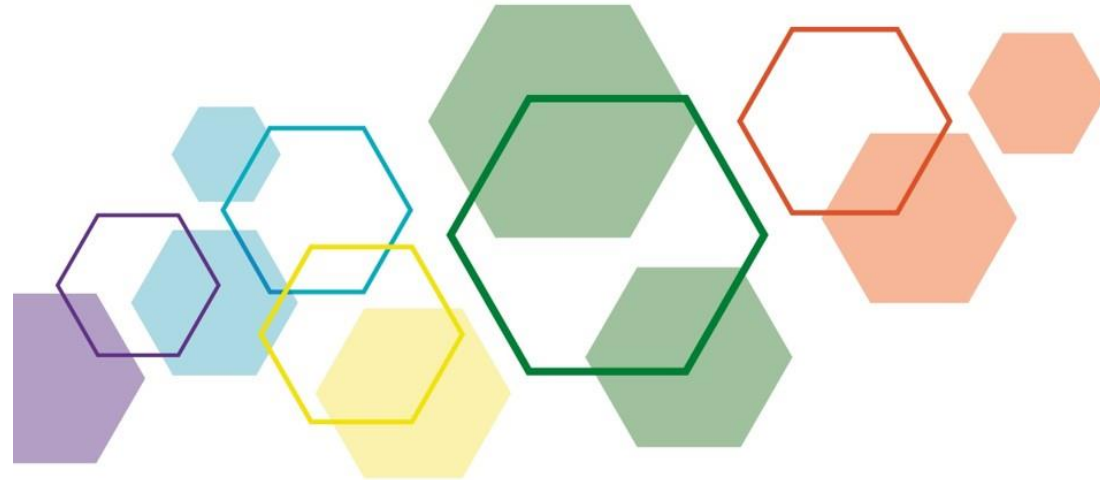


EFRAG SRB 12 October 2022

EFRAG Secretariat recommendations to the SRB
on E2, E3 and E5



Overview of proposed simplification measures and changes

- a) Scaling down the number of datapoints**
- b) Move all datapoints in main body including the ones related to ESRS 2 (except methodological ones)**
- c) Reduction of DRs on performance by regrouping or shifting to sector specific**
- d) Phase-in some DRs**
- e) Clarify some requirements**

The decisions taken are based on the public consultation feedback and the text of the final CSRD Art 29 a) and b) par. 2 that specifies the information to be disclosed.

Environmental standards simplification and PTAPR alignment

CCS consistency with:

- less prescriptive wording and no duplicates, and
- with a stronger focus on materiality assessment: Policies should be implemented only on material IROs, Targets should related to Policies and Action plans to ensure Targets are reached and Policies implemented.

Additional PTAPR harmonisation across other Es:

- Include the step on dependencies and impacts prior to IROs which is particularly relevant for E4 and E3
- Include the mitigation hierarchy (already there in E4, E2, in a less direct manner in E5)
- Financial effects need a consistent approach starting with qualitative information (preferred option) while application guidance is still to be drafted at a later stage

Boundaries “basis for conclusions” linked with TNFD architecture

Stick to guidance in Application Guidance

Pollution overview

Current draft

PTAPR

- **DR E2-1** – Policies implemented to prevent and control pollution
- **DR E2-2** – Measurable targets for pollution
- **DR E2-3** – Pollution action plans and resources

Performance measurement

- **DR E2-4** – Pollution to air, water and soil
- **DR E2-5** – Substances of concern and most harmful substances
- **DR E2-6** – Pollution-related incidents and deposit impacts and risks, and financial exposure to the undertaking
- **DR E2-7** – Potential financial effects from pollution-related impacts, risks and opportunities
- **Taxonomy Regulation**

Proposed draft

PTAPR

- **DR E2-1** – Policies implemented to prevent and control pollution
- **DR E2-2** – Measurable targets for pollution
- **DR E2-3** – Pollution action plans and resources

Performance measurement

- **DR E2-4** – Pollution to air, water and soil: *limited to the 4 SFDR PAI & upon materiality assessment*
- **DR E2-5** – Substances of concern and most harmful substances *upon materiality assessment + simplification*
- **DR E2-6** – Potential financial effects from pollution-related impacts, risks and opportunities (inc. information on pollution-related incidents and deposit impacts) *merging of E2-6 and E2-7*

*Clarification:
upon
materiality
assessment*

*Phase in
quantitative*

Pollution overview

Key outcome for public consultation

- ESRS E2 should be sector agnostic
- Complexity of value chain emissions reporting, more general concerns on data availability
- Numerous references to EU legislations not desirable
- Importance of geographical areas / sites pollution
- Level of granularity

PTAPR

- **Overall harmonisation across E**
- **Site information:** a point which was raised by many respondents in the public consultation is the lack of clarity on the importance of site information. Experts recommend to focus not only on group indicators which do not make much sense but also on site information. The Secretariat proposes to add information at site level for policies, targets, action plans and resources where material and relevant.
- **Delete granularity** and prescriptive information (e.g. on targets, delete 27, 26 d i, ii, iii, 26 e I, ii, iii., keep classification of topics and mitigation hierarchy: prevention, minimisation, avoidance and control, remediation)

Overview of consultation feedback and TEG proposals

Pollution of air, water and soil

Stick to SFDR PAI

- Tonnes of emissions to water (#8, Table 1) - *currently in ESRS E3*
- Tonnes of inorganic pollutants (#1, Table 2)
- Tonnes of air pollutants (#2, Table 2)
- Tonnes of ozone-depleting substances (#3, Table 2)
- *Companies producing chemicals is currently under ESRS 2*

Drop unnecessary granularity, keep contextual information

Clarifying information needed on own operations / LCA.

Site information when material

Substances of concern and most harmful substances

TEG agreed to keep the DR given the possibility severity of the impacts, while acknowledging that:

- It is subject to materiality assessment and will probably often be discarded.
- Undertakings already have part of the information thanks to EU regulations (Reach)
- Clarifying information needed on own operations / LCA.
- Dropping raw materials costs and moving share of turnover to financial effects
- Site information when material

Overview of consultation feedback and TEG proposals

Pollution-related incidents and deposits

Merge with Financial effects, while keeping the relevant content:

- *Description of majors incidents and deposits*
- *Provisions for rehabilitation where relevant*
- *No information on value chain (clarification), simplify (drop AG25)*

Financial effects

Qualitative information

Phase in of quantitative information for 3 years

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

E3 Water and marine resources: Overview

Current draft

PTAPR

DR E3-1: Policies implemented to manage water and marine resources

DR E3-2: Measurable **targets** for water and marine resources

DR E3-3: Water and marine **action plans and resources**

Performance measurement

DR E3-4: Water management performance

- *Water withdrawals*
- *Water discharges*
- *Water consumption (= withdrawals – discharges)*

DR E3-5: Water intensity performance

DR E3-6: Marine resources-related performance (*sector*)

DR E3-7: Potential financial effects from water and marine resources-related impacts, risks and opportunities

Taxonomy regulation

SFDR PAI #8 on IROs (exposure on areas with high water stress)

Proposed draft

DR E3-1: Policies implemented to manage water (*SFDR #7 Table 2*) and marine resources (*SFDR #12 Table 2*)

DR E3-2: Measurable **targets** for water and marine resources

DR E3-3: Water and marine **action plans and resources**

DR E3-4: Water management performance

- *Water consumption + focus on areas at water risk (including high water stress)*
- *SFDR PAI #6 Table 2 on water usage and recycling*

DR E3-5: Water intensity performance – *stick to SFDR, possibility for other denominators*

DR E3-6: Potential financial effects from water and marine resources-related impacts, risks and opportunities

*Clarification:
upon
materiality
assessment*

*Phase in
quantitative*

Water and marine resources overview

Key outcome for public consultation

- Not enough focus on areas at high water stress
- Water (and even more marine resources) should be sector-specific
- Some elements missing on quality of effluents and origin of water – also for alignment with GRI
- Difficulties of value chain reporting

Key decisions

Water and marine resource remain at sector-agnostic level and be considered material across all sectors

PTAPR – Consistency with the other Environmental standards and greater focus on areas at water risk, including high-water stress.

Water management performance:

- Focus on water consumption;
- Remove requirements on water withdrawals and discharges to sector-specific
- Keep metrics required by SFDR KPI (water usage and recycling)

Marine resources:

- Move the DR to sector-specific standard, while keep the concept of marine resources and its materiality assessment in E3 and clarifying definitions and concepts (***lack of maturity/materiality***)

Financial Effects: see pollution

E5 Resource use and circular economy

Current draft

PTAPR

- **DR E5-1 – Policies** implemented to manage resource use and circular economy
- **DR E5-2 – Measurable targets** for resource use and circular economy
- **DR E5-3 – Resource use and circular economy action plans**

Performance measurement

- **DR E5-4 – Resource inflows**
- **DR E5-5 – Resource outflows**
- **DR E5-6 – Waste**
- **DR E5-7 – Resource use optimisation** (*merged into other DRs*)
- **DR E5-8 – Circularity support** (*merged into other DRs*)
- **DR E5-9 – Financial effects from resource use and circular-economy-related impacts, risks and opportunities**
- **Taxonomy Regulation**

Proposed draft

- **DR E5-1 – Policies** implemented to manage resource use and circular economy
- **DR E5-2 – Measurable targets** for resource use and circular economy
- **DR E5-3 – Resource use and circular economy action plans**

- **DR E5-4 – Resource inflows**
- **DR E5-5 – Resource outflows**, *including Waste and clarification of concept*
- **DR E5-6 – Financial effects from resource use and circular-economy-related impacts, risks and opportunities**

*Clarification:
upon
materiality
assessment*

*Phase in
quantitative*

Water and marine resources overview

Key outcome for public consultation

- Clarification of concepts across standards, avoid giving too much emphasis to intensity (inc. decoupling)
- Sector-specific?
- International alignment
- Concerns on data availability
- Architecture

Key decisions

PTAPR: follow other environmental standards and introduce mitigation hierarchy (prevent, reuse, recycle, recover, dispose), clarify better some concepts including eco-design,

Resource inflows: move from quantitative to qualitative for sector-agnostic, subject to materiality assessment confirming « high potential for circularity » or targets set such as: electronics and ICT, batteries and vehicles, packaging, plastics, textiles, construction and buildings, food, water and nutrients (list of 7 key value chains), bringing guidance on the different categories of inflows and a datapoint on virgin/non virgin (EMF).

Resources outflows: merged into one DR, clarifying outflows including: products & waste as well as pollutants (E2).
Regarding products: weight maintained for undertakings where material e.g. resource intensive, inc. manufacturing companies and high potential for circularity
Regarding waste: stick to current alignment with GRI (slightly less granular) (rather than EMF)

Water and marine resources overview

Key decisions

Resource use optimisation: follow other environmental standards

- strategy to optimise resource use in creating circular business models → Resource outflows
- share of net turnover from products and services that leverage the transition to a circular economy through circular business models such as pay-per-use, sharing or repairing services. → Financial effects

Circularity support

- The disclosure required by paragraph 47 shall include a description of:

(a) actions, including circularity measures, taken to prevent waste generation in the undertaking's upstream and downstream value chain and to manage significant impacts arising from waste generated; → *E5-3*

(b) the extent to which the undertaking engages with customers on advancing circular economy topics; and → *materiality assessment*

(c) the extent to which the undertaking engages with suppliers on advancing circular economy topicspar. 49 a) should be relocated to the DR on Action plans (E5-3); → *materiality assessment*

Financial effects

see pollution



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