EXPOSURE DRAFT

ESRS E2
Pollution

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PTF-ESRS
Project Task Force on European sustainability reporting standards

EFRAG
[Draft] ESRS E2 Pollution

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[DISCLAIMER]

[Draft] ESRS E2 Pollution is set out in paragraphs 1–36 and Appendices A: Defined terms and B: Application requirements. All the paragraphs including Appendices A and B, have equal authority. Each Disclosure Requirement is stated in a bold paragraph and has a paragraph that illustrates the objective to be followed in the preparation of the respective disclosures. The [draft] Standard also uses terms defined in other [draft] ESRS and should be read in the context of its objective.
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Objective

1. The objective of this [draft] Standard is to specify disclosure requirements which will enable users of the sustainability statements to understand:
   (a) how the undertaking affects pollution of air, water and soil, in terms of positive and negative material actual or potential impacts;
   (b) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential impacts;
   (c) any plans and capacity of the undertaking to adapt its strategy, business model(s) and operations in line with the transition to a sustainable economy concurring with the needs for prevention, control and elimination of pollution. This is to create a toxic-free environment with zero pollution also in support of the EU Action Plan “Towards a Zero Pollution for Air, Water and Soil”;
   (d) the nature, type and extent of the undertaking’s material risks and opportunities related to the undertaking’s pollution-related impacts and dependencies, as well as the prevention, control, elimination or reduction of pollution (including from regulations) and how the undertaking manages this; and
   (e) the effects of risks and opportunities, related to the undertaking’s pollution-related impacts and dependencies, on the undertaking’s development, performance and position over the short, medium and long term and therefore on its ability to create enterprise value.

2. This Standard derives from the [draft] CSRD stating that the sustainability reporting standards shall specify the information about pollution.

3. This Standard sets out disclosure requirements related to pollution of air, water, soil, substances of concern, including substances of very high concern.

4. Pollution of air covers information related to the undertaking’s emissions into air (both indoor and outdoor), and prevention, control and reduction of such emissions and thus pollution.

5. Pollution of water covers information related to the undertaking’s emissions to water, and prevention, control and reduction of such emissions and thus pollution.

6. Pollution of soil covers information related to the undertaking’s emissions into soil and the prevention, control and reduction of such emissions and thereby pollution.

7. “Substance of concern” covers information related to the undertaking’s production, use and/or distribution and commercialisation of substances of concern, including substances of very high concern. Such disclosure requirements aim at providing users with an understanding of the potential or actual impact from their use and/or distribution and commercialisation in a context of possible restrictions towards their use and/or distribution and commercialisation.

Interaction with other ESRS

8. Pollution is closely connected to other environmental sub-topics such as climate change, water and marine resources, biodiversity and circular economy. Thus, to provide a comprehensive overview of what could be material to pollution, relevant disclosure requirements are covered in other environmental standards as follows:
   (a) ESRS E1 Climate change, addresses the following seven greenhouse gases connected to air pollution: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PCFs), sulphur hexafluoride (SF6) and nitrogen trifluoride (NF3).
   (b) ESRS E3 Water and marine resources, addresses water consumption, in particular in areas at water risk, water recycling and storage. This also includes the responsible management of marine resources, including the nature and quantity of marine resources-related commodities (such as gravels, deep-sea
minerals, seafood) used by the undertaking. This [draft] Standard covers the negative impacts, in terms of pollution of water and marine resources, including microplastics, generated by such activities.

(c) ESRS E4 Biodiversity and ecosystems, addresses ecosystems and species. Pollution as a direct impact driver on biodiversity loss is addressed by this [draft] Standard.

(d) ESRS E5 Resource use and circular economy, addresses in particular the transition away from extraction of non-renewable resources and the implementation of practices that prevent waste generation. This [draft] Standard covers pollution generated by waste.

9. This [draft] Standard covers a topic of an environmental nature, but the undertaking’s impacts on nature may also affect communities. Material negative impacts on affected communities from pollution-related impacts attributable to the undertaking are covered in ESRS S3 Affected communities.

10. The content of this [draft] Standard on general disclosures, as well as impact, risk and opportunity management shall be read in conjunction respectively with ESRS 1 General principles and ESRS 2 General disclosures and reported alongside the Disclosure Requirements of ESRS 2.

Disclosure Requirements

ESRS 2 General disclosures

Disclosure Requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material pollution-related impacts, risks and opportunities

11. The undertaking shall describe the process of identifying material impacts, risks and opportunities and, in particular, shall provide information on:

(a) the methodologies and tools used to screen its site locations and business activities in order to identify its actual and potential pollution physical and transition risks in its own operations and value chain;

(b) the interconnection between risks and opportunities arising from impacts and dependencies; and

(c) the process for conducting consultations and in particular with affected communities.

Impact, risk, or opportunity management

Disclosure Requirement E2-1 – Policies related to pollution

12. The undertaking shall disclose its policies implemented to manage its material impacts, risks and opportunities related to pollution prevention and control.

13. The objective of this Disclosure Requirement is to provide an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of material pollution-related impacts, risks and opportunities.

14. The summarised description of the policies shall contain the information required in ESRS 2 CCR 1 Policies adopted to manage material sustainability matters.

15. In the summary the undertaking shall indicate whether and how its policies address the following areas where material on its own operations and throughout the upstream and downstream value chain:

(a) mitigating negative impacts related to pollution of air, water and soil including prevention and control;
(b) minimising and substituting substances of concern and phasing out substances of very high concern, in particular for non-essential societal use and in consumer products;
(c) avoiding incidents and emergency situations, and if and when they occur, controlling and limiting their impact on the environment and/or society.

**Disclosure Requirement E2-2 – Pollution actions and resources**

16. The undertaking shall disclose its pollution-related actions and the resources allocated for their implementation.

17. The objective of this Disclosure Requirement is to provide an understanding of the key actions taken and planned to achieve the pollution-related policy's objectives and targets.

18. The description of the pollution-related action plans and resources shall follow the principles defined in ESRS 2 CCR-2 Actions and resources in relation to material impacts, risks and opportunities.

19. In addition to ESRS 2 CCR-2, the undertaking shall specify to which layer in the mitigation hierarchy below, an action and resources can be allocated to:
   (a) avoid pollution including any phase out of materials/compounds that have a material negative impact (prevention of pollution at source);
   (b) reduce pollution, including any phase-out of materials or compounds and by meeting enforcement requirements such as BAT requirements or the address of Do-No-Significant-Harm criteria for pollution prevention and control according to the EU Taxonomy Regulation and its Delegated Acts (minimisation of pollution); and
   (c) restore, regenerate and transform ecosystems where pollution has occurred (control of the impacts both from regular activities and incidents).

**Metrics and targets**

**Disclosure Requirement E2-3 – Targets related to pollution**

20. The undertaking shall disclose the pollution-related targets it has adopted.

21. The objective of this Disclosure Requirement is to provide an understanding of the targets the undertaking has adopted to support its pollution-related policies and to address its material pollution-related impacts, risks and opportunities.

22. The description of targets shall contain the information requirements defined in ESRS 2 CCR-3 Tracking effectiveness of policies and actions through metrics and targets.

23. The disclosure required by paragraph 20 shall indicate whether and how its targets relate to the prevention and control of:
   (a) air pollutants and respective specific loads;
   (b) emissions to water and respective specific loads;
   (c) pollution to soil and respective specific loads; and
   (d) substances of concern and substances of very high concern.

24. In addition to ESRS 2 CCR-3, the undertaking shall specify whether (local) ecological thresholds (e.g., the biosphere integrity, stratospheric ozone-depletion, atmospheric aerosol loading, soil depletion, ocean acidification) and organisation-specific allocations were taken into consideration when setting targets. If so, the undertaking shall specify:
   (a) the ecological threshold identified and whether the threshold is organisation specific;
(b) the methodology used to identify the threshold; and
(c) how responsibility for respecting these thresholds is allocated to the organisational level.

25. The undertaking shall specify as part of the contextual information, whether the targets it has adopted and presented are mandatory (based on legislation) or voluntary and if and how such legal requirements were taken into account when considering ecological thresholds.

Disclosure Requirement E2-4 – Pollution of air, water and soil

26. The undertaking shall disclose the pollutants that are generated or used during production processes or that are procured, and that leave its facilities as emissions, as products, or as part of products or services.

27. The objective of this Disclosure Requirement is to provide an understanding of the emissions that the undertaking generates in the air, water and soil in its own operations.

28. The undertaking shall provide the following separate disclosures on its own operations for the reporting period:
   (a) emissions of air pollutants generated by the undertaking\(^1\);
   (b) emissions to water generated by the undertaking\(^2\);
   (c) emissions of inorganic pollutants generated by the undertaking\(^3\);
   (d) emissions of ozone-depleting substances generated by the undertaking\(^4\);
   (e) microplastics generated or used by the undertaking.

29. The undertaking shall put its disclosure into context and describe:
   (a) the changes over time,
   (b) the measurement methodologies; and
   (c) the processes to collect data for pollution-related accounting and reporting, including the type of data needed and the information sources.

30. Where an inferior methodology compared to direct measurement of emissions is chosen to quantify emissions, the reasons for choosing this inferior methodology shall be outlined by the undertaking. If the undertaking uses estimates, it shall disclose the standard, sectoral study or sources which form the basis of its estimates, as well as the possible degree of uncertainty and the range of estimates reflecting the measurement uncertainty.

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\(^1\) This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional principal adverse impact as set out by indicator #7 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments.

\(^2\) This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting a principal adverse impact as set out by indicator #2 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments.

\(^3\) This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional principal adverse impact as set out by indicator #1 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments.

\(^4\) This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional principal adverse impact as set out by indicator #3 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments.
Disclosure Requirement E2-5 – Substances of concern and substances of very high concern

31. The undertaking shall disclose information on the production, use, distribution, commercialisation and import/export of substances of concern and substances of very high concern on their own, in mixtures or in articles.

32. The objective of this Disclosure Requirement is to provide an understanding of the impact of the undertaking on health and the environment through substances of concern and substances of very high concern on their own. It is also to provide an understanding of the undertaking’s risks and opportunities, including exposure towards those substances and risks arising from changes in regulations.

33. The disclosure required by paragraph 31 shall include the total amounts of substances of concern that are generated or used during the production or that are procured, and that leave its facilities as emissions, as products, or as part of products or services split into main hazard classes of substances of concern.

34. The undertaking shall present separately information related to substances of very high concern.

Disclosure Requirement E2-6 – Potential financial effects from pollution-related impacts, risks and opportunities

35. The undertaking shall disclose its potential financial effects of material risks and opportunities arising from pollution-related impacts.

36. The objective of this Disclosure Requirement is to provide an understanding on:

(a) potential negative material financial effects due to risks arising from pollution-related impacts and how these risks may affect the undertaking’s financial performance and position over the short-, medium-, and long-term; and

(b) potential positive financial effects due to opportunities arising from pollution-related material impacts and how the undertaking may financially benefit from material pollution-related opportunities.

37. The disclosure shall include:

(a) a quantification of the potential financial effects in monetary terms, or where impracticable, qualitative information. For financial effects arising from opportunities, a quantification is not required if it would result in disclosure that does not meet the qualitative characteristics of information (see ESRS 1 Appendix C);

(b) a description of the effects considered, the related impacts and the time horizon in which they are likely to materialise; and

(c) the critical assumptions used in the estimate, as well as the sources and level of uncertainty attached to those assumptions.

38. In the context of this Disclosure Requirement, potential financial effects include financial effects that do not meet the recognition threshold for inclusion in the financial statement line items and notes to the financial statements.

Pollution specificities

39. The information provided under paragraph 37(a) shall include:

(a) the share of net revenue made with products and services that are or that contain substances of concern and substances of very high concern separately;

(b) the operational and capital expenditures occurred in the reporting period in conjunction with major incidents and deposits;

(c) the provisions for environmental protection and remediation costs, e.g., for rehabilitating contaminated sites, recultivating landfills, removal of environmental contamination at existing production or storage sites and similar measures.
40. When the information is provided in the undertaking’s financial statements, the undertaking shall include a reference to the relevant paragraph of its financial statements where the corresponding information can be found.

41. The information provided under paragraph 37(c) shall include contextual information including a description of material incidents and deposits whereby pollution had negative effects on the environment and/or had or is expected to have negative effects on the undertaking’s financial cash flows, financial position or financial performance with short, medium and long term. Incidents may include for instance interruptions of production, whether arising from the supply chain and/or from own operations, which resulted in pollution.
Appendix A: Defined terms

This Appendix is an integral part of the [draft] ESRS E2 Pollution.

**Air pollutants**
Direct emissions of sulphur dioxides (SO2), nitrogen oxides (NOx), non-methane volatile organic compounds (NMVOC), and fine particulate matter (PM2.5) as defined in Article 3, points (5) to (8), of Directive (EU) 2016/2284 of the European Parliament and of the Council (15), ammonia (NH3) as referred to in that Directive and heavy metals (HM) as referred to in Annex I to that Directive.

**Article**
An article is defined as an object which during production is given a special shape, surface or design which determines its function to a greater degree than its chemical composition. (REACH Regulation Article 3 (3))

**Best Available Techniques (BAT)**
According to Article 3 point 10 of Directive 2010/75/EU “Best Available Techniques (BAT)” means the most effective and advanced stage in the development of activities and their methods of operation which indicates the practical suitability of particular techniques for providing the basis for emission limit values and other permit conditions designed to prevent and, where that is not practicable, to reduce emissions and the impact on the environment as a whole:

i. “techniques” includes both the technology used and the way in which the installation is designed, built, maintained, operated and decommissioned;

ii. “available techniques” means those developed on a scale which allows implementation in the relevant industrial sector, under economically and technically viable conditions, taking into consideration the costs and advantages, whether or not the techniques are used or produced inside the Member State in question, as long as they are reasonably accessible to the operator; and

iii. “best” means most effective in achieving a high general level of protection of the environment as a whole.

**BAT Conclusions**
A document containing the parts of a BAT reference document laying down the conclusions on best available techniques, their description, information to assess their applicability, the emission levels associated with the best available techniques, associated monitoring, associated consumption levels and, where appropriate, relevant site remediation measures.5

**BAT-AEL**
‘Best Available Technique-Associated Emission Level and means the range of emission levels obtained under normal operating conditions using a best available technique or a combination of best available techniques, as described in BAT conclusions, expressed as an average over a given period of time, under specified reference conditions., i.e., the emission level that is associated with a BAT.6

**BAT-AEPL**
Best Available Technique-Associated Environmental Performance Level. For each individual BAT, a BAT-AEPL can be indicated. A BAT-AEPL is an environmental performance levels associated with the best available techniques’. It means the range of emission levels obtained under normal operating conditions using a best available technique or a combination of

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5 Source: Industrial Emissions Directive (IED), Article 3
best available techniques, as described in BAT conclusions, expressed as an average over a given period of time, under specified reference conditions.\(^7\)

**BREF or EU Best available techniques reference documents**
A document, drawn up for defined activities and describing, in particular, applied techniques, present emissions and consumption levels, techniques considered for determining the best available techniques as well as BAT conclusions and any emerging techniques.\(^8\)

**Deposit**
An amount of a substance that has accumulated in the environment, either in water or in soil, and either as a consequence of regular activities or from incidents or from disposals of undertakings, independent of whether that accumulation occurs at the production site of an undertaking or outside.

**Ecological (or socio-ecological) threshold (or threshold)**
The point at which a relatively small change in external conditions causes a rapid change in an ecosystem. When an ecological threshold has been passed, the ecosystem may no longer be able to return to its state by means of its inherent resilience. (IPBES online glossary)

**Emission**
The direct or indirect release of substances, vibrations, heat or noise from individual or diffuse sources [...] into air, water or soil.\(^9\)

**Emissions to water**

**Indirect impact**
See the definition of “impact”. “Indirect” (also referred to as secondary or induced impact) means happening in addition to an intended result or not being connected in a simple and/or direct way.

**Inorganic pollutants**
Inorganic pollutants means emissions within or lower than the emission levels associated with the best available techniques (BAT-AEL) as defined in Article 3, point (13) of Directive 2010/75/EU of the European Parliament and of the Council, for the Large Volume Inorganic Chemicals - Solids and Others industry.

**Installation**
A stationary technical unit within which one or more activities are carried out which could have an effect on emissions and pollution.

**Ozone-depleting substances**
Substances listed in the Montreal Protocol on Substances that Deplete the Ozone Layer.\(^10\)

**Pollutant**
A substance, vibration, heat, noise, light or other contaminant present in air, water or soil which may be harmful to human health and/or the environment, which may result in damage to material property, or which may impair or interfere with amenities and other legitimate uses of the environment.\(^11\) For a definition of “pollution” and “pollutants”, see Article 2 points (10) and (12) of the Taxonomy Regulation (EU) 2020/852.

**Pollution**
The direct or indirect introduction, as a result of human activity, of pollutants into air, water or soil which may be harmful to human health and/or the environment, which may result in damage to material property,

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\(^7\) Source: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32012D0119&from=EN
\(^8\) Source: Industrial Emissions Directive (IED), Article 3
\(^10\) https://ozone.unep.org/treaties/montreal-protocol/montreal-protocol-substances-deplete-ozone-layer
or which may impair or interfere with amenities and other legitimate uses of the environment.\(^{12}\)

### Pollution of soil

The introduction into soil - independent of whether that introduction occurs at the production site of an undertaking or outside or through the use of the undertaking's products and/or services - as a result of human activity, of substances, vibrations, heat or noise which may be harmful to human health or the environment, result in damage to material property, or impair or interfere with amenities and other legitimate uses of the environment.\(^ {13}\) Soil pollutants include inorganic pollutants, persistent organic pollutants (POPs), pesticides, nitrogen and phosphorus compounds, etc..

### Site

Means a single location, in which, if there is more than one manufacturer of (a) substance(s), certain infrastructure and facilities are shared. [REACH regulation]

### Soil

The top layer of the Earth's crust situated between the bedrock and the surface. The soil is composed of mineral particles, organic matter, water, air and living organisms.\(^ {14}\)

### Specific loads

Mass of pollutant released per mass of product manufactured. Specific loads allow for the comparison of the environmental performance of installations irrespective of their different production volumes and are not influenced by mixing or dilution.\(^ {15}\)

### Substances of concern

Substances of concern means a substance that:

a. meets the criteria laid down in Article 57 and is identified in accordance with Article 59(1) of Regulation (EC) No 1907/2006;
b. is classified in Part 3 of Annex VI to Regulation (EC) in one of the following hazard classes or hazard categories:
   - No 1272/2008 – carcinogenicity categories 1 and 2,
   - germ cell mutagenicity categories 1 and 2,
   - reproductive toxicity categories 1 and 2, \([\text{to be added in the course of the legislative procedure once Regulation (EC) No 1272/2008 contains these hazard classes: Persistent, Bioaccumulative, Toxic (PBTs), very Persistent very Bioaccumulative (vPvBs); Persistent, Mobile and Toxic (PMT), very Persistent very Mobile (vPvM); Endocrine disruption}],
   - respiratory sensitisation category 1,
   - skin sensitisation category 1,
   - chronic hazard to the aquatic environment categories 1 to 4,
   - hazardous to the ozone layer,
   - specific target organ toxicity
   - repeated exposure categories 1 and 2,
   - specific target organ toxicity – single exposure categories 1 and 2; or

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\(^{13}\) Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on Industrial Emissions (integrated pollution prevention and control), at Article 3(2)


<table>
<thead>
<tr>
<th>Substances of Very High Concern (SVHCs)</th>
<th>Substances that meet the criteria laid down in Article 57 of Regulation (EC) 1907/2006 (REACH) and were identified in accordance with Article 59(1) of that Regulation.</th>
</tr>
</thead>
</table>

c. any other substance that are set out in applicable EU legislation\(^\text{16}\).
Appendix B: Application Requirement

This Appendix is an integral part of the proposed [draft] ESRS E2 Pollution. It describes the application of the requirements set for in paragraphs 1–41 and has the same authority as the other parts of the [draft] ESRS Standard.

ESRS 2 General disclosures

Disclosure Requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material pollution-related impacts, risks and opportunities

AR 1. When conducting a materiality assessment on environmental subtopics, the undertaking shall consider the four phases below, also known as the LEAP approach, proposed by the Taskforce on Nature-Related Financial Disclosures:

(a) locate where in the own operations and along the value chain the interface with nature takes place;

(b) evaluate the pollution-related dependencies and impacts;

(c) assess the material risks and opportunities;

(d) prepare and report the results of the materiality assessment.

AR 2. The materiality assessment for ESRS E2 corresponds to the first three phases of this LEAP approach, the fourth phase addresses the outcome of the process. Further guidance and materials about this approach can be found in TNFD Nature-Related Risk & Opportunity Management and Disclosure Framework.

AR 3. The process to assess the materiality of impacts, dependencies, risks and opportunities shall consider the provisions in ESRS 2 IRO-1, and IRO-2.

AR 4. The sub-topics covered by the materiality assessment under ESRS E2 shall include:

(a) the contribution to direct impact drivers on pollution, including non-GHG air pollutants, soil pollutants, water pollutants (waste is covered in ESRS E5);

(b) dependencies on ecosystem services related to specific substances described in this standard.

AR 5. Under paragraph (a), the undertaking shall first consider location including:

(a) the site locations of direct assets and operations and related upstream and downstream activities across the value chain;

(b) the site locations where emissions of water, soil and air pollutants occur;

(c) the sectors or business units related to those emissions or with the production, use, distribution, commercialisation and import/export of substances of concern and substances of very high concern on their own, in mixtures or in articles.

AR 6. Under paragraph (b), the undertaking shall then consider evaluating impacts and dependencies for each material site or sector/business unit including by assessing the severity and likelihood of impacts on the environment and human health.

AR 7. Based on the results of Phase 1 and 2, the undertaking shall finally consider assessing material risks and opportunities:

(a) identifying transition risks and opportunities in its own operations and its upstream and downstream value chain by the categories of¹⁷:

i. policy and legal: e.g., introduction of regulation, exposure to sanctions and litigation (e.g., negligence towards ecosystems), enhanced reporting obligations;

¹⁷ Source: TNFD, 2022, p.37
ii. technology: e.g., substitution of products or services with a lower impact, transition to other not harmful substances;

iii. market: e.g., shifting supply, demand and financing, volatility or increased costs of some substances;

iv. reputation: e.g., changing societal, customer or community perceptions as a result of an organisation’s role in pollution prevention and control;

(b) identifying physical risks, e.g., access to clean water, acid rain, or other pollution incidents that are likely to lead to or that have led to pollution with subsequent effects on the environment and society;

(c) identifying opportunities related to pollution prevention and control categorized by\(^{18,19}\):

i. resource efficiency: decrease quantities of substances used or improve efficiency of production process to minimise impacts;

ii. markets: e.g., diversification of business activities;

iii. financing: e.g., access to green funds, bonds or loans;

iv. resilience: e.g., diversification of substances used and control of emissions through innovation or technology; and

v. reputation: positive stakeholder relations as a result of a proactive stance on managing risks.

AR 9. In order to assess materiality, the undertaking may consider the Commission Recommendation (EU) 2021/2279 of 15th December 2021 on the use of the Environmental Footprint methods to measure and communicate the life cycle environmental performance of products and organisations.

AR 10. When providing information on the outcome of its materiality assessment, the undertaking shall consider:

(a) a list of site locations where pollution is a material issue for the undertaking’s operations and its value chain;

(b) a list of business activities associated to pollution material impacts, risks and opportunities.

Impact, risk or opportunity management

Disclosure Requirement E2-1 – Policies related to pollution

AR 11. The policies described under this Disclosure Requirement may be integrated in broader environmental or sustainability policies covering different subtopics.

AR 12. The description of the policies shall include information on the pollutant(s) or substance(s) covered.

AR 13. When disclosing information under paragraph 12, the undertaking may include contextual information on the relations between its policies implemented and how they may contribute to the EU Action Plan “Towards a Zero Pollution for Air, Water and Soil” with for instance elements on:

(a) how it is or may be affected by the targets and measures of the EU Action Plan and the revision of existing directives (e.g., the Industrial Emissions Directive); and

(b) how it intends to reduce its pollution footprint to contribute to these targets.

\(^{18}\) Source: TNFD, 2022, p.37

\(^{19}\) Source: CDSB Biodiversity Application Guidance 2021
Disclosure Requirement E2-2 – Pollution actions and resources

AR 14. Where actions extend to upstream or downstream value chain engagements, the undertaking shall provide information on the types of actions reflecting these engagements.

AR 15. When considering resources, examples of operational expenditures could be investments in research and development to innovate and develop safe and sustainable alternatives to the use of substances of concern or to decrease emissions in a production process.

AR 16. Where relevant to achieve its pollution-related policy objectives and targets, the undertaking may provide information on the action plans that have been implemented at the level of the site location.

Metrics and targets

Disclosure Requirement E2-3 – Targets related to pollution

AR 17. When determining (local) ecological thresholds to set targets, the undertaking may refer to the guidance provided by the Science-Based Targets Initiative for Nature (SBTN) or any other guidance with a scientifically acknowledged methodology that allows to set science-based targets by identifying ecological thresholds and, if applicable, organisation-specific allocations.

AR 18. When providing contextual information on targets, the undertaking may specify whether the target addresses shortcomings related to the Do No Significant Harm (DNSH) criteria for Pollution Prevention and Control while assessing the Substantial Contribution to one of the other environmental objectives of Regulation.

AR 19. Where relevant to support the policies it has adopted, the undertaking may provide information on the policies that have been implemented at the level of the site location.

AR 20. The targets may cover the undertaking's own operations and/or the value chain.

Disclosure Requirement E2-4 – Pollution of air, water and soil

List of pollutants to be considered

AR 21. When providing information under paragraph 28, the undertaking shall follow the below definitions, with those in Appendix A:

AR 22. Air pollutants means direct emissions of:
   i. sulphur dioxides (SO2)
   ii. nitrogen oxides (NOx)
   iii. non-methane volatile organic compounds (NMVOC), and
   iv. fine particulate matter (PM2.5) as defined in Article 3, points (5) to (8), of Directive (EU) 2016/2284 of the European Parliament and of the Council;
   v. ammonia (NH3) as referred to in that Directive; and
   vi. heavy metals (HM) as referred to in Annex I to that Directive.

AR 23. Emissions to water means direct emissions of:
   i. nitrates, phosphates and pesticides (plant protection products and biocides)

AR 24. Inorganic emissions are defined as emissions within or lower than the emission levels associated with the best available techniques (BAT-AEL) as defined in Article 3, point


AR 26. The information to be provided on microplastics under paragraph 3028(e) shall include microplastics that have been generated or used during production processes or that are procured, and that leave its facilities as emissions, as products, or as part of products or services. Microplastics may be unintentionally produced when larger pieces of plastics like car tyres or synthetic textiles wear and tear or may be deliberately manufactured and added to products for specific purposes (e.g., exfoliating beads in facial or body scrubs).

AR 27. The volume of pollutants shall be presented in tonnes or kilogrammes.

Contextual information

AR 28. The information required under this Disclosure Requirement is provided at group level. However, the undertaking may elect to disclose additional breakdown including information at site level or a breakdown of its emissions by type of source, by sector or by geographical area.

AR 29. When providing contextual information on the emissions, the undertaking may consider:

(a) the local air quality indices (AQI) for the area where the undertaking’s air pollution occurs;

(b) the degree of urbanisation (DEGURBA)\(^{20}\) for the area where air pollution occurs; and

(c) the undertaking’s percentage of the total emissions of pollutants to water and soil occurring in areas of high-water stress [as defined in ESRS E3, Appendix A];

AR 30. The information provided under this Disclosure Requirement may refer to information the undertaking is already required to report under other existing legislation (i.e. IED, E-PRTR, etc.).

AR 31. Where the undertaking’s activities are subject to the Industrial Emission Directive (IED) and relevant Best Available Techniques Reference Documents (BREFs), irrespective on whether the activity takes place within the European Union or not, the undertaking may disclose the following additional information:

(a) a list of installations operated by the undertaking that fall under the IED and EU BAT Conclusions;

(b) a list of any non-compliance incidents or enforcement actions necessary to ensure compliance in case of breaches of permit conditions;

(c) the actual performance, as specified in the EU-BAT conclusions for industrial installations, and comparison of the undertaking’s environmental performance against ‘emission levels associated with the best available techniques’ the (BAT-AEL) as described in EU-BAT conclusions;

(d) the actual performance of the undertaking against ‘environmental performance levels associated with the best available techniques’ (BAT-AEPLs) provided that they are applicable to the sector and installation; and

(e) a list of any compliance schedules or derogations granted by competent authorities according to Art. 15(4) IED that are associated with the implementation of BAT-AELs.

Methodologies

\(^{20}\) [https://ec.europa.eu/eurostat/web/degree-of-urbanisation/background#:~:text=The%20Degree%20of%20Urbanisation%20(DEGURBA,based%20on%202020%20Census%20results](https://ec.europa.eu/eurostat/web/degree-of-urbanisation/background#:~:text=The%20Degree%20of%20Urbanisation%20(DEGURBA,based%20on%202020%20Census%20results)
AR 32. When providing information on pollutants, the undertaking shall consider approaches for quantification in the following order of priority:

(a) direct measurement of emissions, effluents or other pollution through the use of recognised continuous monitoring systems (e.g. AMS Automated Measuring Systems);

(b) periodic measurements;

(c) calculation based on site-specific data;

(d) calculation based on published pollution factors; and

(e) estimation.

AR 33. Regarding the disclosure of methodologies required by paragraph 29, the undertaking shall consider:

(a) whether its monitoring is carried out in accordance with EU BREF Standards\textsuperscript{21} or another relevant reference benchmark; and

(b) whether and how the calibration tests of the AMS were undertaken and the verification of periodic measurement by independent labs were ensured.

**Disclosure Requirement E2-5 – Substances of concern and substances of very high concern**

**List of substances to be considered**

AR 34. When providing information under paragraph 31, the undertaking shall follow the below definitions from Appendix A.

AR 35. In order for the information to be complete, substances in the undertaking’s own operations and those procured shall be included (e.g., embedded in ingredients, semi-finished products, or the final product).

AR 36. The volume of pollutants shall be presented in tonnes or kilogrammes.

**Contextual information**

AR 37. The information provided under this Disclosure Requirement may refer to information the undertaking is already required to report under other existing legislation (i.e., IED, E-PRTR, ...). If the undertaking incorporates the information by reference, it shall follow the provisions in ESRS 1.

**Disclosure Requirement E2-6 – Potential financial effects from pollution-related impacts, risks and opportunities**

AR 38. The operational and capital expenditures related to incidents and deposits may include for instance:

(a) cost for eliminating and remediating the respective pollution of air, water and soil including environmental protection;

(b) damage compensation costs including payment of fines and penalties imposed by regulators or government authorities.

\textsuperscript{21} EU Best Available Techniques reference documents (BREFs) are a series of reference documents covering, as far as is practicable, the industrial activities listed in Annex 1 to the EU’s IPPC Directive. They provide descriptions of a range of industrial processes and for example, their respective operating conditions and emission rates. Member States are required to take these documents into account when determining best available techniques generally or in specific cases under the Directive.
AR 39. The undertaking may include an assessment of products and services at risk over the short-, medium-, and long-term, explaining how these are defined, how financial amounts are estimated, and which critical assumptions are made.

AR 40. The quantification of the potential financial effects in monetary terms under paragraph 35 may be a figure or a range of figures.
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