

[DISCLAIMER]

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This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG SR TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG SRB or EFRAG FR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG SRB, are published as [Draft] ESRS, comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

Additional disclaimer for SR TEG public agenda papers 25 October 2022

This paper is a draft [Draft] standard prepared by the EFRAG Secretariat for approval of SR TEG and, once approved, it forms the advice that according to EFRAG Due Process SR TEG delivers to SRB as recommended content of the [Draft] final standards to be delivered to the European Commission in November 2022.

This draft reflects the tentative decisions of the SRT in the meetings from June to October 2022 (and reflects the content of the Agenda Papers prepared for those meetings). It has been developed starting from the ESRS Exposure Draft of April 2022, taking into account:

- the revised CSRD text released at the end of June;
- alignment with EDs IFRS S1, S2 and GRI standards as required by the new CSRS whenever possible;
- feedback received from the public consultation.

This draft is an intermediate version of the [Draft] standard and quality checks are still in progress that will result in editorial changes and further presentation/language streamlining. This includes editorial and presentation review, consistency of language across the standards, update of the references to paragraphs/chapters/sessions within the standard and across all the standards, alignment of definitions and glossary across all standards, possible changes of terminology due to recent IFRS decisions. The items in yellow are also subject to change (reflecting the ongoing quality check or pending other external confirmations). In ESRS 2 items in grey mark the datapoints that have been added for alignment with IFRS S1.

Changes are also possible in the next steps of SRB deliberation and approval, including changes other than editorial.

[DISCLAIMER] STATUS OF THIS DRAFT 24 OCTOBER 2022

This draft reflects the decisions of the SRT until the 21 October 2022. It has been developed starting from [Draft] ESRS Exposure Draft, of April 2022, taking into account:

- the new requirements of the CSRD
- alignment with ED IFRS S1 and GRI as required by the new CSRS
- feedback received from the public consultation
- comments from SR TEG and SRB members on the drafts circulated on 12/16 October.

ITEMS STILL PENDING IN THIS DRAFT

- Editorial review
- Check of internal and external references to paragraphs/sections/chapters of this document and other ESRS
- Consistency between ESRS documents including for terminology
- Move the 'shall' datapoints currently in AR that refer to ESRS 2 to the main body of this draft to leave only 'may' and methodology in Appendix B

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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 water and marine resources, in terms of positive and negative material actual or potential impacts;
 - b) any actions taken, and the result of such actions, to protect water and marine resources, also with reference to reduction of water withdrawals, water consumption, water use, water discharges in water bodies and in the oceans, habitat degradation and the intensity of pressure on marine resources;
 - c) whether and how to what extent the undertaking is contributing to the European Green Deal's ambitions for fresh air, clean water, a healthy soil and biodiversity as well as to ensuring the sustainability of the blue economy and fisheries sectors, to the EU water framework directive, to the EU marine strategy framework, to the EU maritime spatial planning directive, the SDGs 6 Clean water and sanitation and 14 Life below water, and respect of global environmental limits (e.g. the biosphere integrity, ocean acidification, freshwater use, and biogeochemical flows planetary boundaries) in line with the vision for 2050 of "living well within the ecological limits of our planet" set out in the 7th Environmental Action Programme, and in the proposal for a decision of the European Parliament and the Council on the 8th Environmental Action Programme;
 - d) any plans and capacity of the undertaking to adapt its business model and operations in line with the preservation and restoration of water and marine resources globally;
 - e) the nature, type and extent of the undertaking's material risks and opportunities arising from the undertaking's impacts and dependencies on water and marine resources, and how the undertaking manages them; and
 - f) the effects of risks and opportunities, arising from the undertaking's impacts and dependencies on water and marine resources, 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 [draft] Standard derives from the [Draft Corporate Sustainability Reporting Directive] stating that the sustainability reporting standards shall specify information to disclose about water and marine resources.
3. "Water" covers the undertaking's relationship with water in its own operations, upstream and downstream value chain, in terms of impacts, risks and opportunities and how it effectively addresses these issues. Water covers surface water, groundwater and produced water. This covers where and how much water is withdrawn, consumed and discharged for the undertaking's activities, products and services and what are the water-related impacts caused or contributed to by the undertaking. It also covers how the undertaking is exposed to water-related risks.
4. "Marine resources" cover the undertaking's relationship with marine resources in its own operations, upstream and downstream value chain, in terms of impacts, dependencies, risks and opportunities and how it effectively addresses these issues. These cover the use of ocean-based resources, discharges and emissions to the environment which end up in the oceans, or activities located in maritime (naval matters) areas.

Interactions with other ESRS

5. Water and marine resources is closely connected to other environmental sub-topics such as climate change, pollution, biodiversity and circular economy. Thus, to provide a comprehensive

overview of what could be material to water and marine resources, relevant disclosure requirements are covered in other environmental standards as follows:

- a) ESRS E1 Climate change, which addresses in particular water and oceans-related hazards including changing precipitation patterns and types (rain, hail, snow/ice), Precipitation or hydrological variability, ocean acidification, saline intrusion, sea level rise, drought, water stress, heavy precipitation, flood and glacial lake outburst;
 - b) ESRS E2 Pollution, which addresses in particular emissions to water;
 - c) ESRS E4 Biodiversity and ecosystems, which addresses in particular ecosystems and species;
 - d) ESRS E5 Resource use and circular economy, which addresses in particular waste and plastic waste.
6. This [draft] Standard covers an environmental sub-topic, however as people benefit from water and marine resources, the undertaking' impacts on water and marine resources affect communities. Material negative impacts on affected communities from water and marine resources-related impacts attributable to the undertaking are covered in ESRS S3 Affected communities
 7. The content of this [draft] Standard related to Strategy, Governance and Materiality assessment, as well as Policies, targets, action plans and resources shall be read in conjunction respectively with ESRS 2 General disclosures and ESRS 1 General requirements.
 8. This Standard covers sector-agnostic disclosure requirements. Sector-specific disclosure requirements are developed separately and in accordance with the classification following ESRS SEC 1¹.

Disclosure requirements

General, Strategy, Governance and Materiality assessment

9. The provisions of this [draft] Standard shall be read in conjunction with and reported alongside the disclosure requirements of ESRS 2.

Disclosure Requirement IRO-1 – Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities

10. The undertaking shall describe the process to identify material impacts, risks and opportunities and, in particular, shall provide information on:
 - (a) the methodologies and tools used to screen its assets and activities in order to identify its actual and potential water and marine resources physical and transition risks in its own operations and value chain;
 - (b) the interconnection between risks and opportunities arising from impacts and dependencies;
 - (c) the process for conducting consultations and in particular with affected communities².

¹ To be issued in a later stage.

² Source: IFC Performance Standard 6, 2012.

Policies, targets, action plans and resources

Disclosure Requirement E3-1 – Policies related to water and marine resources

11. **The undertaking shall disclose its policies implemented to manage its material impacts, risks and opportunities related to water and marine resources³.**
12. 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 its material water and marine resources impacts, risks and opportunities.
13. The summarised description of the policy shall contain the information required in ESRS 2 Disclosure Guideline IRO-DG1– On policies adopted to manage material sustainability matters.
14. In the summary, the undertaking shall indicate whether and how its policies address the following areas where material:
 - a) operations-related water management and the sourcing of water;
 - b) product and service design, in view of addressing water-related issues and the preservation of marine resources;
 - c) commitment to reduce material water consumption (in volume and/or pollutant load), in particular in areas at water risk on own operations and along the value chain.
15. If at least one of the sites of the undertaking is located in an area of high-water stress and is not covered by a policy, the undertaking shall state it clearly and clarify if and when a dedicated policy will be implemented.⁴
16. The undertaking shall specify whether it has adopted policies or practices related to sustainable oceans and seas⁵.

Disclosure Requirement E3-2 – Targets related to water and marine resources

17. **The undertaking shall disclose the water and marine resources-related targets it has adopted.**
18. The objective of this Disclosure Requirement is to provide an understanding of the targets the undertaking has adopted to support its water and marine resources policies and address its material water and marine resources impacts, risks and opportunities.
19. The description of the targets shall contain the information requirements defined in ESRS 2, MT- DG 1 on targets, progress and tracking effectiveness.
20. The disclosure required by paragraph 17 shall indicate whether and how its targets relate to:

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 #7 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 #8 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments.

⁵ 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 #12 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments.

- a) the reduction of water consumption, including an explanation of how those targets relate to areas at water risk, including areas of high water-stress.
 - b) the responsible management of marine resources impacts, risks and opportunities including the nature and quantity of marine resources-related commodities (such as gravels, deep-sea minerals, seafood) used by the undertaking.
21. In addition to ESRS 2, MT- DG 1, the undertaking shall specify whether (local) ecological thresholds and organisation-specific allocations were taken into considering 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.
22. The undertaking shall specify to which layer of the mitigation hierarchy the targets relate to where relevant: avoid, reduce, restore and regenerate and transform⁶.

Disclosure Requirement E3-3 – Action plans and resources related to water and marine resources policies and targets

23. **The undertaking shall disclose its water and marine resources action plans and the resources allocated for their implementation.**
24. The objective of this DR is to provide an understanding of the key actions taken and planned to achieve the water and marine resources policy's objectives and targets.
25. The description of the action plans and resources shall follow the principles defined in ESRS 2 IRO-DG2 – Action plans and resources in relation to policies and targets.
26. In addition to ESRS 2 IRO-DG2, the undertaking shall specify to which layer in the mitigation hierarchy an action plan and resources can be allocated to:
- a) avoid the use of water and marine resources;
 - b) reduce the use of water and marine resources;
 - c) restore, regenerate and transform marine ecosystems and basins in.
 - d) The undertaking shall specify action plans and resources in relation with areas at water risk, including areas of high-water stress.

Performance measurement

Disclosure Requirement E3-4 – Water consumption

27. **The undertaking shall disclose information on its water consumption performance related to its material impacts, risks and opportunities.**
28. The objective of this Disclosure Requirement is to provide an understanding of the undertaking's water cycle at its level and the progresses the undertaking has made in relation to its targets.

⁶ As per the Initial Guidance for Business by SBTN, which can be found here: <https://sciencebasedtargetsnetwork.org/wp-content/uploads/2020/11/Science-Based-Targets-for-Nature-Initial-Guidance-for-Business.pdf>.

29. The disclosure required by paragraph 27 relates to own operations and shall include:
- a) total water consumption in m³;
 - b) total water consumption in m³ from areas at material water risk, including areas of high-water stress;
 - c) any contextual information necessary regarding the local basins' water quality and quantity how the data have been compiled, such as any standards, methodologies, and assumptions used, including whether the information is calculated, estimated, modelled, or sourced from direct measurements, and the approach taken for this, such as the use of any sector-specific factors.
30. The undertaking shall also include, along the information required under paragraph 27:
- a) total water recycled or reused in m³; ⁷ and
 - b) total water stored and changes in storage in m³;
 - c) contextual information related to points a) and b).
31. The undertaking shall provide in addition information on its water intensity: total water consumption in m³ per net revenue on own operations⁸.

.Disclosure Requirement E3-5 – Financial effects from water and marine resources-related impacts, risks and opportunities

32. **The undertaking shall disclose its potential financial effects of risks and opportunities arising from water and marine resources-related impacts and dependencies.**
33. The objective of this Disclosure Requirement is to provide information on:
- a) potential negative financial effects due to risks arising from water and marine resources-related impacts and dependencies is to provide an understanding of how these risks may affect the undertaking's financial performance and position over the short-, medium-, and long-term;
 - b) potential positive financial effects due to opportunities arising from water and marine resources -related material impacts is to allow an understanding of how the undertaking may financially benefit from material water and marine resources-related opportunities.
34. The disclosure shall include:
- a) a quantification of the potential financial effects in monetary terms or where impracticable qualitative information;
 - b) a description of the effects considered, the impacts and dependencies to which they relate and the time horizon in which they are likely to materialise;
 - c) the critical assumptions used in the estimate, as well as the sources and level of uncertainty attached to those assumptions.

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 #6.2 in Table 2 of Annex 1 of the related Delegated Regulation regarding disclosure rules on sustainable investments.

⁸ 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 #6.1 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments.

35. In the context of this Disclosure Requirement, potential financial effects shall include financial effects that do not meet the recognition threshold for inclusion in the financial statement line items and notes to the financial statements.
36. For the first three years of application of this ESRS, to comply with this Disclosure Requirement the undertaking may provide qualitative information only.

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Appendix A: Defined terms

This appendix is an integral part of the [draft] ESRS E3.

Area of high-water stress	Regions where the percentage of total water withdrawn is high (40-80%) or extremely high (greater than 80%) in the World Resources Institute's (WRI) Water Risk Atlas tool Aqueduct. See also water scarcity
Area at water risk	Areas at risk in terms of water quality, quantity (including areas at high water-stress), regulatory or reputational issues for its facilities and for the facilities of key suppliers
Blue economy	All the sources of financial and non-financial value that humanity derives from marine environments. It includes all economic activities related to oceans, seas and coasts.
Discharge	(1) Wastewater discharge means the amount of water (in m ³) or substance (in kg BOD/d or comparable) added / leached to a water body from a point or a non-point source. (2) Sewage effluent (or discharge) means treated sewage discharged from a sewage treatment plant.
Freshwater	It includes: surface water, including rainwater, water from wetlands, rivers and lakes. Water that is naturally occurring water on the Earth's surface in ice sheets, ice caps, glaciers, icebergs, bogs, ponds, lakes, rivers and streams, and has a low concentration of dissolved solids. This surface water source includes water of a quality generally acceptable for, or requiring minimal treatment to be acceptable for, domestic, municipal or agricultural uses (at least <10,000 mg/l TDS, though a range of additional quality properties may also be considered). "High quality" fresh water sources considered acceptable for potable use are typically characterized as having concentrations of dissolved solids less than 1,000 mg/l.
Groundwater (renewable and non-renewable)	All water which is below the surface of the ground in the saturation zone and in direct contact with the ground or subsoil ⁹ .
Marine resources	Ocean-based resources, discharges and emissions to the environment which end up in the oceans, or activities located in maritime (naval matters) areas.
Recycled/reused water	Water and wastewater (treated or untreated) that has been used more than once before being discharged from the undertaking's boundary, so that water demand is reduced. This may be in the same process (recycled), or used in a different process within the same facility or another of the undertaking's facilities (reused).
River basins	The area of land from which all surface run-off flows through a sequence of streams, rivers and, possibly, lakes into the sea at a single river mouth, estuary or delta.

⁹ See art. 2 (20) of the REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

River Basin district	The area of land and sea, made up of one or more neighbouring river basins together with their associated groundwaters and coastal waters, which is identified under Article 3 (1) (of the Water Framework Directive) as the main unit for management of river basins. (Article 2 of Water Framework Directive)
Systemic risks	Risks arising from the breakdown of the entire system, rather than the failure of individual parts. Characterised by modest tipping points combining indirectly to produce large failures and cascading interactions of physical and transition risks (contagion), as one loss triggers a chain of others and stops systems from recovering their equilibrium after a shock.
Total water use	The sum of water used for all activities in direct operations in the reporting year. This volume can be calculated as the sum of water drawn into the undertaking's boundaries plus water taken from storage for use prior to discharge, plus water that is recycled/reused within the operations.
Wastewater	Water which is of no further immediate value to the purpose for which it was used or in the pursuit of which it was produced because of its quality, quantity, or time of occurrence. Wastewater from one user can be a potential supply to a user elsewhere. Cooling water is not considered to be wastewater
Water consumption	The amount of water drawn into the boundaries of the undertaking (or facility) and not discharged back to the water environment or a third party over the course of the reporting period.
Water discharge	The sum of effluents and other water leaving the boundaries of the organisation and released to surface water, groundwater, or third parties over the course of the reporting period.
Water intensity	A metric providing the relationship between a volumetric aspect of water and a unit of activity (products, sales, etc.) created.
Water scarcity	Refers to the volumetric abundance, or lack thereof, of freshwater resources. Scarcity is human driven; it is a function of the volume of human water consumption relative to the volume of water resources in a given area. As such, an arid region with very little water, but no human water consumption would not be considered scarce, but rather arid. Water scarcity is a physical, objective reality that can be measured consistently across regions and over time. Water scarcity reflects the physical abundance of freshwater rather than whether that water is suitable for use. For instance, a region may have abundant water resources (and thus not be considered water scarce), but have such severe pollution that those supplies are unfit for human or ecological uses. (The CEO Water Mandate, Corporate Water Disclosure Guidelines, 2014). See also: water stress
Water withdrawal	The sum of all water drawn into the boundaries of the undertaking from all sources for any use over the course of the reporting period. (Adapted from CDP Water questionnaire, 2021)

Appendix B: Application requirements

This appendix is an integral part of the proposed [draft] ESRS E3 Water and marine resources. It describes the application of the requirements set for in paragraphs 8 to 31 and has the same authority as the disclosure requirements.

General, Strategy, Governance and Materiality assessment

Disclosure Requirement IRO-1 – Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities

- AG 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 (TNFD) 10:
- a) locate where in the own operations and along the value chain happen the interface with nature at the priority locations;
 - b) evaluate the water and marine resources-related dependencies and impacts;
 - c) assess the material risks and opportunities;
 - d) prepare and report the results of the materiality assessment.
- AG 2. The materiality assessment for ESRS E3 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.
- AG 3. The process to assess the materiality of impacts, dependencies, risks and opportunities shall consider the provisions in ESRS 2 Disclosure Requirement IRO 1, and IRO 2.
- AG 4. The sub-topics covered by the materiality assessment under ESRS may include:
- a) the contribution to direct impact drivers as defined by IPBES:
 - i. Water and sea use change, including for instance a desiccation of a river or a depletion of a source, from which the undertaking withdrew water in its process;
 - ii. Water use and replenishment;
 - b) dependencies on ecosystem services related to water and marine resources and in particular water supply (including freshwater), water purification and/or water flow regulation/maintenance as well as, regarding marine resources, the rarefaction of some species of fish or other unwater marine living organisms which would be sold as products by an undertaking.
- AG 5. Under paragraph AG 1.a), the undertaking shall consider first **locating** where there are areas at water or marine resources-related risks in its own operations and along the value chain. To identify these priority locations the undertaking shall consider:

- a) the locations of direct assets and operations and related upstream and downstream activities across the value chain;
 - b) the sites located in areas at water risk, including areas at high-water stress;
 - c) the sectors or business units are interfacing with water or marine resources in these priority locations.
- AG 6. The undertaking shall consider river basins as the relevant level for assessment of locations and combine that approach with an operational risk assessment of its facilities and the facilities of suppliers with material impacts and risks and/or the facilities of key suppliers.
- AG 7. The undertaking shall consider the criteria for defining the status of river basins according to the guidance documents provided for implementation of the Water Framework Directive. The list of guidance documents can be accessed under the European Commission's Environment home page^{11 12 13 14 15}.
- AG 8. Under paragraph AG 1.b), the undertaking shall consider **evaluating** impacts and dependencies for each area at water or marine resources-related risks through the following process:
- a) identify business processes and activities as well as impacts and dependencies on environmental assets and ecosystem services;
 - b) identify water and marine resources-related impacts and dependencies across the undertaking value chain;
 - c) assess the severity and likelihood of the positive and negative impacts on water and marine resources.
- AG 9. For the identification of water and marine resources-related dependencies, the undertaking shall consider the common international classification of ecosystem services for integrated environmental and economic accounting available, hosted for the European Environment Agency.¹⁶
- AG 10. When identifying its marine resources-related dependencies, the undertaking shall consider if it depends upon key marine resources-related commodities, including but not limited to deep-sea minerals, gravels and seafood products.
- AG 11. Marine resources are defined according to their use by human societies and must be considered in relation to the pressure they are subject to. Some of the pressure indicators are presented in other ESRS, namely emissions to water and microplastics in ESRS E2 and waste plastic in ESRS E5.
- AG 12. Examples of marine resources dependencies which may be considered by the undertaking:
- a) Dependencies on exploited fish and shellfish along its supply chain, consumption and production. Indeed, commercially exploited fish and shellfish are living marine resources targeted for economic purposes (bony fishes, sharks and rays), and crustaceans such as lobsters and shrimps and molluscs (including bivalves, cuttlefish and squid) which have become an issue for global food security.
 - b) Dependencies on raw materials from deep-sea mining: integrity of seabed (physical, chemical and biological status) defines the functioning of marine ecosystems and is in particular relevant for species and communities living on the

seabed. The destruction of the seabed is mainly caused by the extractive activity of minerals and sediments.

AG 13. Based on the results of Phase 1 and 2, the undertaking shall **assess** under paragraph AG 1.c) material risks and opportunities considering acute and chronic risks by:

- 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 or policy (e.g. changes such as increased water protection), ineffective biodiversity governance in an area, across boundaries (i.e. transboundary governance) and cooperation resulting in water or oceans degradation exposure to sanctions and litigation (e.g. permits or allocations; negligence towards or killing of threatened marine species), enhanced reporting obligations on marine ecosystems and related services;
 - (ii) technology: e.g. substitution of products or services with a lower impact on water and marine resources, transition to more efficient and cleaner technologies (i.e. with lower impacts on oceans and water), new monitoring technologies (e.g. satellite), water purification, flood protection;
 - (iii) market: e.g. shifting supply, demand and financing, volatility or increased costs of water or marine resources;
 - (iv) reputation: e.g. changing societal, customer or community perceptions as a result of an organisation's role in water and marine resources;
 - (v) contribution to systemic risks by categories in its own operations and its upstream and downstream value chain, including marine ecosystem collapse risks that a critical natural system no longer functions (e.g. tipping points are reached, summing physical risks);
- b) identifying physical risk including water quantity (water scarcity, water stress, flooding), water quality, infrastructure decay or unavailability of some marine resources-related commodities leading for instance to the impossibility to run operations in certain geographical areas;
- c) identifying opportunities categorized by^{18,19}:
 - (i) resource efficiency: e.g. transition to more efficient services and processes requiring less water and marine resources ;
 - (ii) markets: e.g., development of less resource-intensive products and services, nature-based solutions, diversification of business activities;
 - (iii) financing: e.g., access to green funds, bonds or loans;
 - (iv) resilience: e.g., diversification of marine or water resources and business activities (e.g. start a new business unit on ecosystem restoration), investing in green infrastructures, adopting recycling and circularity mechanisms that reduce the dependencies on water or marine resources; and

¹⁷ Source: TNFD, 2022, p.37

¹⁸ Source: TNFD, 2022, p.37

¹⁹ Source: CDSB Biodiversity Application Guidance 2021

- (v) reputation: positive stakeholder engagement as a result of a proactive stance on managing nature-related risks (e.g. leading to preferred partner status).

AG 14. The undertaking may rely on primary, secondary or modelled data collection or other relevant approaches to assess material impacts, dependencies, risks and opportunities such as:

- a) information provided by the Risk Filter Suite that is a web-based tool integrating spatially explicit data at the global, regional and local level. It allows firms to understand risks and opportunities, prioritize areas of action and develop tailored response plans;
- b) information provided by the World Resources Institute's (WRI) Water Risk Atlas tool Aqueduct;
- c) information provided by the EU Recommendation 2021/2279 on the use of the Environmental Footprint methods to measure and communicate the life cycle environmental performance of products and organisations (Annex I - Product Environmental Footprint; Annex III - Organisation Environmental Footprint);
- d) information provided by the Water Footprint Network that includes the Water Footprint Assessment Tool.

AG 15. When providing information on the outcome of the materiality assessment, the undertaking shall consider:

- a) a list of geographical areas where water is a material issue for the undertaking's operations and value chain;
- b) a list of marine resources-related commodities used by the undertaking which are material to the good environmental status of marine waters as well as for the protection of marine resources; and
- c) a list of sectors or segments associated to water and marine resources material impacts, risks and opportunities.

Policies, targets, action plans and resources

Disclosure Requirement E3-1 – Policies implemented to manage water and marine resources

AG 16. The policies described under this Disclosure Requirement may be integrated in broader environmental or sustainability policies covering different subtopics.

AG 17. When disclosing information under paragraph 11, the undertaking may report if it has adopted policies which:

- a) prevents further deterioration and protects and enhances the status of aquatic ecosystems
- b) promotes sustainable water use based on a long-term protection of available water resources
- c) aims at enhanced protection and improvement of the aquatic environment;
- d) promotes a good environmental status of marine water
- e) promotes reduction of water withdrawals and water discharges.

AG 18. The undertaking may also consider policies in order to:

- a) ensure good ecological and chemical quality of water bodies in order to protect human health, water supply, natural ecosystems and biodiversity, the good environmental status of marine waters and the protection of the resource base upon which marine related activities depend;
- a) minimise material impacts and risks and implement mitigation measures that aim to maintain the value and functionality of priority services and to increase resource efficiency on own operations;
- b) avoid impacts on affected communities.

Disclosure Requirement E3-2 – Targets related to water and marine resources

AG 19. 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 (other possible guidance: https://wwfint.awsassets.panda.org/downloads/wwf_contextual_water_targets_hr.pdf and <https://ceowatermandate.org/wp-content/uploads/2021/05/Setting-Enterprise-Water-Targets-2021.pdf>).

AG 20. The undertaking may provide targets relating to:

- a) the reduction of water withdrawals;
- b) the reduction of water discharges.

AG 21. If the undertaking provides targets on withdrawals, it may include water withdrawal from polluted soils and aquifers, water withdrawn and treated for remediation purposes.

AG 22. If the undertaking provides targets on discharges, it may include water discharges to groundwater such as reinjection to aquifers, or water returning to a groundwater source via a soakaway or a swale.

AG 23. The targets may cover own operations and/or the value chain.

Disclosure Requirement E3-3 – Action plans and resources related to water and marine resources

AG 24. When disclosing information required under paragraph 23, the undertaking shall consider the actions, or action plans, contributing to address the material impacts, risks and opportunities identified. Useful guidance is provided by the Alliance for Water Stewardship (AWS)²⁰.

AG 25. Considering that water and marine resources are shared resources which may require collective actions, or action plans, involving other stakeholders, the undertaking may provide information on those specific collective actions, including information on other parties (competitors, suppliers, retailers, customers, other business partners, local communities and authorities, government agencies...) and specific information on the project, its specific contribution, its sponsors and other participants.

²⁰ <https://a4ws.org/the-aws-standard-2-0/>

AG 26. When providing information on capital expenditures, the undertaking may consider expenditures related to stormwater drain rehabilitation, pipelines, or machinery used to manufacture new low water-use products.

Performance measurement

Disclosure Requirement E3-4 – Water consumption

AG 27. When disclosing contextual information on water management performance required by paragraph 27, the undertaking shall explain the calculation methodologies and more specifically the share of the measure obtained from direct measurement, from sampling and extrapolation, or from best estimates.

AG 28. The undertaking may provide information on other breakdowns (i.e., per sector or segments).

AG 29. When disclosing information required by paragraph 31, the undertaking may provide additional intensity ratios based on other denominators.

Disclosure Requirement E3-5 – Financial effects from water and marine resources-related impacts, risks and opportunities

AG 30. The quantification of the potential financial effects in monetary terms under paragraph 34.a) may be a figure or a range of figures.

AG 31. The undertaking may include an assessment of its related 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.



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