel receipts. From the receipts, it determines the annual volumes of fuel oil bought, and it keeps track as well of the fuel oil inventory on the first calendar day of the year. In 2023 it purchased 100 m^3 of fuel oil. Based on its records, on 1 January 2023 it had 2.5 m^3 in its reservoirs, and on 1 January 2024 it had 1 m^3. Thus, it determines (through purchase and measurement of inventory) that during 2023 it consumed 101.5 m^3 of fuel oil.

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 CO_2/TJ, and by using published statistics on energy, determines that its net calorific value of the fuel is 0.03921 TJ/m^3. Given that the CO_2 GWP equals one, its CO_2 emission for this specific Scope 1 source is:

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

42. For the purpose of completeness in this example, the CH_4 and N_2O emissions are also calculated. Checking the IPCC list of emission factors shows that these are, respectively, 3 kg of CH_4/TJ and 0.6 kg of N_2O/TJ, the emissions thus being:

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

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

43. As mentioned, CH4 and N2O emissions add around 1 tCO_2e to the CO_2 value of 301.5 tCO_2, which amounts to about 0.3% of the total. This could be considered well within an acceptable reporting error and so could not have been calculated and reported. Global Warming Potentials for CH_4 and N_2O are derived from the *IPCC's Sixth Assessment Report, Chapter 7SM*.

Example of Scope 2 emission calculation

44. Company A occupies an office building of 2000 m^2 in Paris, where it pays the electricity consumed for the central heating and cooling, lighting, computers and other electric equipment such as appliances. With its utility bills, it has estimated that the building consumed 282 MWh of electricity in 2022. By using an emission factor of 73 g CO_2eq/kWh for France in 2022, it has estimated its Scope 2 emissions for its building electricity consumption to be

$$Emissions_{GHG} = 282\ 000\ [kWh] * 73 \left[\frac{g\ CO_2eq}{kWh}\right] = 20.6\ t\ CO2_2eq$$

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). [3]

[3] 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)
Electricity	Section 4,1
Fuel combustion	Section 4,2
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, Mp is the quantity of material M used in (or produced by) a company's ***value chain*** produced using process p (tonnes, litres); EFk,p is the emission factor for pollutant k for process p (g unit production-1); Emk,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 tonnes of chocolate * 2 (emission factor of NMVOCs) = 3.500 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 FCv,f is the fuel consumption of vehicle type v using fuel f (kg); EFk,v,f is the emission factor for pollutant k for vehicle type v and fuel f (g vehicle-km-1); Emk,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 km * 1,52 = 4.256 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 FCn is the fuel n consumed within the source category (Gj); EFk is the emission factor for this pollutant k (g/Gj); and Emk are emissions of the specific pollutant k (g).

$$E_{mk} = FC_n * EF_k;$$

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 grammes of emissions of SO_2. 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 mgl^{-1} and 2 mgl^{-1}, respectively). COD widely indicates the presence of industrial effluents or sewage, with values that are typically lower than 20 mgl^{-1} in unpolluted waters and industrial wastewaters reaching values of up to 60.000 mgl^{-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 mgl^{-1} in unpolluted waters and 10 mgl^{-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, ARa 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); EFp,a is the emission factor for pollutant p for activity a; and Emissionsp,a are emissions of the specific pollutant p for activity a.

$$Emissions_{p,a} = AR_a * EF_{p,a}$$

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	- consumed machine oils, fuel consumption - vehicle emissions - tyre abrasion (fine dust)	- **soil, water, air pollution** - greenhouse effect, noise
Construction	- primary raw material (resource) consumption - air emissions, noise, vibrations, etc. From construction machinery - land consumption	- raw material availability - noise, **soil, water, air pollution** - destruction of ground cover - biodiversity loss
Office services	- consumption of materials, (e.g. paper, toner) - electricity consumption (leads to indirect CO_2 emissions)	- generation of mixed municipal waste - greenhouse effect
Chemical industry	- primary raw material (resource) consumption - wastewater - emissions of volatile organic compounds	- raw material availability - **water pollution** - photochemical ozone - **destruction of the ozone**

	- emissions of ozone-depleting substances	**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:

Water withdrawal per employee daily (L) = annual water withdrawal (L) / (n. of employees in the whole shared building x 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 1296 m3 (corresponding to 1296000 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:

water withdrawal per employee daily = 1296000 L / (100x240) = 54 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 54Lx25x220 = 297000 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:

Total water withdrawal =
∑(Flow Rate×Number of Uses per Day×Number of Days per Year×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 ∑ 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:

Water consumption = Water Inputs – Water Outputs

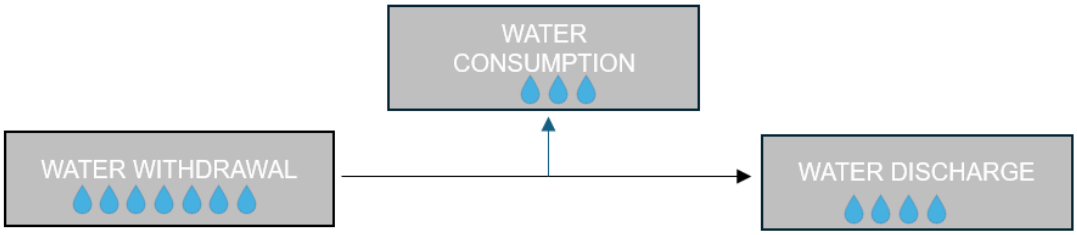
or in other words:

Water consumption = (Water withdrawal) – 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 withdrawal***s 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.

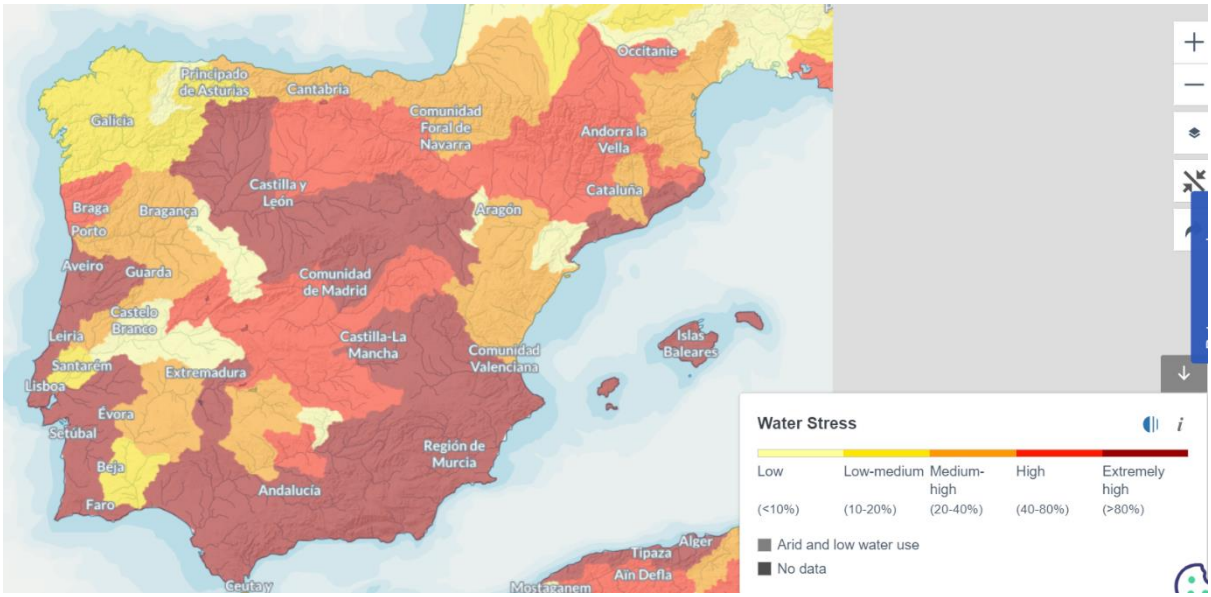
90. Below can be found an example of how undertakings may present quantitative information on their withdrawals, discharges and consumption of water divided by ***site*** location.

	Water withdrawal E.g. m³	**Water consumption** E.g. m³ (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 Andalucia region, which has a significant high-water stress level), the undertaking

would have to disaggregate its ***water consumption*** for that region/water basin. But if its operations take place within the southern part of the Guadiana river basin (where there is low water stress), then it would not be necessary to disaggregate its water consumption for that region/water basin.

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

[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

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.

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

Hazard pictogram	**Pictogram statement,**	**What does it mean?**

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.

	symbol and class	
	**'Gas under pressure'** *Symbol: Gas cylinder* Physical Hazard	• Contains gas under pressure; may explode if heated • Contains refrigerated gas; may cause cryogenic burns or injury
	**'Explosive'** *Symbol: Exploding bomb* Physical Hazard	• 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	• May cause or intensify fire; oxidiser. • May cause fire or explosion; strong oxidiser.
	**'Flammable'** *Symbol: Flame* Physical Hazard	• 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	• May be corrosive to metals • Causes severe skin burns and eye damage
	**'Health hazard/Hazardous to the ozone layer'** *Symbol: Exclamation mark* Health Hazard	• 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
	**'Acute toxicity'** *Symbol: Skulls and Crossbones* Health Hazard	• 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: Health Hazard*	• May be fatal if swallowed and **enters airways** • Causes **damage to organs** • May cause damage to organs • May damage fertility or the unborn child

	Health Hazard	• 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: Environment* Environmental Hazard	• 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			
...			
Hazardous waste			
Type of waste1			
...			

106. Examples of ***hazardous waste*s** 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. m^3) 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.

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

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.

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

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 x 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:

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

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[5] .

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

[5] Examples could include cars, private health insurance, life insurance and wellness programs.

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

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

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.

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

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 CO_2 through photosynthesis) and direct air capture of CO_2 and are typically linked to the subsequent storage of CO_2. 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).

6 SBTI also offers resources for SMEs to set science-based targets.

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.

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.

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

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 CO_2 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.

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

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.