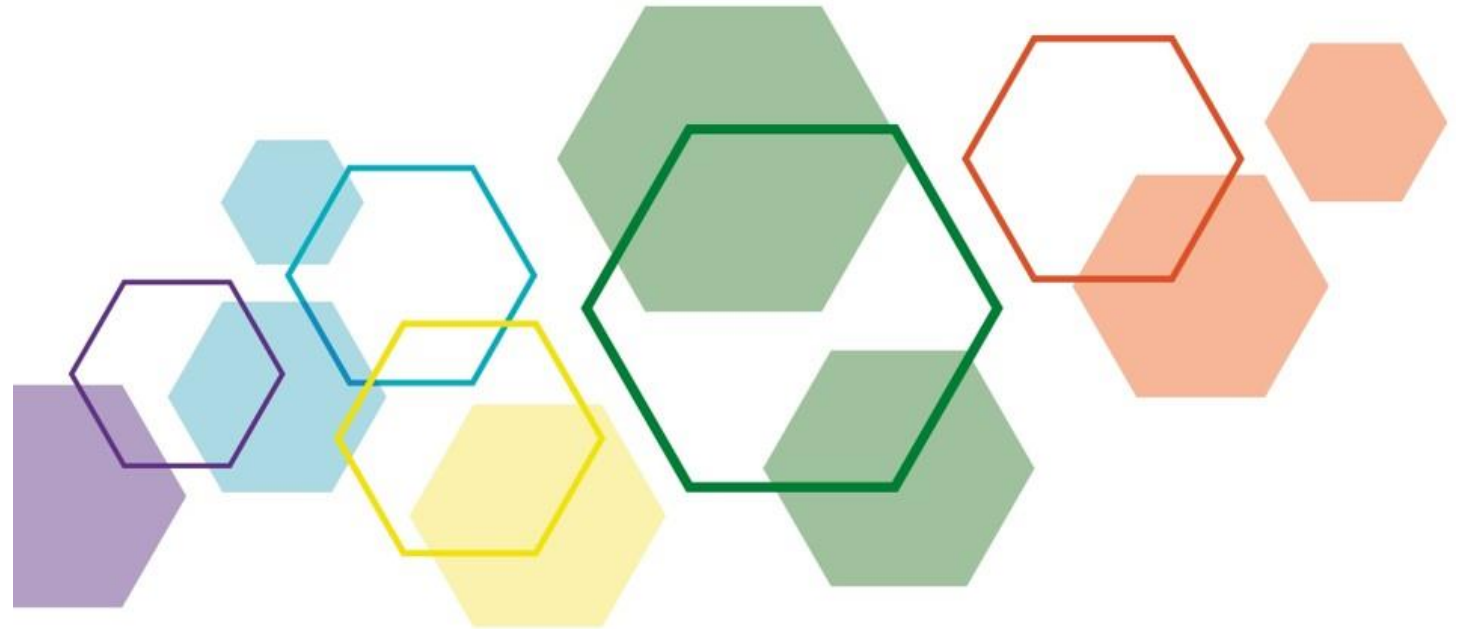


EFRAG SRB 12 October 2022

EFRAG Secretariat recommendations to the SRB
on draft ESRS E4 Biodiversity and Ecosystems



Dependencies across environmental ESRS

- According to TNFD (verbal) dependencies are relevant for all ESRS
- Environmental ESRS limit dependencies in Set 1 to E3 and E4 to reduce complexities

	ESRS E1 Climate change	ESRS E2 Pollution	ESRS E3 Water & Marine	ESRS E4 Biodiversity & Ecosystems	ESRS E5 Circular Economy
General classification in TNFD	Drivers of change (IPBES)	Drivers of change (IPBES)	Environmental assets (UN-SEEA)	Environmental assets (UN-SEEA)	Drivers of change (IPBES) Business response (TNFD)
Impacts	Yes	Yes	Yes	Yes	Yes
Dependencies	No	No	Yes	Yes	No
Risks	Yes	Yes	Yes	Yes	Yes
Opportunities	Yes	Yes	Yes	Yes	Yes

Mapping nature-aspects covered by TNFD to environmental ESRS

Table 7: TNFD Cross-industry assessment metrics categories with illustrative indicators

Dependency & Impact Metrics Category	Sub-category 1	Sub-category 2	Indicator - illustrative Example
Impact drivers	Land/water/sea use change	Terrestrial ecosystem use	Extent of land converted
		Freshwater ecosystem use	Extent of freshwater area converted
		Marine ecosystem use	Extent of marine area converted
	Pollution	Non-GHG air pollutants	Volume of non-GHG air pollutants released
		Soil pollutants	Volume of soil pollutants released
		Water pollutants	Volume of water discharged
		Solid waste	Hazardous waste generated
	Resource use	Water use/replenishment	Volume of water consumption
		Other resource use/replenishment	Use of natural resources
	Climate change	Greenhouse gas emissions/carbon storage, sequestration and removal	Scope 1, 2 and 3 emissions
Invasive species and other	Biological alterations	Level of invasive species in area	
	Disturbances	Level of noise pollution	
State of nature	Ecosystems	Extent	Habitat/land cover
		Condition - minimum of compositional state	Species richness
	Species (if material)	Population	Species abundance
Ecosystem services	Provisioning	Extinction risk	Species threat abatement restoration
		Biomass provisioning, including genetic material	Weight of provisioned assets
	Regulation	Water supply (including drinking water)	Volume of water withdrawn
		Water purification and/ or water flow regulation/ maintenance	Amount of water flow regulated
		Soil quality regulation, soil and sediment retention or solid waste remediation	Tonnes of soil retained
		Pollination, pest/disease control, nursery population or habitat maintenance	Area of habitat providing services
		Flood or storm mitigation, noise attenuation other regulating services	Number of properties in low risk categories
		Global or local climate regulation, rainfall pattern regulation, air filtration	Tonnes of GHG retained
	Cultural	Recreation, visual amenity, scientific and education or spiritual/artistic/symbolic	Number of visits for cultural purposes

Further guidance on the measurement of dependencies and impacts, and illustrative sets of indicators and metrics for each category are provided in Annexes 1 and 2.

	ESRS E1 Climate change	ESRS E2 Pollution	ESRS E3 Water & Marine	ESRS E4 Biodiversity & Ecosystems	ESRS E5 Circular Economy	Out of scope
Impact drivers	Climate change (GHG emissions / carbon storage, sequestration and removal)	Pollution (Non-GHG air pollutants; soil pollutants; water pollutants; solid waste)	Water use change (Freshwater ecosystems use) Sea use change (Marine ecosystems use) Resource use (water use / replenishment)	Land use-change (Terrestrial ecosystem use) Resource use (Other resource use / replenishment) Invasive species and other (Biological alterations; disturbances)	Resource use (Other resource use / replenishment) Pollution (Solid waste)	
State of nature				Ecosystems (Extent, Condition - minimum of compositional state) Species (Population, Extinction risk)		
Ecosystem services	Regulation (Global or local climate regulation, rainfall pattern regulation, air filtration)		Provisioning (Water supply - including drinking water) Regulation (Water purification and / or water flow regulation / maintenance; Flood or storm mitigation, noise attenuation other regulating services)	Provisioning (Biomass provisioning, including genetic material) Regulation (Soil quality regulation, soil and sediment retention or solid waste remediation) Pollination, pest / disease control, nursery population or habitat maintenance)		Cultural (Recreation, visual amenity, scientific and education or spiritual / artistic / symbolic)

Not all nature-related aspects covered in Set 1, due to lack of agreed definitions or impacts, dependencies, risks, and opportunities are sector-specific.

ESRS E4 overview

Exposure draft

Transition plan

E4-1 – Transition plan in line with the targets of no net loss by 2030, net gain from 2030 and full recovery by 2050

PTAPR

E4-2 – Policies implemented to manage b&e

E4-3 – Measurable targets for b&e

E4-4 – B&e action plans

Performance measurement

E4-5 – Pressure metrics

E4-6 – Impact metrics

E4-7 – Response metrics

E4-8 – Biodiversity-friendly consumption and production metrics

Taxonomy Regulation

E4-9 – Biodiversity offsets

E4-10 – Financial effects from biodiversity-related IRO's

Proposed draft

Transition plan

E4-1 – Transition plan on biodiversity and ecosystems

Limited to sectors mentioned in CBD (tbc)

PTAPR

E4-2 – Policies related to b&e

E4-3 – Targets related to b&e

E4-4 – Action plans and resources in relation to b&e-related policies and targets

Disclosure mandatory only against material impacts, dependencies, risks and opportunities. No material items = no reporting.

Performance measurement

E4-5 – Impact driver metrics related to b&e change

E4-10 – Financial effects from biodiversity-related IRO's

Phase in quantitative

Mapping SFDR-PAIs across E4: Biodiversity and ecosystems-related specific application guidance on ESRS 2 Disclosure Requirements IRO 1 and IRO 2 on materiality assessment

	SFDR PAI	Location and language of SFDR-integration
Table 1	7. Activities negatively affecting biodiversity-sensitive areas Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	AG 30. The undertaking shall disclose specifically whether it has geographical site locations located in or near <u>biodiversity-sensitive areas</u> with activities negatively affecting those areas [...]
Table 2	14. Natural species and protected areas 1. Share of investments in investee companies whose operations affect threatened species 2. Share of investments in investee companies without a biodiversity protection policy covering operational sites owned, leased, managed in, or adjacent to, a protected area or an area of high biodiversity value outside protected areas	AG 30. The undertaking shall also disclose specifically: (a) whether it has material impacts on threatened species on its own operations; and (b) whether it has a biodiversity protection policy covering operational sites owned, leased, managed in, or adjacent to, a protected area or an area of high biodiversity value outside protected areas, where land with high biodiversity value refers to Article 7b(3) of Directive 98/70/EC of the European Parliament and of the Council and “protected area” means designated areas in the European Environment Agency’s Common Database on Designated Areas (CDDA).
	10. Land degradation, desertification, soil sealing Share of investments in investee companies the activities of which cause land degradation, desertification or soil sealing	AG 24. More specifically, the undertaking shall disclose whether it has identified material negative and positive impacts with regards to <u>land degradation, desertification or soil sealing</u> .

Includes a definition of biodiversity-sensitive areas

If yes, then triggers disclosure on KPI in E4-5

Exact locations still subject to change, e.g. because decision to move them out of Appendix B

Mapping SFDR-PAIs across E4: Other locations

	SFDR PAI	Location and language of SFDR-integration
Table 1	<p>7. Activities negatively affecting biodiversity-sensitive areas</p> <p>Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas</p>	<p>E4-5 – Impact driver metrics related to b&e</p> <p>46. If undertaking has identified geographical site locations located in or near biodiversity-sensitive areas with activities negatively affecting those areas under AG 30, the undertaking shall disclose: (a) the number and area (in hectares) of sites owned, leased or managed in or adjacent to protected areas and/or key biodiversity areas (KBA).</p>
Table 2	<p>12. Investments in companies without sustainable oceans/seas practices</p> <p>Share of investments in investee companies without sustainable oceans/seas practices or policies</p>	<p>E4-4 – Action plans and resources in relation to b&e-related policies and targets</p> <p>AG 34. The undertaking shall also disclose, where applicable, whether it has adopted: <u>(a) land/agriculture practices or policies</u>; <u>(b) sustainable oceans/ seas practices or policies</u>; <u>(c) policies to address deforestation</u>.</p>
	<p>15. Deforestation</p> <p>Share of investments in companies without a policy to address deforestation</p>	
	<p>11. Investments in companies without sustainable land/agriculture practices</p> <p>Share of investments in investee companies without sustainable land/agriculture practices or policies</p>	
	<p>22. Land artificialisation</p> <p>Share of non-vegetated surface area (surfaces that have not been vegetated in ground, as well as on roofs, terraces and walls) compared to the total surface area of the plots of all assets</p>	

Triggered by materiality assessment

ED: E4-1 Transition plan in line with the targets of no net loss by 2030, net gain from 2030 and full recovery by 2050

New: Transition plan on biodiversity and ecosystems

- Removal of targets mentioned in Draft CBD Framework and replacement by language referring targets relevant for firms mentioned in the latest international agreements.
- Mandatory only for sectors mentioned in the CBD's Post-2020 Global Biodiversity Framework. Mentioned sectors supported by EU.
- Earlier update on E4 (E2, E3 and E5), due to CBD and TNFD? Proposal by ECB.

TARGET 14

Ensure the [full] integration of biodiversity and its multiple values into policies, regulations, planning and development processes, poverty eradication strategies, [accounts,] and strategic environmental and environmental impact assessments within and across all levels of government and across all [social, economic and productive] sectors, [in particular agriculture, forestry, fisheries, aquaculture, finance, tourism, health, manufacturing, infrastructure, energy and mining, and deep-sea mining,] [applying safeguards as necessary,] [progressively] aligning all [relevant] public and private activities, [fiscal] and financial flows with the goals and targets of this framework [and the Sustainable Development Goals].

Source: [CBD negotiations](#)

POST-2020 GLOBAL BIODIVERSITY FRAMEWORK – TARGETS 14, 15, 16, 17, 18, 19.1, 19.2, 20, 21 and 22

Draft recommendation submitted by the Co-Chairs

TARGET 15

Take legal, administrative or policy measures to [ensure that all] [significantly increase the number or percentage of] business and financial institutions[, particularly those] [with significant impacts on biodiversity,] [and large and transnational companies] [, that]:

(a) [Through mandatory requirements] Regularly monitor, assess, and fully and transparently disclose their [dependencies and] impacts on biodiversity [along their operations, supply and value chains and portfolios];

(b) [Provide information needed to consumers to enable the public to make responsible consumption choices];

(c) [Comply and report on access and benefit-sharing;]

(d) [Take legal responsibility for infractions] [, including through penalties, and liability and redress for damage and addressing conflicts of interest;]

(e) [Follow a rights-based approach] [, including human rights and the rights of Mother Earth.]
In order to [significantly] reduce [by half] negative impacts on biodiversity, increase positive impacts, reduce biodiversity-related risks to business and financial institutions, and [moving towards sustainable patterns of production] [foster a circular economy] [, consistent and in harmony with the Convention and other international obligations, together with Government regulations.]

Source: [CBD negotiations](#)

ED: E4-2 – Policies implemented to manage b&e

New: E4-2 – Policies related to b&e

- Harmonized across environmental ESRS and alignment with TNFD
- Simplification of text, narrow value chain and add definitions

ED: E4-3 – Measurable targets for b&e

New: E4-3 – Targets related to b&e

- Harmonized across environmental ESRS and alignment with TNFD
- Elaborate on interactions between environmental ESRS
- Key is transparency on whether ecological thresholds were considered, due to [CSRD](#), art 19 (a) (2):
(b) a description of the time-bound targets related to sustainability matters set by the undertaking, including where appropriate absolute greenhouse gas emission reduction targets at least for 2030 and 2050, a description of the progress the undertaking has made towards achieving those targets, and a specification of whether the undertaking's targets related to environmental matters are based on conclusive scientific evidence;
- And [EMAS](#) regulation 5. (2):
*When establishing these criteria an organisation shall consider the following elements:
(2) the condition of the environment (such as the fragility of the local, regional or global environment);*

ED: E4-4 – B&e action plans

New: E4-4 – Action plans and resources in relation to b&e-related policies and targets

- Harmonized across environmental ESRS and alignment with TNFD
- Action plans to be reported against the mitigation hierarchy
- Simplifications of text and move parts to AGs

ED: E4-5 – Pressure metrics

New: *Merged into E4-6*

ED: E4-6 – Impact metrics

New: E4-5 – Impact driver metrics related to b&e change

- Focus on contribution to impact drivers. Measurement of change in state of b&e missing.
- Two mandatory KPI's
 - SFDR: number and area (in hectares) of sites owned, leased or managed in or adjacent to protected areas and/or key biodiversity areas (KBA).
 - total area (in hectares) of land sealed in their sites owned.
- Disclosures against other contributions to impact drivers of b&e-related change related to land-use and sea-use change, invasive alien species, zoonoses, exploitation not covered by the above subject to principle-based reporting, as proposed in the ED.
- Add definitions

ED: E4-7 – Response metrics

New: Deleted

- Deleted, as already covered by E4-1 to E4-4.
- Feedback from public consultation largely indicating that it is a duplication of PTAPR.
- Progress against PTAPR already in “DP 1-2 – On targets, progress and tracking effectiveness”.
- In future dedicated performance measurement metrics that measure the change of state of biodiversity and ecosystems where the undertaking has material impacts and dependencies

Response metrics

Could include management, governance, strategy and performance metrics, including progress against targets

Table 6: TNFD cross-industry metrics categories

Category	Sub-category	Description	TNFD release	TNFD approach for v0.2 release
Assessment Metrics				
Dependencies and impacts on nature	Impact drivers	Amount of natural resources that are used as an input to production or non-product outputs of a business activity ³	v0.2	Guidance + illustrative metrics
	State of nature	The condition ⁴ and extent of ecosystem assets, including positive or negative changes	v0.2	Guidance + illustrative metrics
	Ecosystem services/dependencies	The provision of ecosystem services, including those the business depends on	v0.2	Guidance + illustrative metrics
Nature-related risks	Physical risks	Amount and extent of assets or business activities vulnerable to risk types	v0.3	
	Transition risks		v0.3	
	Systemic risks	Inclusion tbc		
Nature-related opportunities	N/A	Proportion of revenue, assets or other business activities aligned with nature-related opportunities	v0.3	
Response metrics		Could include management, governance, strategy and performance metrics, including progress against targets	v0.4	
Disclosure Metrics				
	Core metrics	Core metrics to be included in all disclosures following the TNFD disclosure recommendations	v0.4	
	Additional metrics	Additional metrics that a company or financial institution may choose to include in their disclosures	v0.4	

Metrics for each category should correspond to related indicators, selected using the criteria outlined in section 3.4, in order to create a suite of related indicators across all metrics categories.

³ As included in the v0.1 beta framework, these impact drivers can be mapped to the IPBES main drivers of nature change.

⁴ Ecosystem condition / integrity: The quality of an ecosystem measured in terms of its abiotic and biotic characteristics. Condition is assessed with respect to an ecosystem’s composition, structure and function which, in turn, underpin the ecological integrity of the ecosystem, and support its capacity to supply ecosystem services on an ongoing basis. Adapted from: UN SEEA. 2021. System of Environmental-Economic Accounting – Ecosystem Accounting: Final Draft

ED: E4-8 – Biodiversity-friendly consumption and production metrics

New: *deleted*

- Should have been in Governance standard related to sustainable production and consumption.
- To be deleted at sector-agnostic level, due to difficulties in defining key items. Easier at sector-specific level.

Optional Disclosure Requirement E4-8 – Biodiversity-friendly consumption and production metrics

In ED's only present in E1 and E4. Not across all environmental standards.

58. The undertaking may disclose metrics on its biodiversity-friendly consumption and production.
59. The principle to be followed under this optional Disclosure Requirement is, if the undertaking so decides, to provide an understanding of its consumption and production that qualifies as being biodiversity friendly.
60. The disclosure required by paragraph 58 shall include:
 - (a) the list of any third-party certification schemes that it uses for its raw material, as well as the volume and percentage of its production and/or consumption covered;
 - (b) the volume and percentage of supply of raw material traceable to mill or to plantation level; and
 - (c) the volume and percentage of raw material that comes from ecosystems that have been managed to maintain or enhance conditions for biodiversity, as demonstrated by regular monitoring and reporting of biodiversity levels and gains or losses.

« Biodiversity-friendly consumption and production » is not yet defined.

What certification schemes qualify? If left to undertakings to decide, lacking comparability and significant risk of greenwashing.

ED: E4-9 – Biodiversity offsets

New: *deleted (or to be merged into new E4-5)*

- Biodiversity offsets is a controversial, immature concept, which is conceptually difficult to defend as biodiversity and ecosystems are of high complexity and offsetting in another place is fraught with difficulties
- Outside the value chain, hence arguably always immaterial
- Potentially to be added in future versions, if concept matures, due to mention in CBD-negotiations and relevancy for achievement of goals:
 - no net loss by 2030
 - nature-positive beyond 2030
 - full recovery by 2050

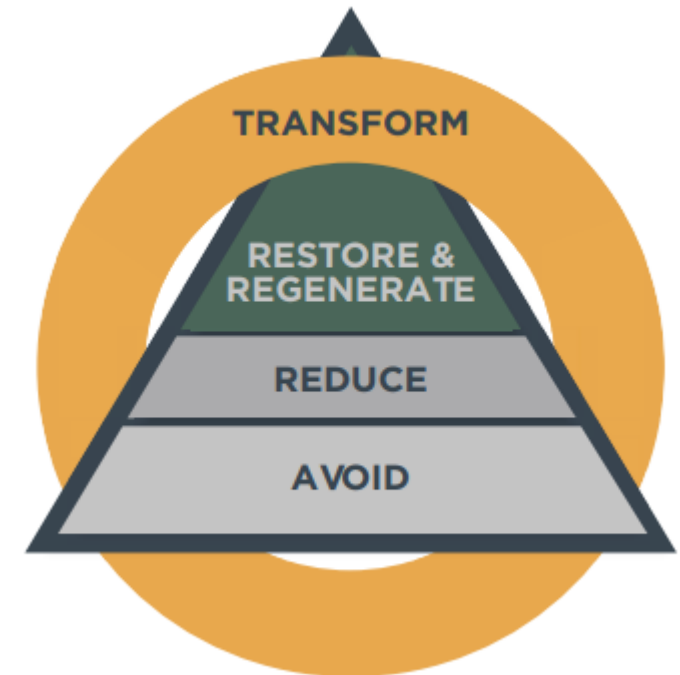
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financial resources to developing-country Parties as determined complemented by the Global Environment Facility;]

[(e) Building on climate financing] while enhancing transparency] of resource use and [developing and implementing finance plans or [similar instruments];]

[(f) Stimulating innovative schemes [domestically, solutions and ecosystem-based approaches] payment for [env bonds, biodiversity offsets, carbon credits, benefit-sharing mechanisms information on genetic resources, and debt-for-nature swaps.]]

Source: CBD negotiations



Source: [SBTN](#)

ED: E4-10 – Financial effects from biodiversity-related IRO's

New: E4-10 – Financial effects from biodiversity-related IRO's

- To be aligned across environmental standards. Same approach for E4 as for E2, E3 and E5.
- Subject to material impacts, dependencies, risks and opportunities
- Alignment on disclosure requirement and language across environmental standards
- Qualitative for year 1, 2 and 3 and quantitative optional. Quantitative after.
- Reconciliation with financial statements only for 'significant amounts'
- More specific requirements to be set at sector-specific level
- Drop the concept of market size
- Remains very high level in an approach similar to ISSB, while leaving time to draft robust application guidance and methodology