

**[Draft] European Sustainability Reporting Standard G2  
Products and services, management and quality of  
relationships with business partners**

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## **Objective**

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- 1 The objective of this [draft] standard is to specify disclosure requirements for the undertaking to provide information about:
  - (a) products and services; and
  - (b) the management and quality of its business relationships (i.e., relationships with value chain and other relevant business partners).
- 2 This [draft] standard is addressing the above aspects under the area of governance as a key element of the undertaking's sustainable development in general. However, the standard does not deal with specific environmental or social features, which are addressed in the environmental and social [draft] standards; thus, those [draft] standards may have complementary requirements on the aspects listed under paragraph 1.
- 3 The disclosure requirements in this [draft] standard are intended to provide information that enables users to understand and evaluate the undertaking's objectives and operational responses with respect to the aspects listed under paragraph 1 from a sustainability perspective.
- 4 This standard derives from the [draft] CSRD, calling for the sustainability reporting standards to specify requirements for (consolidated) sustainability reporting by undertakings, which shall disclose:
  - (a) a description of the principal actual and adverse impacts connected with the undertaking's value chain, including its products and services and its business relationships, and the indicators relevant to such disclosure;
  - (b) the management and quality of relationships with business partners, including payment practices, as a governance factor.

## **Interaction with other ESRS**

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- 5 The contents of this [draft] standard shall be applied in the context of and in conjunction with [draft] standards ESRS 1 to ESRS 4, as relevant.
- 6 The disclosure requirements in this [draft] standard are complementing those prescribed by [draft] ESRS 1 to ESRS 4 (as regards general provisions, strategy and business model, governance and organisation, and sustainability material impacts, risks and opportunities, respectively) with a view to addressing the objective of this [draft] standard, as stated in paragraph 1.
- 7 This [draft] standard complements the [draft] standards on environmental and social topics ([draft] ESRS E1 to ESRS E5, and [draft] ESRS S1 to ESRS S7) where they prescribe disclosures on the aspects listed in paragraph 1 above with respect to specific environmental or social features. Therefore, this [draft] standard does not itself prescribe disclosures with respect to specific environmental or social features. Where deemed appropriate to provide relevant context, such information on specific environmental or social features can be cross-referenced under this [draft] standard.

- 8 ESRS S7 covers the aspects of the downstream value chain relating to customers and end users; as a consequence, this [draft] standard only covers the other components of the value chain (i.e. upstream and downstream other than customers and end users). The disclosures under [draft] S7 shall be considered as complementary to the disclosures provided under this [draft] standard and be referred to via cross-referencing, where deemed appropriate to provide relevant context. Consequently, throughout this entire [draft] standard, business relationships shall be understood to include relationships with value chain partners (upstream and downstream other than customers and end users) and other relevant business relationships.
- 9 This [draft] standard covers sector-agnostic disclosure requirements. Sector-specific disclosure requirements are prescribed separately and in accordance with the classification specified by [draft] ESRS SEC1.

## **Disclosure requirements**

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### **Specific disclosures for the implementation of [draft] ESRS 1 *General provisions* and ESRS 2 *Strategy and business model***

- 10 Paragraphs 12 to 17 prescribe disclosures that are complementary to the ones required under [draft]:
- (a) ESRS 1 *General provisions* on:
    - (i) strategy and business model (disclosure requirement 2); and
    - (ii) sectors as well as products and services more generally (disclosure requirement 3).
  - (b) ESRS 2 *Strategy and business model* on how sustainability matters interact with, are related to, and inform the strategy and business model of the undertaking (disclosure requirements 7 and 8).
- 11 Disclosure requirement 1 shall be disclosed alongside [draft] ESRS 1 and disclosure requirement 2 shall be disclosed alongside [draft] ESRS 2.

#### *Disclosure requirement 1 – Products and services*

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- 12 **The undertaking shall provide information on its products and services offering to allow an understanding of how its products and services are linked to sustainability impacts, risks and opportunities and to the strategy and business model of the undertaking.**
- 13 *The principle to be followed under this disclosure requirement is to provide an understanding of the undertaking's sustainability profile of products and services offered and its strategy and positioning in this regard.*
- 14 The disclosure required by paragraph 12 shall include:
- (a) A description of the undertaking's products and services from a sustainability perspective, namely:
    - (i) A description of whether the undertaking sells directly and/or contributes to the sale of sustainable products and/or services and a description of the (groups of) products sold and/or services offered that are classified as sustainable;
    - (ii) Products and services that are the subject of stakeholders' concerns, or public debate, including relevant explanations about such concerns; and

- (iii) Products and services that are banned in certain markets, with due reference to the relevant laws and regulations.
- (b) As regards paragraph 14(a)(i), an explanation of how the undertaking defines and classifies products and services as sustainable. In this context, the undertaking shall also disclose:
  - (i) How it engages with customers and, where relevant, other stakeholders, to understand the demand and expectations for sustainable products and services;
  - (ii) How the undertaking takes the Taxonomy Regulation into account in its approach to define and classify products and services as sustainable; and
  - (iii) An explanation of significant changes, if any, in the undertaking's approach to define and classify products and services as sustainable compared to the previous reporting period, including the reason(s) for any such changes.

Disclosure requirement 2 – Business relationships

**15 The undertaking shall provide information on the management of its business relationships and related strategy.**

16 *The principle to be followed under this disclosure requirement is to provide insights on its business relationships from a sustainability perspective and its strategy and positioning in this regard.*

17 The disclosure under paragraph 15 shall include:

- (a) An overview of the undertaking's relevant (groups of) value chain partners (by reference to ESRS 1) and other relevant business partners;
- (b) A description of the undertaking's strategy to manage its relationships with its value chain partners;
- (c) A description of the undertaking's strategy and business model decisions to mitigate sustainability impacts, manage risks and pursue opportunities related to the undertaking's value chain relationships;
- (d) A description of the undertaking's strategy to manage its relationships with other relevant business partners; and
- (e) A description of the undertaking's strategy and business model decisions to mitigate sustainability impacts, manage risks and pursue opportunities related to the undertaking's relationships with other relevant business partners.

**Specific disclosures for the implementation of [draft] ESRS 3 Sustainability governance and organisation and ESRS 4 Sustainability material impacts, risks and opportunities**

18 Paragraphs 20 to 26 shall prescribe disclosures that are complementary to the ones required under [draft]:

- (a) ESRS 3 *Sustainability governance and organisation* on the description by the undertaking of the roles and responsibilities of its governance bodies in relation to sustainability matters (disclosure requirement 1); and
- (b) ESRS 4 *Sustainability material impacts, risks and opportunities* as regards:

- (i) the identification of material sustainability impacts, risks and opportunities (disclosure requirement 1); and
- (ii) the disclosures of entity-specific sustainability impacts, risks and opportunities (disclosure requirements 2 and 3).

19 Disclosure requirement 3 shall be disclosed alongside [draft] ESRS 3 and disclosure requirement 4 shall be disclosed alongside [draft] ESRS 4.

*Disclosure requirement 3 – Involvement of governance bodies on matters related to products and services and business relationships*

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20 **The undertaking shall provide a description of the roles and responsibilities of its governance bodies related to its products and services and its business relationships. The disclosure shall include specific information with regard to sustainability matters.**

21 *The principle to be followed under this disclosure requirement is to provide an understanding of the governance set-up as regards products and services and business relationships.*

22 The disclosure required by paragraph 20 shall include information about the roles and responsibilities throughout an undertaking's organisation, from its highest governance bodies to its executive and main operational levels as regards products and services with a specific focus on sustainability matters (i.e. not products and services in general) and business relationships.

23 The undertaking shall also identify any aspects covered by this [draft] standard that do not fall within the scope of its governance processes and explain the relevant rationale.

*Disclosure requirement 4 – Material sustainability impacts, risks and opportunities related to products and services and business relationships*

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24 **The undertaking shall provide information on the outcome of its assessment of the sustainability impacts, risks and opportunities related to its products and services and its business relationships.**

25 *The principle to be followed under this disclosure requirement is to provide information on the material sustainability impacts, risks and opportunities related to the products and services and the business relationships of the undertaking.*

26 The disclosure required by paragraph 24 shall be based on the outcome of the processes prescribed by disclosure requirement 1 of [draft] ESRS 4 as applied to identify and assess the sustainability material impacts, risks and opportunities related to the undertaking's products and services and its business relationships.

**Policies, targets, action plans and resources**

27 Paragraphs 28 to 50 prescribe disclosures that shall be provided in accordance with the disclosure principles laid out in [draft] ESRS 1 *General Provisions*, namely which contains the three disclosure principles on policies (disclosure principle 1), targets (disclosure principle 2), and action plans and resources (disclosure principle 3).

*Disclosure requirement 5 – Policies related to products and services*

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28 **The undertaking shall disclose the policies implemented for managing material sustainability matters in relation to its products and services.**



- 29 *The principle to be followed under this disclosure requirement is to provide an understanding of the extent of the undertaking's policies that address the identification, management or remedy of sustainability matters linked to its products and services offering.*
- 30 The disclosure required by paragraph 28 shall be made in accordance with disclosure principle 1 of [draft] ESRS 1.
- 31 The disclosures to be made in accordance with disclosure principle 1 of [draft] ESRS 1 shall cover information on the following policies by the undertaking, if applicable:
- (a) Its policy to promote sustainable products and services (as disclosed in accordance with paragraph 14(a)(i)) including a description of how it innovates with regard to sustainability matters to expand or improve its offering of sustainable products and services; and
  - (b) Its policy with respect to products and services that are the subject of stakeholder concerns or public debate and/or that are banned in certain markets, if any (as disclosed in accordance with paragraphs 14(a)(ii) and 14(a)(iii), respectively).
- 32 If the undertaking cannot disclose the above required information because it has not adopted one or more respective policies and/or objectives as outlined in ESRS 1, it may disclose this to be the case and provide reasons for not having adopted such a policy and/or objectives.

*Disclosure requirement 6 – Policies related to business relationships*

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- 33 **The undertaking shall disclose the policies implemented for managing material sustainability matters in relation to the management and quality of its business relationships.**
- 34 *The principle to be followed under this disclosure requirement is to provide an understanding of the extent to which the undertaking has policies that address the management and quality of its business relationships and the identification, management or remedy of sustainability matters linked to its business relationships.*
- 35 The disclosure required by paragraph 33 shall be made in accordance with disclosure principle 1 of [draft] ESRS 1.
- 36 If the undertaking cannot disclose the above required information, because it has not adopted a policy and/or objectives as outlined in ESRS 1, it may disclose this to be the case and provide reasons for not having adopted such a policy and/or objectives.

*Disclosure requirement 7 – Measurable targets related to products and services*

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- 37 **The undertaking shall disclose any outcome-oriented targets related to reducing negative sustainability impacts and/or advancing positive impacts, and/or managing material sustainability risks and opportunities related to its products and services.**
- 38 *The principle to be followed under this disclosure requirement is to provide an understanding of the extent to which the undertaking is using targets to drive and measure progress in addressing negative impacts and mitigating risks, and/or advancing positive impacts and leveraging opportunities, with respect to the sustainability footprint of its products and services.*

- 39 The disclosure required by paragraph 37 shall be made in accordance with disclosure principle 2 of [draft] ESRS 1.
- 40 Where applicable, the undertaking shall also disclose the process for setting the targets, including whether and how the undertaking engaged directly with relevant stakeholders or with credible proxies that have insight into their situation, in:
- (a) Setting any such targets;
  - (b) Tracking the undertaking's performance against them; and
  - (c) Identifying any lessons or improvements as a result of the undertaking's performance.

Disclosure requirement 8 – Measurable targets related to business relationships

- 41 **The undertaking shall disclose any outcome-oriented targets related to reducing negative impacts and/or advancing positive impacts, and/or managing material risks and opportunities linked to the management and quality of its business relationships.**
- 42 *The principle to be followed under this disclosure requirement is to provide an understanding of the extent to which the undertaking is using targets to drive and measure progress in addressing negative impacts and mitigating risks, and/or advancing positive impacts and leveraging opportunities, with respect to the quality and management of its business relationships.*
- 43 The disclosure required by paragraph 41 shall be made in accordance with disclosure principle 2 of [draft] ESRS 1.
- 44 Where applicable, the undertaking shall also disclose the process for setting the targets, including whether and how the undertaking engaged directly with its value chain and other relevant business partners or with credible proxies that have insight into their situation, in:
- (a) Setting any such targets;
  - (b) Tracking the undertaking's performance against them; and
  - (c) Identifying any lessons or improvements as a result of the undertaking's performance.

Disclosure requirement 9 – Action plans related to products and services

- 45 **The undertaking shall describe its approach to taking actions to ensure the achievement of the policy objectives and sustainability-related targets related to the sustainability profile of its products and services, and how it assesses effectiveness of the actions.**
- 46 *The principle to be followed under this disclosure requirement is to provide an understanding of the key actions taken and planned to achieve the sustainability-related targets related to the undertaking's products and services.*
- 47 The disclosure required by paragraph 45 shall be made in accordance with disclosure principle 3 of [draft] ESRS 1.

Disclosure requirement 10 – Action plans related to business relationships

- 48 **The undertaking shall describe its approach to taking actions to ensure the achievement of the policy objectives and targets related to its business relationships, and how it assesses the effectiveness of those actions.**



- 49 *The principle to be followed under this disclosure requirement is to provide an understanding of the key actions taken and planned to achieve the targets related to the management and quality of the undertaking's business relationships.*
- 50 The disclosure required by paragraph 48 shall be made in accordance with disclosure principle 3 of [draft] ESRS 1.

### **Performance measures**

#### Disclosure requirement 11 – Sustainability of products and services

- 51 **The undertaking shall provide information relating to the sustainability profile of its products and services.**
- 52 *The principle to be followed under this disclosure requirement is to provide an understanding of the sustainability footprint of the undertaking's products and services.*
- 53 The disclosure required by paragraph 51 shall complement the information provided under disclosure requirement 1 of this [draft] standard and shall include the following information:
- (a) The turnover generated from its sustainable products and services (as disclosed under paragraph 14(a)(i)); and
  - (b) The percentage of turnover generated from sustainable products and services (as disclosed under paragraph 14(a)(i)).

#### Disclosure requirement 12 – Health and safety of products and services

- 54 **The undertaking shall provide information relating to the health and safety of its products and services.**
- 55 *The principle to be followed under this disclosure requirement is to provide an understanding of the performance of the undertaking's products and services in terms of health and safety and non-compliance incidents.*
- 56 The disclosure required by paragraph 54 shall include the following information:
- (a) percentage of significant products and services categories for which health and safety impacts are assessed for improvement; and
  - (b) total number of incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period, by:
    - (i) incidents of non-compliance with regulations resulting in a fine or penalty;
    - (ii) incidents of non-compliance with regulations resulting in a warning; and
    - (iii) incidents of non-compliance with voluntary codes.
- 57 With respect to paragraph 56(b), if the undertaking has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact shall be provided.

*Disclosure requirement 13 – Product recalls and service discontinuance or amendments*

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**58 The undertaking shall provide information on product recalls issued and services discontinued or amended on account of non-compliance with laws and regulations or due to stakeholder concerns.**

59 *The principle to be followed under this disclosure requirement is to provide an understanding of the instances in which the undertaking had to modify its products and services offering as a consequence of non-compliance with applicable laws and regulations, or due to concerns (including sustainability-related) expressed by stakeholders.*

60 The disclosure required by paragraph 58 shall include:

- (a) The number of product recalls issued;
- (b) The number of services discontinued or amended on account of non-compliance with laws and regulations or due to stakeholder concerns; and
- (c) Complementary information necessary to provide sufficient context, at least including the reasons for the occurrence of the product recalls and/or service discontinuances or amendments.

*Disclosure requirement 14 – Innovation on sustainability of products and services*

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**61 The undertaking shall provide information on its efforts to expand and/or improve the sustainability profile of its products and services.**

62 *The principle to be followed under this disclosure requirement is to provide an understanding of the degree to which the undertaking innovates from a general as well as sustainability perspective, regarding its products and services offering.*

63 The disclosure under paragraph 61 shall include:

- (a) The total R&D expenses related to the undertaking's sustainable products and services (as disclosed under paragraph 14(a)(i)); and
- (b) Complementary information necessary to provide sufficient context.

*Disclosure requirement 15 – Quality of relationships with business partners*

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**64 The undertaking shall provide information on the quality of its relationships with its value chain and other relevant business partners.**

65 *The principle to be followed under this disclosure requirement is to provide insights on the quality of its value chain and business relationships.*

66 The disclosure under paragraph 64 shall include:

- (a) The average time the undertaking takes to pay an invoice in number of days;
- (b) Details about the undertaking's standard contractual payment terms in number of days; and
- (c) Complementary information necessary to provide sufficient context.

## Appendix A: Defined terms

This appendix is integral part of the [draft] ESRS G2 *Products and services, management and quality of relationships with business partners*

<b>Business partner</b>	Entity with which the undertaking has some form of direct and formal engagement for the purpose of meeting its business objectives. It does not include subsidiaries and affiliates that an undertaking controls.
<b>Business relationship</b>	Relationship that the undertaking has with business partners, entities in its value chain including those beyond the first tier, and any other entities directly linked to its operations, products, or services. For this standard it also includes other relevant business relationships.  [Examples of other entities directly linked to the undertaking's operations, products, or services are a non-governmental undertaking with which the undertaking delivers support to a local community, or state security forces that protect the undertaking's facilities.]
<b>Customer</b>	A party that has contracted with the undertaking to obtain goods or services that are an output of the undertaking's ordinary activities in exchange for consideration.
<b>Downstream entity</b>	Entity that receives products or services from the undertaking.
<b>Governance body</b>	See Highest governance body.
<b>Highest governance body</b>	Governance body with the highest decision-making authority in the undertaking. In some jurisdictions, governance systems consist of two tiers, where supervision and management are separated or where local law provides for a supervisory body drawn from non-executives to oversee an executive management body. In such cases, both tiers are included under the definition of highest governance body.
<b>Other relevant business parties</b>	Those entities with whom the undertaking has relationships that are not described as part of its value chain. See also Other relevant business relationships.
<b>Other relevant business relationships</b>	These include relationships that the organization has with entities that are not described as part of its value chain. These may include business partners (e.g. joint ventures) and other entities directly linked to the organization's operations, products, or services (for examples, see the note in the definition of 'business relationships').
<b>Supplier</b>	Undertaking that provides a product or service that is used in the development of the undertaking's own products or services. It includes producers, processors, traders, and manufacturers.

<b>Supply chain</b>	Range of activities carried out by entities upstream from the undertaking, which provide products or services that are used in the development of the undertaking's own products or services. The scope of an undertaking's supply chain may extend to multiple levels of supply, e.g. component suppliers and the suppliers of raw materials used to produce those components.
<b>Upstream entity</b>	Entity that provides products or services used in the development of the undertaking's own products or services.
<b>Value chain</b>	<p>Range of activities carried out by the undertaking, and by entities upstream and downstream from the undertaking, to bring the undertaking's products or services from their conception to their end use. Entities upstream from the undertaking (e.g., suppliers) provide products or services that are used in the development of the undertaking's own products or services. Entities downstream from the undertaking (e.g., distributors, customers) receive products or services from the undertaking. Entities in the value chain include entities beyond the first tier, both upstream and downstream.</p> <p>The value chain includes the supply chain.</p>

## Appendix B: Application Guidance

This appendix is an integral part of the [draft] ESRS G2 *Products and services, management and quality of relationships with business partners*. It describes how to apply the disclosure requirements set forth in paragraphs 10 to 66 and has the same authority as the other parts of the [draft] standard. More specifically, it provides further background information on what should be disclosed and describes how it should be disclosed.

### Disclosure requirement 1 – Products and services

- AG1 Disclosures under disclosure requirement 1 will differ across sectors, but also across undertakings within sectors given the entity-specific context. This disclosure requirement is described in rather general terms in order to accommodate undertakings across all sectors and allow them to report information relevant for users in the best possible format.
- AG2 As such, no specific requirements on how to disclose / the disclosure format are proposed. However, the disclosures under disclosure requirement 1 are expected to (primarily) be of narrative nature.
- AG3 Disclosure requirement 3 of [draft] ESRS 1 requires disclosing a description of the groups of significant products or services the undertaking offers as well as an analysis of total revenues. The undertaking may refer and link to information provided under [draft] ESRS 1, as relevant. For example, if a group of products or services described under [draft] ESRS 1 is considered as sustainable in its entirety, rather than repeating the description under paragraph 14(a)(i), the undertaking may include a cross-reference to [draft] ESRS 1.
- AG4 The level of granularity of the descriptions under paragraph 14 should allow for an understanding of the sustainability profile of the undertaking's products and services offering. The following guidance applies in this respect:
- (a) Where appropriate, undertakings may consider groups of products and services.
  - (b) The materiality assessment should not only be based on the current status quo, e.g. the products' and services' current revenue contributions (as e.g. a new sustainable product that does not yet generate high revenues could do so in the future; similarly, a new product can be the subject of public debates or market bans).
  - (c) As to the products and services referred to under paragraphs 14(a)(ii) and 14(a)(iii), the disclosures shall focus on information that is relevant in the entity-specific context from the sustainability perspective. When preparing such disclosures, the undertaking shall consider the actual and potential adverse impacts and/or risks associated with the respective concern, public debate or ban from a double materiality perspective.
  - (d) As to the products and services referred to under paragraphs 14(a)(ii), the undertaking shall consider the following in preparing the information:
    - (i) Whether the concerns are specific to a particular stakeholder or are shared by others;
    - (ii) Whether they are significant in terms of actual or potential adverse impacts (including severity and likelihood);
    - (iii) Whether the concerns or public debates arises for the entire sector or they are specific to the undertaking's products and services offering; and



(iv) Whether the concerns or public debates persist over years.

AG5 As an illustration of AG4(c) and AG4(d), in preparing the information required by paragraphs 14(a)(ii) and 14(a)(iii), the following guidance applies:

- (a) Where concerns have been raised that are specific to a particular stakeholder and neither material in nature nor shared by others, no disclosure is needed.
- (b) Where concerns or public debates arise for the entire sector and persist over years, but they are not specific to the undertaking's products and services offering, no detailed disclosure may be needed. This decision shall, among others, depend on the risks associated with the respective concern or public debate and be taken from a double materiality perspective.
- (c) Where an undertaking is subject to strict regulation as a consequence of potential sustainability-related concerns given its products and services offering and it is fully compliant, a short description of the circumstances and statement to this effect may be sufficient.
- (d) Where concerns or public debates arise that products or services may violate Standards, Treaties or Conventions endorsed in the EU (e.g. CITES, ILO, CETS 198, Anti-Personnel Landmines Convention) or have in fact done so, this shall be disclosed.
- (e) Where products or services are banned from one or more markets, this shall be disclosed. However, where there have been no changes in this respect and the undertaking, therefore, has not offered products and services in those markets, the level of detail can be limited.
- (f) Where products or services are banned from one or more markets for reasons not related to environmental, social or governance matters, a short description of the circumstances and statement on this fact is sufficient.

AG6 In assessing whether products or services are subject of stakeholder concerns for the purpose of paragraph 14(a)(ii), the undertaking shall consider inputs received in the context of stakeholder dialogue. It shall describe stakeholders' positions and concerns, if relevant.

AG7 Paragraph 14(a)(i) requires the undertaking to provide information on the products and services it considers as sustainable. This disclosure shall reflect the undertaking's entity-specific definition, including an explanation of how the undertaking defines and classifies products and services as sustainable. When determining such a definition, the undertaking should consider environmental, social, and governance aspects, as appropriate. Where a product, for example, is deemed as sustainable from an environmental perspective (e.g. an electronic car insurance product or renewable energy offered to customers), it should be classified as such only if the assessment of social and governance perspectives do not suggest otherwise.

AG8 Paragraph 14(b), besides an explanation that shall be sufficiently detailed for users to be able to understand the entity-specific approach and compare it with other entities' approaches, requires further disclosures regarding the undertaking's approach to define and classify products and services as sustainable:

- (a) First, the disclosures shall reflect to what extent the approach is driven by customers' and, potentially, other relevant stakeholders' demands.

- (b) Second, the disclosures shall reflect to what extent the approach is compatible with the Taxonomy Regulation. While deviations from the Taxonomy Regulation are generally possible (e.g. wherever a limited scope or too narrow rationale at activity-level applies or the activity-level approach cannot clearly be translated to the product- or service-level), deviations from common principles as regards environmental sustainability as per the Taxonomy Regulation shall be disclosed. For example, additional information shall be provided in the case that:
- (i) Compliance with minimum social safeguards in the manufacturing of a product is not assessed, but the product is nonetheless considered as sustainable;
  - (ii) A product is considered as sustainable due to a positive impact on one environmental dimensions, yet without assessing potential adverse impacts on other sustainability dimensions.

The information on such deviations shall be sufficiently detailed for users to be able to assess the appropriateness of the entity-specific approach.

- AG9 Any disclosures related to the undertaking's sustainable products and services offering, provided under [draft] ESRS G2 or another [draft] ESRS, shall be based on the undertaking's approach to define and classify products and services as sustainable disclosed in accordance with paragraph 14(a)(i) for consistency purposes.

#### *Disclosure requirement 2 – Business relationships*

- AG10 Disclosures on the business relationships with value chain partners and other relevant business relationships provided under disclosure requirement 2 will differ across sectors, but also across undertakings within sectors given the entity-specific context and respective relevant sustainability matters.
- AG11 As such, no specific requirements on how to disclose / the disclosure format are proposed; rather, this will depend on the entity-specific context. However, the disclosures under disclosure requirement 2 are expected to (primarily) be of narrative nature.
- AG12 Disclosure requirement 4 of [draft] ESRS 1 requires disclosing a description of key participants in the upstream and downstream value chain as well as information on the characteristics of the undertaking's relationship with end-users of products and services. The undertaking may refer and link to information provided under [draft] ESRS 1, as relevant. For example, when describing the strategy to manage relationships with a certain group of value chain partners, the disclosure shall focus on the relationship aspect. To the extent that the description of the group provides necessary context, it would not need to be repeated under paragraph 17(b), rather the undertaking may include a cross-reference.
- AG13 For the purposes of this disclosure requirement, downstream value chain relationships include the relationships with the undertaking's beneficiaries, but exclude the undertakings' customers and end users (see paragraph 8).
- AG14 Regarding paragraph 17(a), the following shall be considered:
- (a) As regards value chain partners, the relevant groups of value chain partners should be listed by reference to [draft] ESRS 1, disclosure requirement 3, yet without repeating detailed information provided under [draft] ESRS 1.

- (b) As regards other relevant business partners, the undertaking is not required to provide a detailed description of all its other relevant business partners. Details shall be provided to the extent necessary to fulfil the disclosure principle. To the extent possible, the information shall be provided at the level of groups of other relevant business partners. The undertaking shall at least report the types of entities and partnerships and the nature of the relationships (e.g. joint venture).

AG15 As to its relationship management with value chain partners (paragraph 17(b)), the undertaking shall include the following information:

- (a) The nature of its business relationships with its suppliers (e.g. long-term or short-term, contractual or non-contractual, project-based or event-based);
- (b) How the relationships with suppliers (and different types thereof) are managed (e.g. communication channels, roles and responsibilities, frequency);
- (c) The nature of its business relationships with the downstream entities (e.g. long-term or short-term, contractual or non-contractual, project-based or event-based); and
- (d) How the relationships with downstream entities (and different types thereof) are managed (e.g. communication channels, roles and responsibilities, frequency, grievance mechanisms).

AG16 As to its strategy and business model decisions to mitigate impacts, manage risks and pursue opportunities with value chain partners (paragraph 17(c)), the undertaking shall include the following information:

- (a) The sector-specific characteristics of its supply chain (e.g. labour-intensive) (potentially, by reference to [draft] ESRS 1);
- (b) The geographic location of its key suppliers (potentially, by reference to [draft] ESRS 1);
- (c) The types of activities related to the undertaking's products and services carried out by its suppliers (e.g. manufacturing, providing consulting services) (potentially, by reference to [draft] ESRS 1);
- (d) Cross-references to information on the relevant sustainability impacts, risks and opportunities related to those relationships (provided under [draft] ESRS 4 or disclosure requirement 4 of this [draft] standard);
- (e) Information on how the sustainability impacts, risks and opportunities related to the undertaking's relationships with suppliers are being monitored and addressed in the undertaking's strategy or business model decisions (potentially, by reference to disclosure requirements 6 and/or 10 on policies and action plans of this [draft] standard, as relevant);
- (f) The sector-specific characteristics of its downstream value chain (potentially, by reference to [draft] ESRS 1);
- (g) The geographic location of the key downstream entities (potentially, by reference to [draft] ESRS 1);
- (h) The types of activities related to the undertaking's products and services carried out by the downstream entities (e.g. manufacturing, wholesale, retail) (potentially, by reference to [draft] ESRS 1);
- (i) Cross-references to information on the relevant sustainability impacts, risks and opportunities related to those relationships (provided under [draft] ESRS 4 or disclosure requirement 4 of this [draft] standard); and

- (j) Information on how the sustainability impacts, risks and opportunities related to the undertaking's relationships with downstream entities are being monitored and addressed in the undertaking's strategy or business model decisions (potentially, by reference to disclosure requirements 6 and/or 10 on policies and action plans of this [draft] standard, as relevant).

AG17 As to its relationship management with other relevant business partners (paragraph 17(d)), the undertaking shall include the following information:

- (a) The nature of its business relationships with its other relevant business partners (e.g. long-term or short-term, contractual or non-contractual, project-based or event-based); and
- (b) How the relationships with other relevant business partners (and different types thereof) are managed (e.g. communication channels, roles and responsibilities, frequency).

AG18 As to its strategy and business model decisions to mitigate impacts, manage risks and pursue opportunities with other relevant business partners (paragraph 17(e)), the undertaking shall include the following information:

- (a) The sector-specific characteristics of its other relevant business partners (e.g. labour-intensive);
- (b) The geographic location of its other relevant business partners;
- (c) The types of activities related to the undertaking's business activities carried out by its other relevant business partners;
- (d) Cross-references to information on the relevant sustainability impacts, risks and opportunities related to those relationships (provided under [draft] ESRS 4 or disclosure requirement 4 of this [draft] standard);
- (e) Information on how the sustainability impacts, risks and opportunities related to the undertaking's relationships with other relevant business partners are being monitored and addressed in the undertaking's strategy or business model decisions (potentially, by reference to disclosure requirements 6 and/or 10 on policies and action plans of this [draft] standard, as relevant);

AG19 As regards disclosure requirement 2, the level of granularity of the descriptions shall be sufficiently detailed to allow for an understanding of the nature and quality of the relationships with (different) business partners, how they are managed, and how the relationship management differs across different types of business partners. The chosen granularity shall reflect the actual approach taken by the undertaking. For example, where the set-up for relationship management with a certain group of business partners is essentially equivalent for all underlying business partners, the disclosures shall be made at the level of this group. Where the set-up differs significantly within this group of business partners across geographical areas, more granular disclosures at the level of geographical areas may be needed, if material.

*Disclosure requirement 3 – Involvement of governance bodies on matters related to products and services and business relationships*

AG20 The information to be disclosed under paragraph 20 shall be disclosed in accordance with disclosure requirement 1 of [draft] ESRS 3. Accordingly, no specific proposals on the disclosure format or application guidance were developed. The disclosures are expected to (primarily) be of narrative nature.

AG21 Where this information has already been addressed by the requirements of another [draft] standard (e.g. as the governance set-up is equivalent across different topics or sustainability matters), repetition is not required. Instead, a cross-reference shall be included and only additional information shall be presented under this [draft] standard.

*Disclosure requirement 4 – Material sustainability impacts, risks and opportunities related to products and services and business relationships*

AG22 The information to be disclosed under paragraph 24 shall be disclosed in accordance with disclosure requirements 2 and 3 of [draft] ESRS 4. Accordingly, no specific proposals on the disclosure format or application guidance were developed. While the disclosures are expected to at least partly be of narrative nature, quantitative indicators and scenario analyses are deemed as highly useful for users.

AG23 Where this information has already been addressed by the requirements of another [draft] standard, for instance because the sustainability impacts, risks and opportunities arising with respect to products and services relate to specific social and/or environmental dimensions or features, repetition is not required. Instead, a cross-reference shall be included and only additional information shall be presented under this [draft] standard.

*Disclosure requirement 5 – Policies related to products and services*

AG24 The disclosure required by paragraph 28 shall be made in accordance with disclosure principle 1 of [draft] ESRS 1. Accordingly, no specific proposals on the disclosure format or application guidance were developed. The disclosures are expected to (primarily) be of narrative nature.

AG25 In its descriptions of the policies under paragraph 31(a), the undertaking needs to clarify which sustainable product(s) or service(s) a policy refers to, to enable users to evaluate the appropriateness of the policies in light of what was reported under paragraph 14(a)(i).

AG26 As regards paragraph 31(a), such policies could, for example, be policies to promote sustainable products and services to customers (e.g. specific policy commitment to engage with customers) or public policy commitments to sustainability related to products and services. While these may be specific to one or more particular environmental or social matters, undertakings are not required to provide a complete overview under this Standard regarding policies related to particular environmental or social matters to avoid overlaps to information provided under other [draft] standards.

AG27 As regards the second part of paragraph 31(a), the description could, for example, include innovation on a process set up to collect improvement proposals on sustainable products and services.

AG28 Under paragraph 31(b), in its descriptions, the undertaking shall reference the products or services to the specified policy, to enable users to evaluate the appropriateness of the policies in light of what was reported under paragraphs 14(a)(ii) and 14(a)(iii).

AG29 Where this information has already been addressed by the requirements of another [draft] standard, for instance because a policy addresses specific social and/or environmental dimensions or features of products and services, repetition is not required. Instead, a cross-reference shall be included and only additional information shall be presented under this [draft] standard.



*Disclosure requirement 6 – Policies related to business relationships*

- AG30 The disclosure required by paragraph 33 shall be made in accordance with disclosure principle 2 of [draft] ESRS 1. Accordingly, no specific proposals on the disclosure format or application guidance were developed. The disclosures are expected to (primarily) be of narrative nature.
- AG31 In its descriptions of the policies under paragraph 33, the undertaking needs to clarify which business partners a policy refers to, to enable users to evaluate the appropriateness of the policies in light of what was reported under disclosure requirements 2 and 4 of this [draft] standard.

*Disclosure requirement 7 – Measurable targets related to products and services*

- AG32 The disclosure required by paragraph 37 shall be made in accordance with disclosure principle 2 of [draft] ESRS 1. Accordingly, no specific proposals on the disclosure format or application guidance were developed. disclosures are expected to (primarily) be of quantitative nature.
- AG33 If an undertaking sets one or more targets to improve with view to its sustainability profile as disclosed under disclosure requirement 1 of this [draft] standard, e.g. its sustainable products and services offering (e.g. increase range of offering, increase share of turnover, increase market shares of sustainable product(s) or service(s)), the disclosures should refer to the information provided under disclosure requirement 1 of this [draft] standard, as relevant.
- AG34 If an undertaking sets one or more targets to improve with view to its sustainability impacts, risks and opportunities as relates to its products and services, the disclosures should refer to the information provided under disclosure requirement 4 of this [draft] standard or under disclosure requirements 2 and 3 of [draft] ESRS 4, as relevant.

*Disclosure requirement 8 – Measurable targets related to business relationships*

- AG35 The disclosure required by paragraph 41 shall be made in accordance with disclosure principle 2 of [draft] ESRS 1. Accordingly, no specific proposals on the disclosure format or application guidance were developed. The disclosures are expected to (primarily) be of quantitative nature.
- AG36 If an undertaking sets one or more targets to improve with view to its quality and/or management of its business relationships as disclosed under disclosure requirements 2 and 15 of this [draft] standard (e.g. contractual payment terms), the disclosures should refer to the information provided under those disclosure requirements and specify the relevant business partner (sub-)group, as relevant.
- AG37 If an undertaking sets one or more targets to improve with view to its sustainability impacts, risks and opportunities as relates to its business relationships, the disclosures should refer to the information provided under disclosure requirement 4 of this [draft] standard or under disclosure requirements 2 and 3 of [draft] ESRS 4, as relevant.

*Disclosure requirement 9 – Action plans related to products and services*

- AG38 The disclosure required by paragraph 45 shall be made in accordance with disclosure principle 3 of [draft] ESRS 1. Accordingly, no specific proposals on the disclosure format or application guidance were developed.

- AG39 The disclosures under paragraph 45 could, for example, include the description of a complaint or monitoring process to be implemented to improve the health and/or safety of products and services as well as the different actions undertaken in this regard and respective timeline (among others).

*Disclosure requirement 10 – Action plans related to business relationships*

- AG40 The disclosure required by paragraph 48 shall be made in accordance with disclosure principle 3 of [draft] ESRS 1. Accordingly, no specific proposals on the disclosure format or application guidance were developed.
- AG41 The disclosures under paragraph 48 could, for example, include the description of a complaint or monitoring process to be implemented to improve the quality of relationships with (a sub-group) of suppliers.

*Disclosure requirement 11 – Sustainability of products and services*

- AG42 Other than the quantitative metrics required under this disclosure requirement, an undertaking can choose the most appropriate disclosure format (e.g., embedding quantitative metrics in narrative section tabular form).
- AG43 To the extent relevant, the metric shall be accompanied by:
- (a) the methodologies and significant assumptions used to compute the metric;
  - (b) any changes underlying methodologies and assumptions during the reporting period as compared to the previous reference period with an explanation of the rationale for those changes and their effect on comparability; and
  - (c) any further contextual information needed by users to understand and correctly interpret the metric.

*Disclosure requirement 12 – Health and safety of products and services*

- AG44 Quantitative metrics shall be provided under paragraph 54, unless paragraph 57 applies. Undertakings can choose the disclosure format deemed as most appropriate (e.g. embedding quantitative metrics in narrative section, tabular form).

*Disclosure requirement 13 – Product recalls and service discontinuance or amendments*

- AG45 In the context of this [draft] standard, a discontinuance or amendment due to non-compliance such as with regulations or codes of conduct would be considered as equivalent to a product recall. In a similar vein, a discontinuance or amendment due to stakeholders concerns such as regarding data privacy would be considered as equivalent to a product recall.
- AG46 For the purpose of paragraph 60(c), the reasons for the occurrence of the product recalls and service discontinuances or amendments shall be disclosed as a minimum.
- AG47 To provide further context, the undertaking can provide further information such as, the proportion of revenues affected by product recalls or service discontinuance or amendments.

AG48 The accompanying information as required under paragraph 60(c) shall be provided in a manner to fulfil the qualitative characteristics, where the format would depend on the nature of the requirement. Therefore, the reasons for the occurrence of the product recalls and service discontinuances or amendments would generally need to be explained in a narrative form. However, other information, e.g. the number of total products or services or the proportion of revenues affected by product recalls or service discontinuance or amendments (if disclosed), would require a numerical value.

*Disclosure requirement 14 – Innovation on sustainability of products and services*

AG49 For the purpose of disclosure requirement 14, a quantitative metric shall be provided. Other than that, undertakings can choose the disclosure format they deem as most appropriate (e.g. embedding quantitative metrics in narrative section, tabular form).

AG50 To the extent relevant, the metric shall be accompanied by:

- (a) the methodologies and significant assumptions used to compute the metric;
- (b) any changes underlying methodologies and assumptions during the reporting period as compared to the previous reference period with an explanation of the rationale for those changes and their effect on comparability; and
- (c) any further contextual information needed by users to understand and correctly interpret the metric.

*Disclosure requirement 15 – Quality of relationships with business partners*

AG51 For the purpose of disclosure requirement 15, two quantitative metrics shall be provided. Other than that, undertakings can choose the disclosure format they deem as most appropriate (e.g. embedding quantitative metrics in narrative section, tabular form).

AG52 To the extent relevant, the metrics shall be accompanied by:

- (a) the methodologies and significant assumptions used to compute the metric;
- (b) any changes underlying methodologies and assumptions during the reporting period as compared to the previous reference period with an explanation of the rationale for those changes and their effect on comparability; and
- (c) any further contextual information needed by users to understand and correctly interpret the metric.

AG53 As regards the quality of business relationships, this disclosure requirement complements [draft] ESRS 1 which requires disclosures on the characteristics of the undertaking's relationship with end-users of products and services as part of disclosure requirement 3, to the extent that end-users are business partners (e.g. in a B2B business model).