

OUTREACH EVENT

von

AFRAC, EFRAG & WU Wien

zu den

ENTWÜRFEN DER EUROPÄISCHEN NACHHALTIGKEITSBERICHTERSTATTUNGS- STANDARDS

22. Juni 2022

AFRAC

 **EFRAG**

WU
WIRTSCHAFTS
UNIVERSITÄT
WIEN VIENNA
UNIVERSITY OF
ECONOMICS
AND BUSINESS



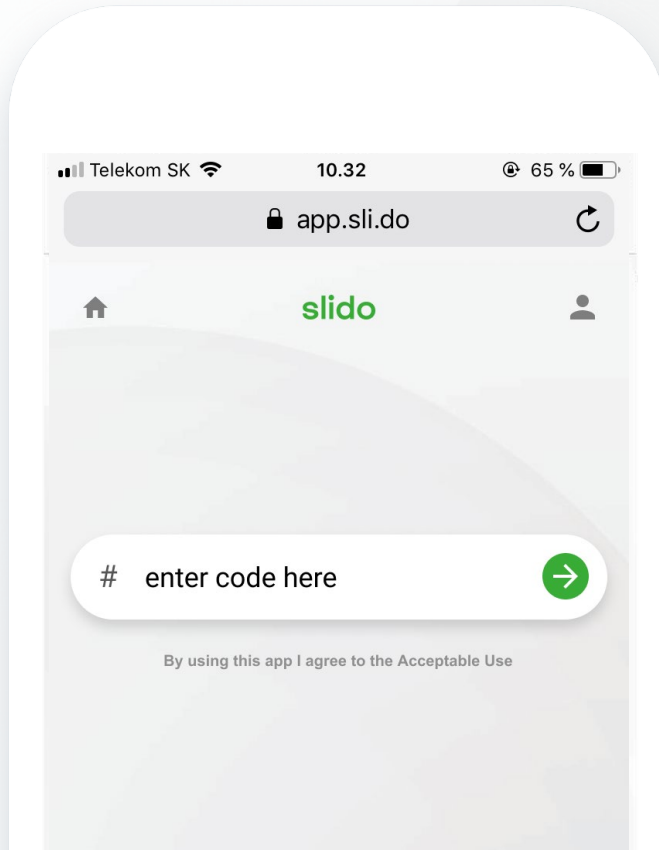
Agenda

1. Begrüßung
2. Politische und rechtliche Rahmenbedingungen der ESRS
3. Architektur und übergreifende Standards
4. Standards zu Umwelt
5. Standards zu Sozialem und zur Unternehmensführung
6. Schlussworte





Politische und rechtliche Rahmenbedingungen der ESRS

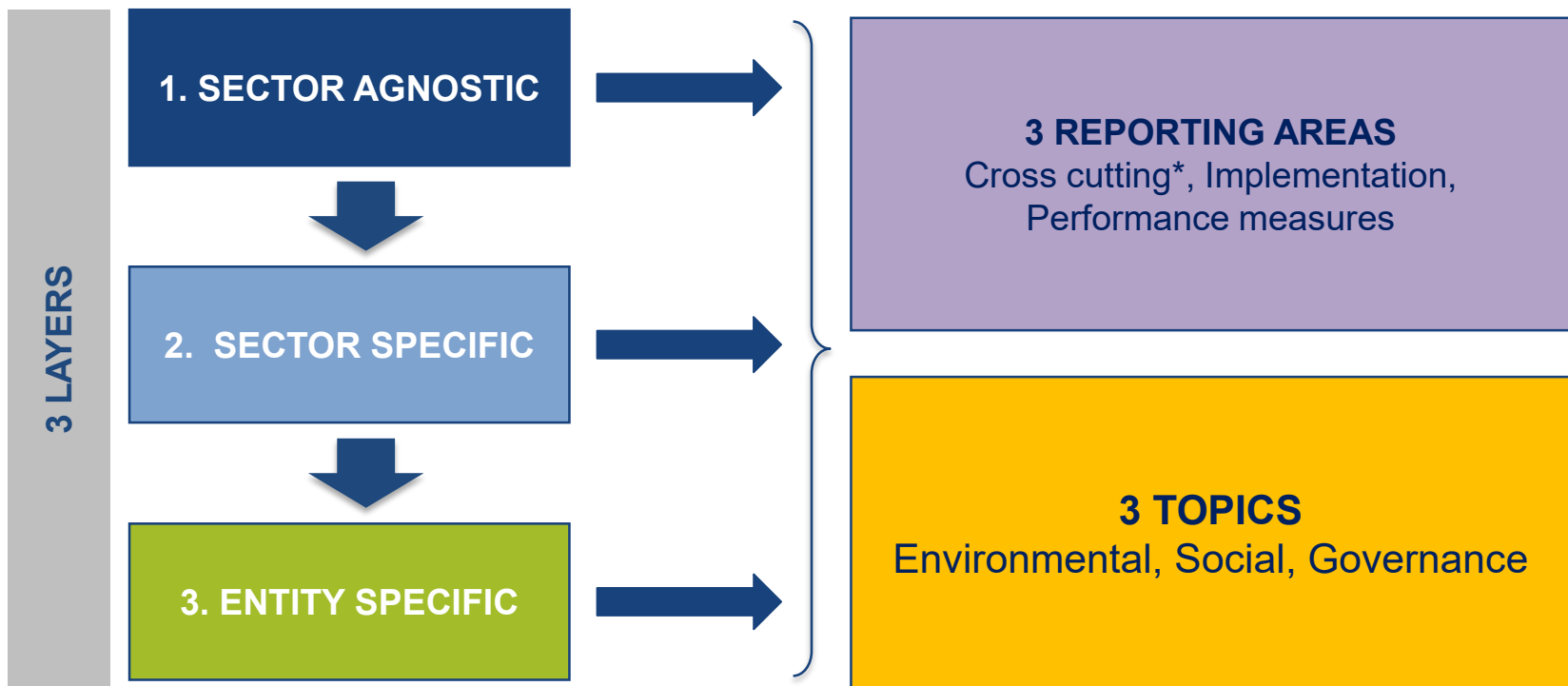


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ESRS Overview: Architecture

An EU comprehensive sustainability reporting

The 'rules of three' approach for the architecture of a mandatory sustainability reporting regime



DOUBLE MATERIALITY : Financial materiality and impact materiality

(*) Cross-cutting standards: General principles and disclosures related to General Requirements, Strategy and Business Model (SBM), Impacts, risks and opportunities (IROSs) and Governance (GOV)

ESRS Overview – Exposure drafts release

All Sector Agnostic

Cross-cutting standards

- ESRS 1 General principles
- ESRS 2 General, strategy, governance and materiality assessment

Environment

- ESRS E1 Climate change
- ESRS E2 Pollution
- ESRS E3 Water and marine sources
- ESRS E4 Biodiversity and ecosystems
- ESRS E5 Resource and circular economy

Social

- ESRS S1 Own workforce
- ESRS S2 Workers in the value chain
- ESRS S3 Affected communities
- ESRS S4 Consumers and end users

Governance

- ESRS G1 Governance, risk management and internal control
- ESRS G2 Business conduct

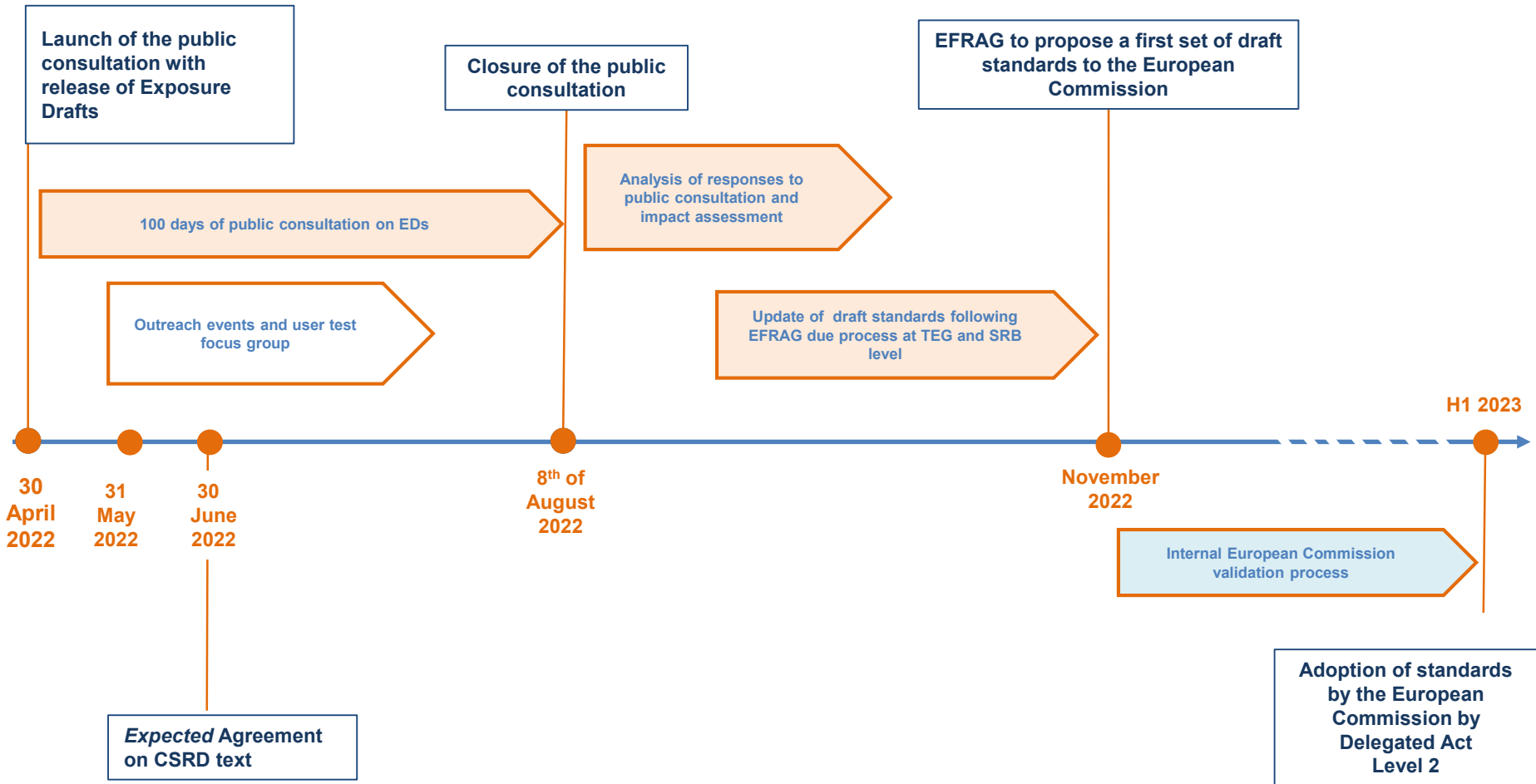
Reporting Areas: Cross-cutting

Reporting Areas: Implementation and Performance measures

3 Reporting topics: Environmental, Social, Governance

Next steps: Timetable

A critical step in the process of adopting European sustainability reporting standards





Architektur und übergreifende Standards

Cross-cutting:

ESRS 1 General principles

ESRS 2 General, strategy, governance and
materiality assessment

ESRS 1 – overview

OBJECTIVE

ESRS 1 prescribes the **mandatory concepts and principles to apply for preparation of sustainability reporting** under the (draft) Corporate Sustainability Reporting Directive (CSRD)

GENERAL PRINCIPLES

1 Reporting under European Sustainability Reporting Standards (ESRS)

2 Applying CSRD concepts

3 Disclosure Principles on implementation

4 Basis for preparing and presenting sustainability information

5 Providing linkage with other parts of corporate reporting

6 Structure of the sustainability statements

APPENDIX A: Defined terms

APPENDIX B: Application guidance

APPENDIX C: Explanations on sustainability due diligence

APPENDIX D: Classification of ESRS reporting areas and sub-topics

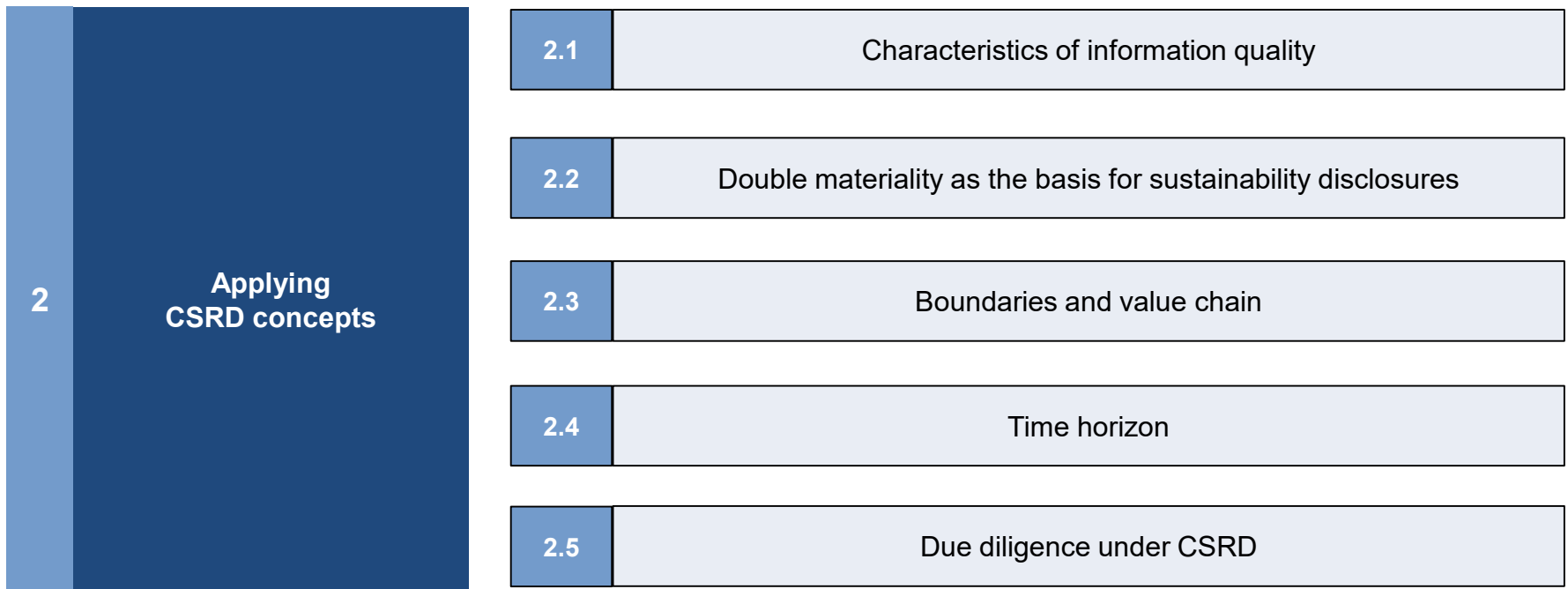
APPENDIX E: Illustrative examples

Chapter 1 Reporting under ESRS: implementation of the “rules of three”

(*CSRD information quality*) **High degree of comparability** across undertakings: standardized **sector-agnostic (and sector specific) disclosure requirements are mandated** for all undertakings

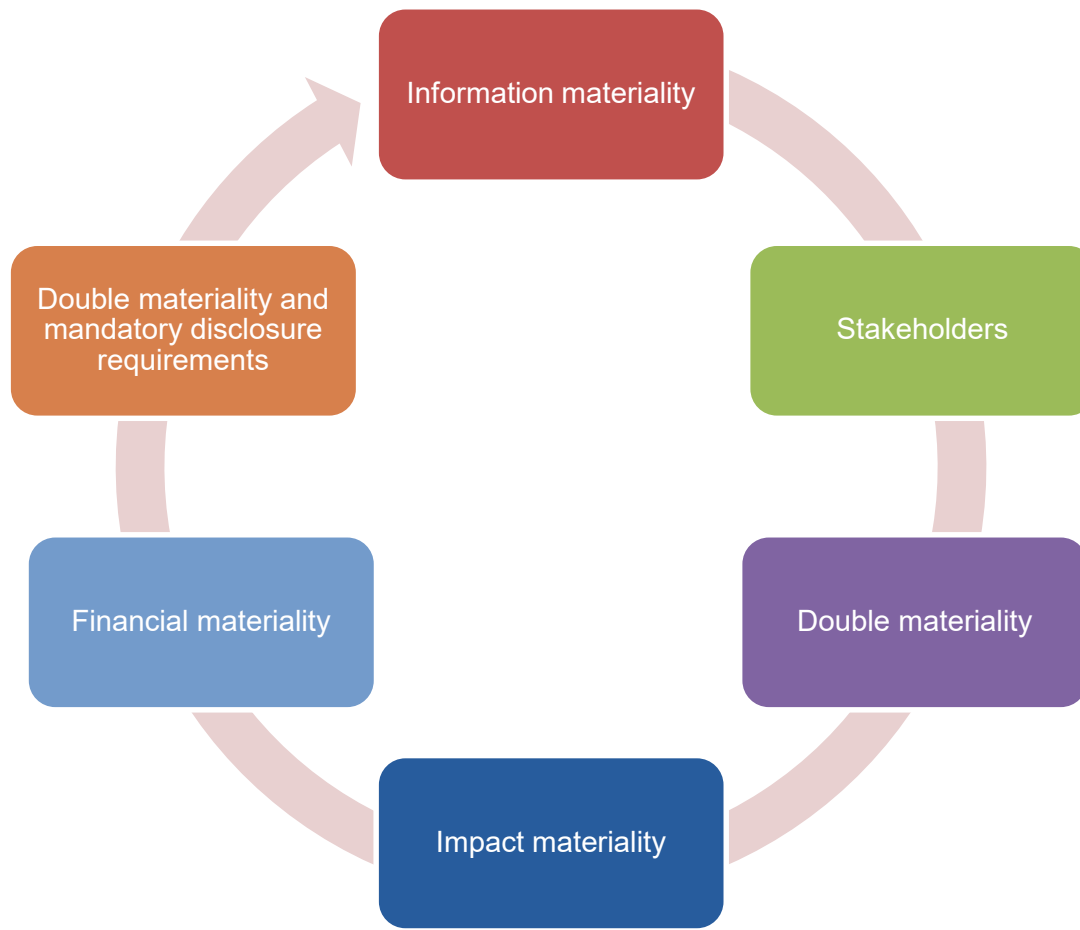
1	Reporting under European Sustainability Reporting Standards (ESRS)	1.1	Complying with ESRS
		1.2	Standardised and entity-specific disclosures
		1.3	Sector-agnostic and sector-specific standards
		1.4	Relationship between cross-cutting standards and topical standards
		1.5	Developing entity-specific disclosures

Chapter 2 Applying CSRD concepts: CSRD concepts as « Bedrock » of ESRS

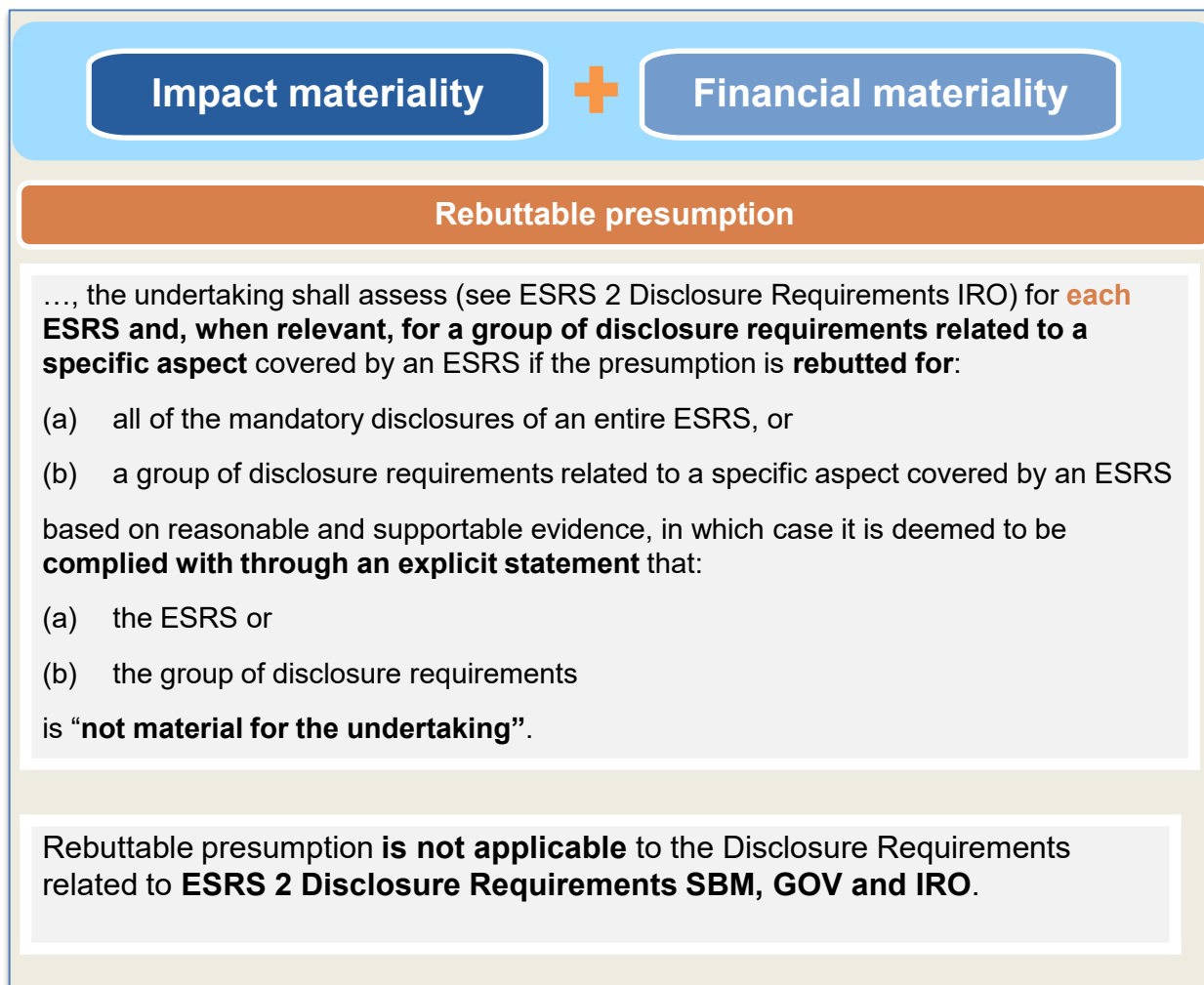


Chapter 2 Applying CSRD concepts:

2.2. Double materiality as the basis for sustainability disclosures



ESRS 1 – Key concepts: Double materiality and the possibility of rebutting the presumption of materiality



- No additional costs expected compared to assessing materiality without a list of requirements - in both cases judgement and evidence are required
- Having a predefined list supports comparability
- Having to rebut the presumption mitigates the risk of loss of relevant information

Chapter 2 Applying CSRD concepts: 2.2 Double materiality: From mandated DR to information material for the undertaking

Universe of sector-agnostic and sector-specific **mandated** disclosure requirements

-

Rebuttable presumption (at level of ESRS or group of DR)

-

Individual **disclosure requirement**/datapoint that **is below materiality criteria/thresholds** and that is not part of an ESRS (or a group) for which the presumption has been rebutted **may be omitted** and therefore considered implicitly disclosed as “not material”

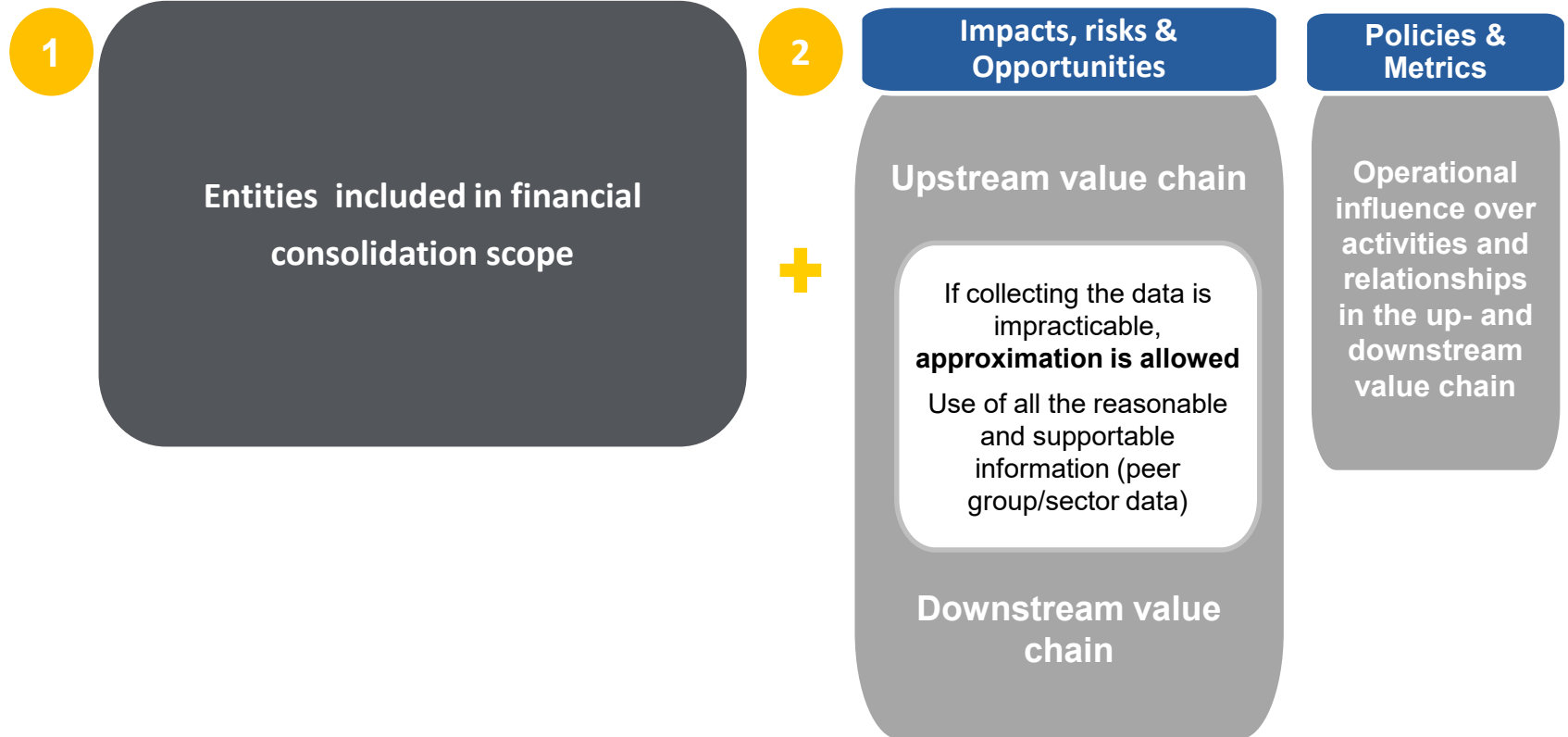
+

Entity specific disclosures

=

Material disclosure requirements for the undertaking

ESRS 1 – Key concepts: Boundaries and value chain: Consolidation scope plus up- and down-stream



Not all the data need to include value chain information: “Risk-based” approach and link to materiality. The boundary has to be expanded when the integration is necessary to allow a proper understanding of material impacts, risks and opportunities and to produce a set of complete information that meets the qualitative characteristics of information quality.

Chapter 6 - Structure of sustainability statements: Three presentation options give flexibility. Incorporation by reference to other sections of MR

6	Structure of the sustainability statements	Content of the sustainability statements
		<p>6.1 Undertaking <u>shall</u> report all the applicable disclosures required by ESRS within identifiable parts of the management report constituting the 'Sustainability Statements'.</p> <p>Undertaking <u>may</u> include in its sustainability statements additional disclosures clearly identified and referenced to local legislation or general accepted framework.</p>
		Structure of the sustainability statements
		<p>Options:</p> <p>a) <u>Single separately identifiable section</u> of the management report</p> <p>b) <u>Aggregating the disclosures into four separately identifiable parts</u> of the management report: i) general information; ii) environmental information; iii) social information; and iv) governance information</p> <p>c) <u>Aggregating the disclosures required by each ESRS</u> and reporting them as non-separable blocks in identifiable parts of the management report "on a standard-by-standard basis"</p>

Par. 135/146 and AG 33 of ESRS 1: information mandated by ESRS may be incorporated by reference to another section of the MR (if separate, clearly identified as addressing the relevant ESRS disclosure requirement). A list of incorporation by references is required. Incorporation by reference to the financial statements is also allowed.

Overview of ESRS 2

22 Disclosure requirements

Provides DRs for principles laid out in
ESRS 1

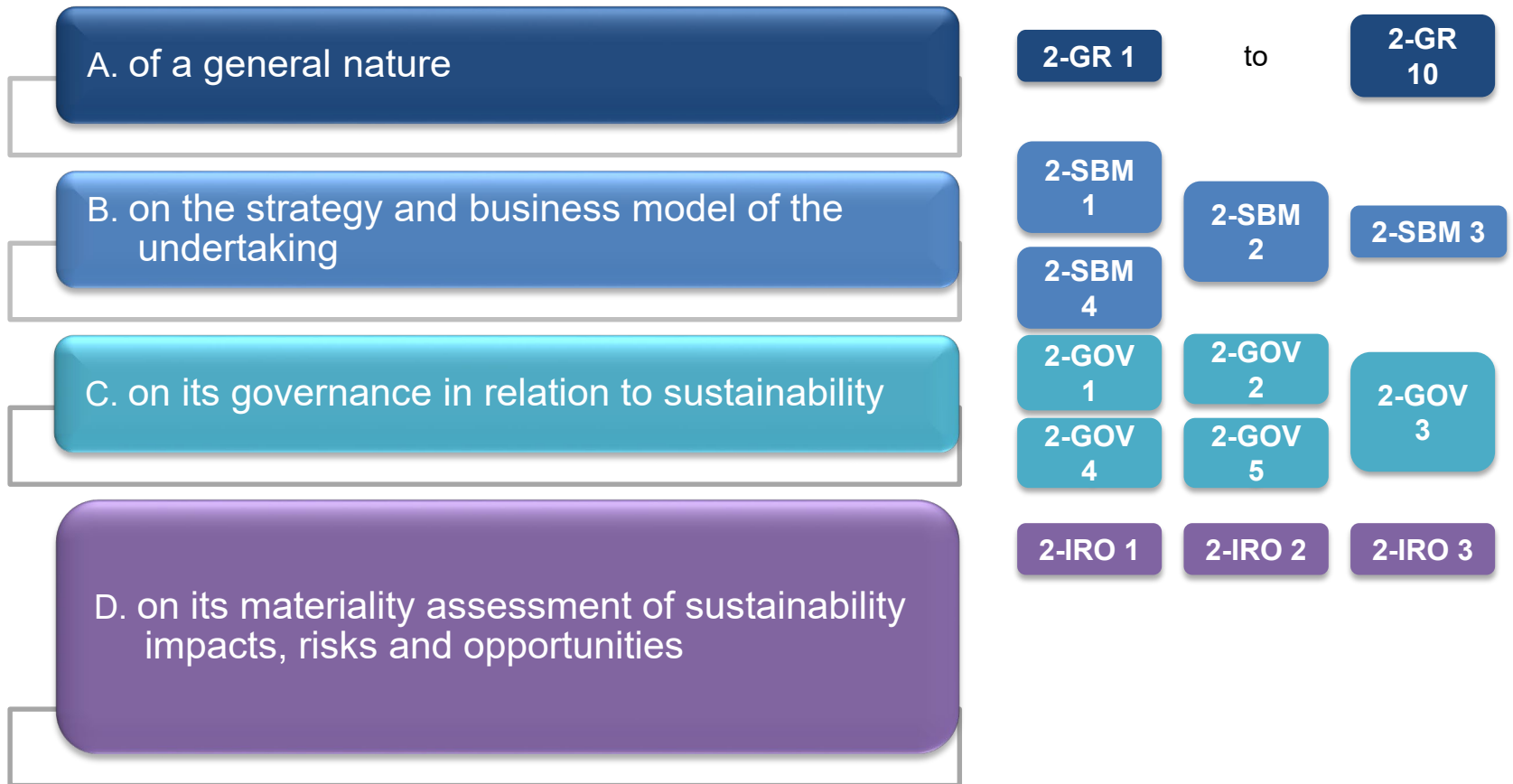
Not subject to "rebuttable
presumption" = fully mandatory

Cross-cutting
= provides context for all topical DRs

1st step in sustainability reporting in line with ESRS:
MATERIALITY ASSESSMENT

Objective and Overview: Objective of ESRS 2

To set out the disclosure requirements of the undertaking's sustainability reporting that are of a cross-cutting nature. They are those:



Objective and Overview: Disclosure Requirements of ESRS 2 (I/II)

GENERAL CHARACTERISTICS

DR 2-GR1: **General characteristics** of the sustainability reporting of the undertaking

DR 2-GR2: **Sector(s) of activity**

ISSB SFDR

DR 2-GR3: **Key features** of the value chain

ISSB TCFD

DR 2-GR4: **Key drivers** of the value creation

ISSB

DR 2-GR5: **Using approximations** on the disclosure in relation to boundary and value chain

DR 2-GR6: Disclosing on significant **estimation uncertainty**

ISSB

DR 2-GR7: **Changes** in preparation and presentation

ISSB

DR 2-GR8: Prior period **errors**

ISSB

DR 2-GR9: On other sustainability reporting **pronouncements**

ISSB

DR 2-GR10: General **statement of compliance**

ISSB

STRATEGY & BUSINESS MODEL

DR 2-SBM1: **Overview** of strategy and business model

ISSB CSRD

DR 2-SBM2: Views, interests and expectations of

ISSB CSRD

stakeholders

DR 2-SBM3: **Interaction of impacts and the undertaking's Strategy** and business model

ISSB CSRD

DR 2-SBM4: **Interaction of risks and opportunities and the undertaking's strategy** and business model

TCFD CSRD

ISSB

Objective and Overview: Disclosure Requirements of ESRS 2 (III/II)

GOVERNANCE

DR 2-GOV1: Roles and responsibilities of the administrative, management and supervisory bodies	TCFD	ISSB	CSRD
DR 2-GOV2: Information of administrative, management and supervisory bodies about sustainability matters	TCFD	ISSB	
DR 2-GOV3: Sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	ISSB		
DR 2-GOV4: Integration of sustainability strategies and Performance in incentive schemes	TCFD	ISSB	
DR 2-GOV5: Statement on due diligence	ISSB	SFDR	

IMPACTS, RISKS & OPPORTUNITIES

DR 2-IRO1: Description of the processes to identify material sustainability impacts, risks and opportunities	ISSB	ISSB	CSRD	TCFD
DR 2-IRO2: Outcome of the undertaking's assessment of material sustainability impacts, risks and opportunities as identified by reference to and in compliance with sector-agnostic and sector-specific level ESRS	SFDR	ISSB	CSRD	TCFD
DR 2-IRO3: Outcome of the undertaking's assessment of material sustainability impacts, risks and opportunities that are not covered by an ESRS (entity-specific level)	SFDR	ISSB	CSRD	TCFD

Focus on DR – GOV 5: Statement on due diligence

DR related to Governance in ESRS 2

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DR 2-GOV 5: Statement on due diligence

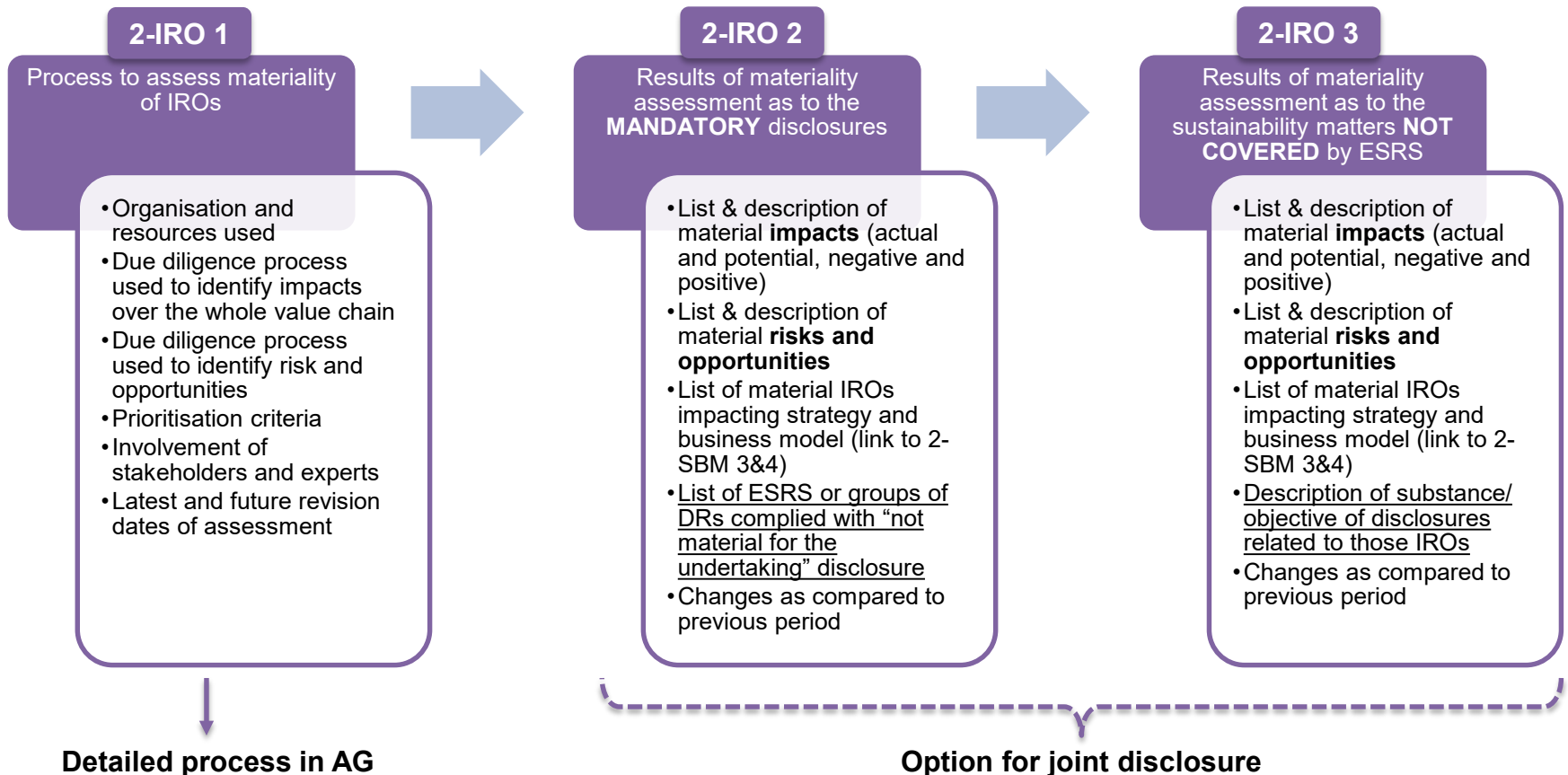
The undertaking shall provide a mapping that reconciles the main aspects of sustainability due diligence to the relevant disclosures in its sustainability statements

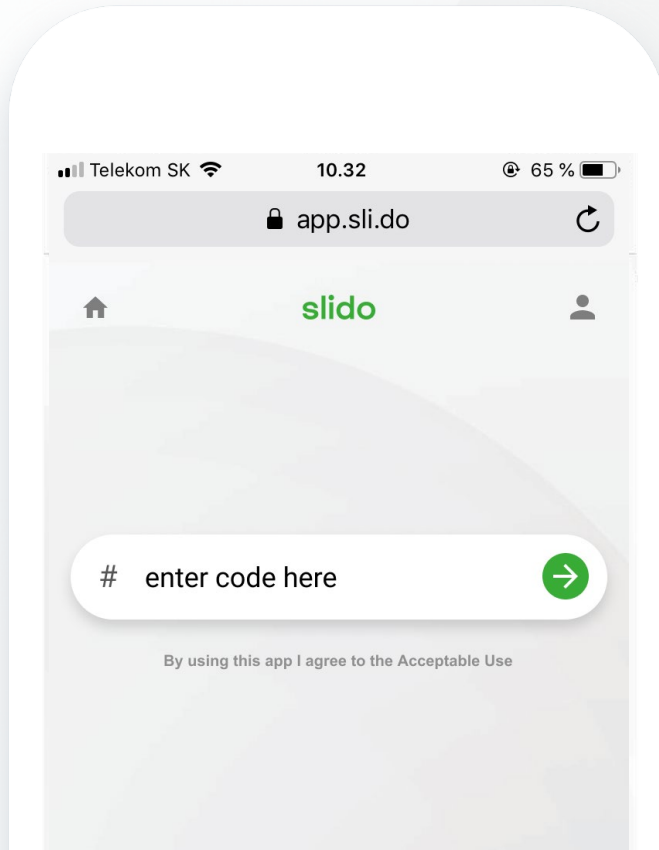
Main aspect of sustainability due diligence	Relevant disclosures
<ul style="list-style-type: none">• Embedding due diligence in governance and organizations	
<ul style="list-style-type: none">• Engaging with stakeholders	
<ul style="list-style-type: none">• Identifying and assessing adverse impacts	
<ul style="list-style-type: none">• Taking action	
<ul style="list-style-type: none">• Tracking effectiveness and communicating	

Focus on DR – IRO1, 2 and 3

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DRs related to Materiality assessment impacts, risks and opportunities in ESRS 2





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Standards zu Umwelt

Environment:

E1 Climate change

E2 Pollution

E3 Water and marine resources

E4 Biodiversity and ecosystems

E5 Resource use and circular economy

E1 Climate change: Disclosure Requirements Strategy, Governance and materiality assessment

ESRS E1 Disclosure Requirements (I/IV)

1 Disclosure Requirement related to Strategy, Governance and materiality assessment

- **DR E1-1**– Transition plan for climate change mitigation



- The company's plans to ensure that the business model is compatible with limiting global warming to 1.5°C in line with the Paris Agreement.

Application guidance related to ESRS 2

- **AG on ESRS 2-SBM4: Resilience** of strategy and business model
 - CSRD
 - ISSB
 - US SEC
- **AG on ESRS 2-GOV 4: Climate-related remuneration & Internal carbon pricing** schemes
 - ISSB
 - ISSB
 - US SEC
- **AG on ESRS 2-IRO 1 and 2: material climate-related impacts, risks and opportunities**
 - CSRD
 - ISSB*
 - US SEC*

* Risks and opportunities only

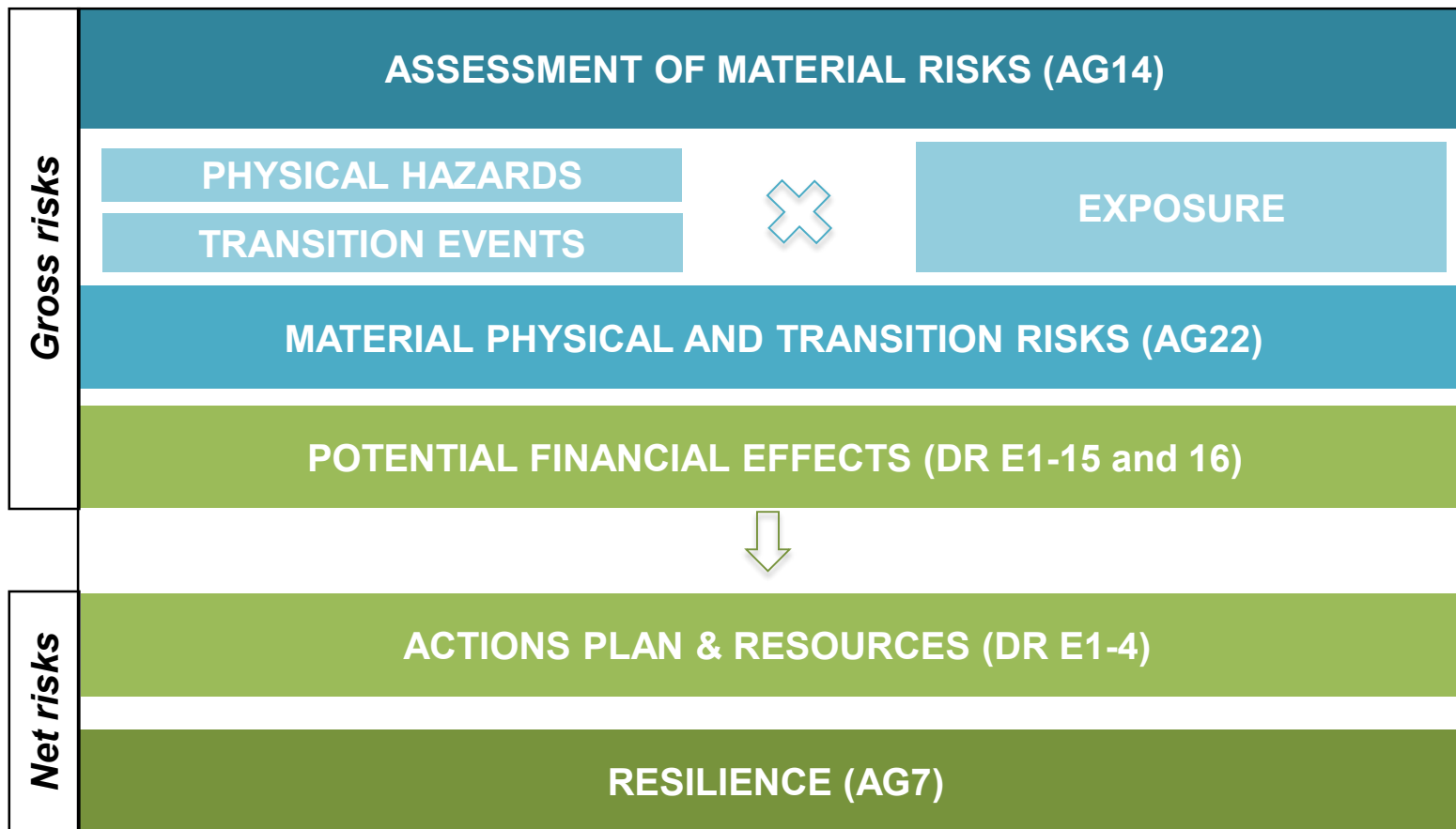
Information related to ESRS 2:

- Resilience of strategy and business model, complementing the mitigation transition plan.
- Incentive compensation schemes linked to climate objectives and elements on the incentive use of an internal carbon price (investment decisions, internal performance reviews, etc.).
- Description of climate-related impacts, risks and opportunities in relation to the TCFD and the physical risks of the Taxonomy, and the process for identifying these. Also includes information to be published on scenario analysis with the use of a 1.5°C scenario for transition risks and a high scenario for physical risks.

E1 Climate change: Disclosure Requirements Strategy, Governance and materiality assessment

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ESRS E1 – Focus on Gross VS Net risks



E1 Climate change: Disclosure Requirements Strategy, Governance and materiality assessment

ESRS E1 – Focus on Transition Plan

DR E1-1 Transition plan for climate change mitigation

ELEMENTS



Alignment of GHG emission reduction targets with limiting global warming to 1.5°C



Decarbonisation levers identified and key actions planned



Financial resources supporting the implementation of the transition plan



Locked-in GHG emissions from key assets and products



Role of aligning its economic activities with the provisions of the **EU Taxonomy**



Alignment with overall business strategy, implementation progress, approval by highest governance body

“...the undertaking is expected to provide a high-level explanation on how it will adjust its strategy and business model to ensure compatibility with the transition to a climate-neutral economy and with limiting of global warming to 1.5°C in line with the Paris Agreement ... and shall, where applicable, refer to and contextualise information presented under other disclosures requirements of this [draft] standard.”

E1 Climate change: Disclosure Requirements Policies, targets, action plans and resources

ESRS E1 Disclosure Requirements (II/IV)

3 Disclosure Requirements related to Policies, targets, action plans and resources

- **DR E1-2 – Policies** implemented to manage climate change mitigation and adaptation

CSRD

- **DR E1-3 – Measurable targets** for climate change mitigation and adaptation

CSRD

ISSB

US SEC

- **DR E1-4 – Climate change mitigation and adaptation action plans and resources**

CSRD*

ISSB*

Taxo*

Information to be published in relation to the Disclosure Principles (ESRS 1):

- Policies to manage GHG emissions, physical and transition risks and opportunities.
- Targets, including for reducing GHG emissions. Additional information to be provided if a net-zero target (including removals) or carbon neutrality (including carbon credits) is claimed.
- Action plan and resources to implement policies and achieve targets.

E1 Climate change: Disclosure Requirements Policies, targets, action plans and resources

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ESRS E1 – Focus on Scenario Analysis

(at least) USE OF HIGH EMISSION SCENARIOS

to identify climate-related **physical hazards and exposure** and determine material physical risks (AG14)

Financial effects from physical risks (DR E1-15)

Resilience to physical risks (AG7)

(at least) USE OF 1.5° C SCENARIO

to identify **transition events and exposure** and determine material transition risks (and opportunities) (AG14)

Financial effects from transition risks (DR E1-16)

Resilience to transition risks (AG7)

GHG emission reduction target setting (DR E1-3)

SUPPORTING INFORMATION ON CLIMATE-RELATED SCENARIO ANALYSIS (AG19-21)

✓ Which scenarios are used, their sources and their alignment with the state-of-the-art science

✓ Narrative, time horizons, and endpoints used

✓ Key forces and drivers taken into consideration in each scenario and why they are relevant

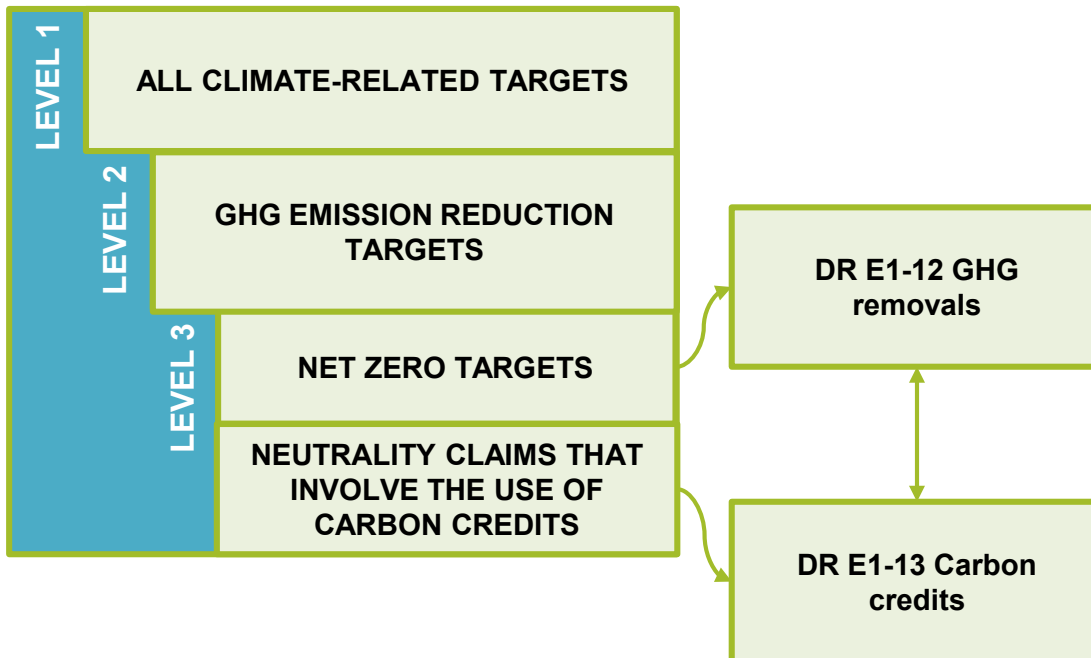
✓ Key inputs and constraints of the scenarios

E1 Climate change: Disclosure Requirements

Policies, targets, action plans and resources

ESRS E1 – Focus on targets

“The undertaking shall disclose the climate-related targets it has adopted.”



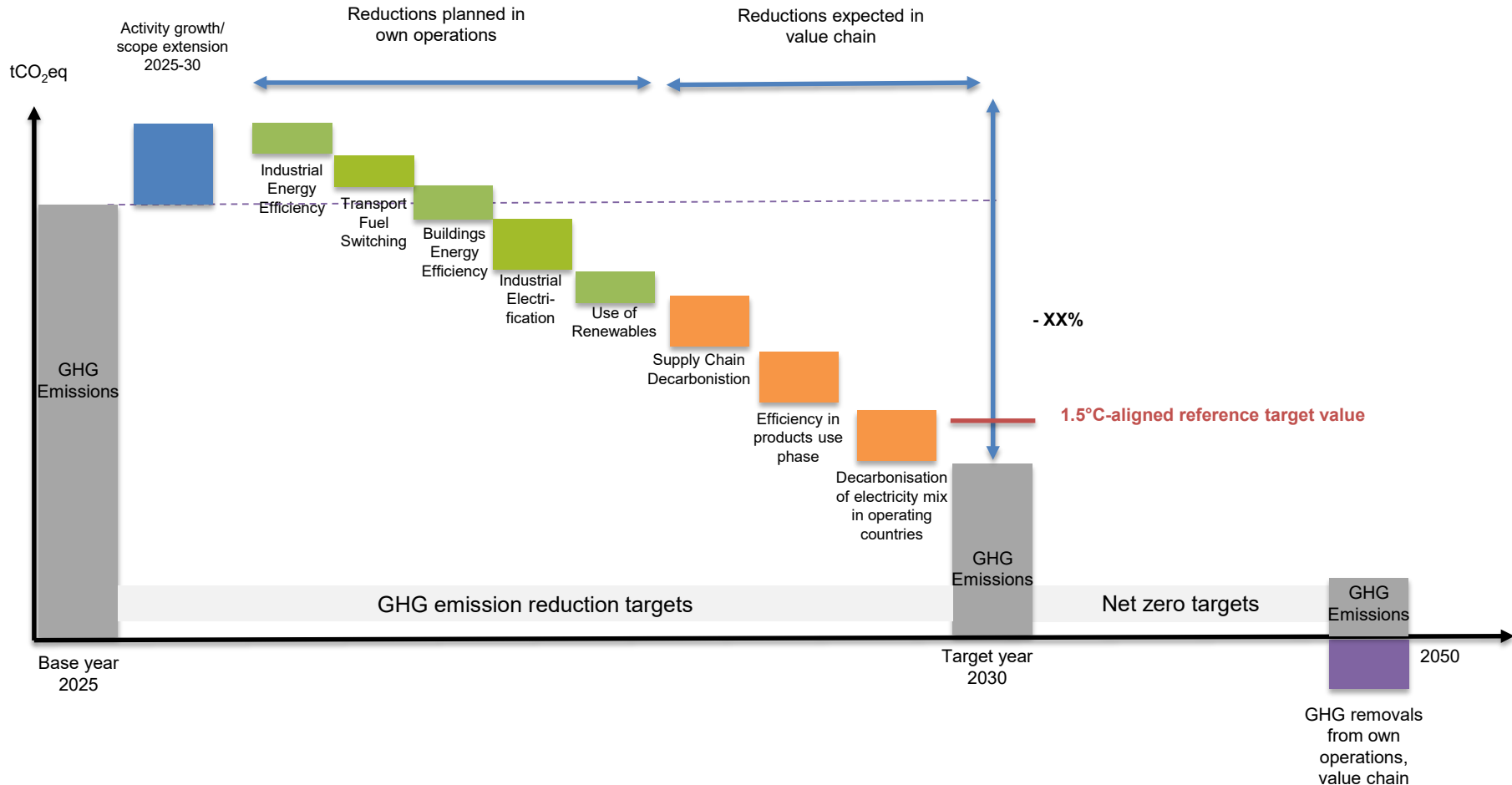
Reporting on GHG emission reduction targets:

- ✓ Absolute targets
- ✓ Scope 1, 2 and 3
- ✓ No netting of emissions to claim target achievement
- ✓ From 2025 in 5-year rolling periods
- ✓ Science-based?
- ✓ Decarbonization levers to achieve targets

E1 Climate change: Disclosure Requirements

Policies, targets, action plans and resources

ESRS E1 Graphical pathway of GHG targets



E1 Climate change: Disclosure Requirements Performance measures

ESRS E1 Disclosure Requirements) (III/IV)

13 Disclosure Requirements related to performance measures 1/2

Energy

DR E1-5: Energy consumption & mix SFDR

DR E1-6: Energy intensity per revenue SFDR

GHG emissions / removals

DR E1-7: Scope 1 GHG emissions SFDR ISSB US SEC

DR E1-8: Scope 2 GHG emissions SFDR ISSB US SEC

DR E1-9: Scope 3 GHG emissions SFDR ISSB US SEC

DR E1-10: Total GHG emissions

DR E1-11: GHG intensity per net turnover SFDR ISSB US SEC

DR E1-12: GHG removals CSRD*

DR E1-13: Carbon credits CSRD* ISSB US SEC

Optional DR E1-14: Avoided GHG emissions from products and services

* in recital 41

- The information on energy consumption makes it possible to assess the company's absolute consumption, its evolution and the share of renewable energy.
- Intensity information meets the requirements of the SFDR.
- Publication of GHG emissions: Scopes 1, 2, 3 and Total. For Scope 3, selection from the 15 most significant GHG Protocol categories.
- Scope 3: calculation updated every 3 years, published annually.
- Distinction between "Removals" = actions to permanently reduce GHGs from the atmosphere within the value chain and "carbon credits" = financing outside the value chain by purchasing credits.
- Optionality of avoided emissions - lack of maturity and consensus on calculation methods.

E1 Climate change: Disclosure Requirements

Performance measures

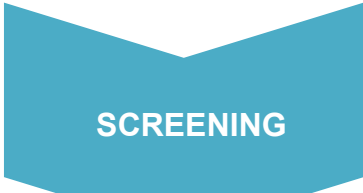
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ESRS E1 – Focus on GHG Scope 3 methodology

DR E1-9 Scope 3 GHG emissions

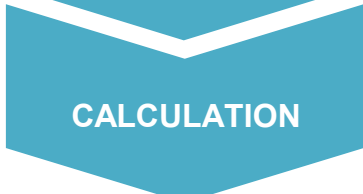
METHODOLOGY FOR SCOPE 3 GHG EMISSIONS

1



Screen Scope 3 GHG emissions based on the 15 Scope 3 categories from the GHG Protocol to identify significant categories based on magnitude of GHG emissions and other criteria (e.g. based on available screening tools)

2



Calculate or estimate GHG emissions in significant Scope 3 categories
Proportionality: update at least every 3 years or in case of major change



Scope 3 emissions in significant Scope 3 categories

3



- ✓ Scope 3 GHG emissions from significant categories;
- ✓ % of emissions calculated using primary data;
- ✓ boundaries and calculation methods and tools for each significant Scope 3 category;
- ✓ list of Scope 3 categories included in and excluded from the inventory

Every year

PRESENTATION



Upstream purchasing



Optional: ICT



Downstream sold products



Goods transportation



Travels



Financial investments

E1 Climate change: Disclosure Requirements

Performance measures

ESRS E1 Disclosure Requirements (IV/IV)

13 Disclosure Requirements related to performance measures 2/2

Financial effects

DR E1-15: Financial effects from **physical risks** ISSB US SEC

DR E1-16: Financial effects from **transition risks** ISSB US SEC

DR E1-17: Financial effect from **opportunities** Taxo* ISSB US SEC

Taxonomy Regulation

** indirect link

Information on potential financial effects:

- Assets exposed to physical/transitional risks (value and %), share covered by adaptation plans.
- Possible future liabilities: ETS regulated installations, emission monetisation, etc.
- Share of turnover exposed to physical / transition risks.
- Financial effects of climate change opportunities (turnover, cost reduction).

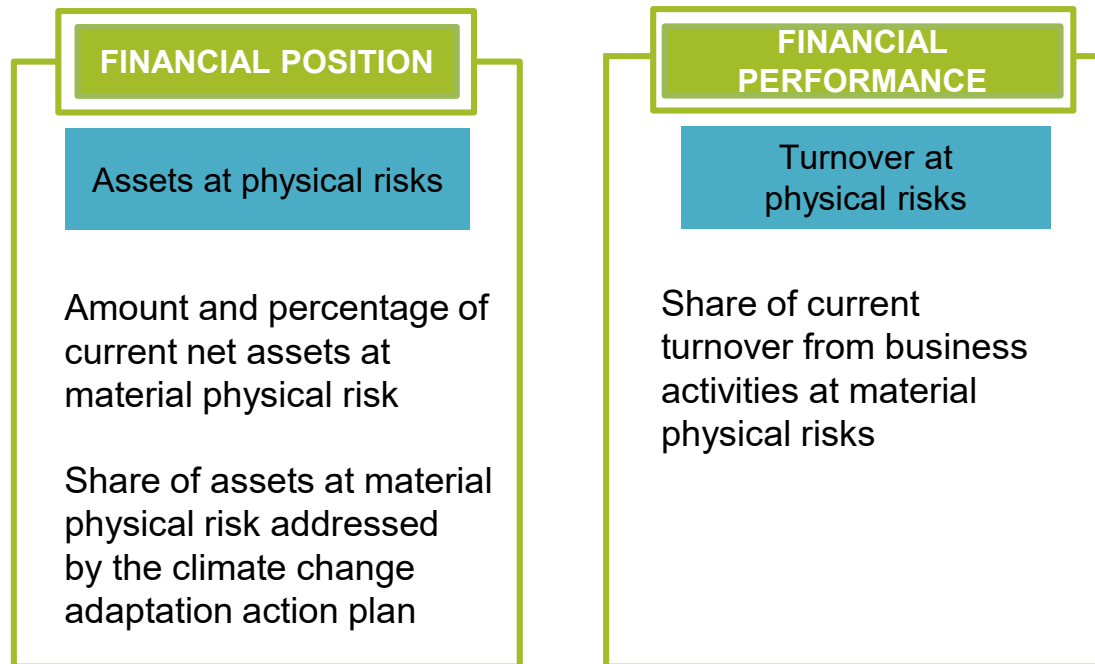
E1 Climate change: Disclosure Requirements

Performance measures

FOCUS

ESRS E1 – Focus on financial effects

DR E1-15 – Potential financial effects from material physical risks

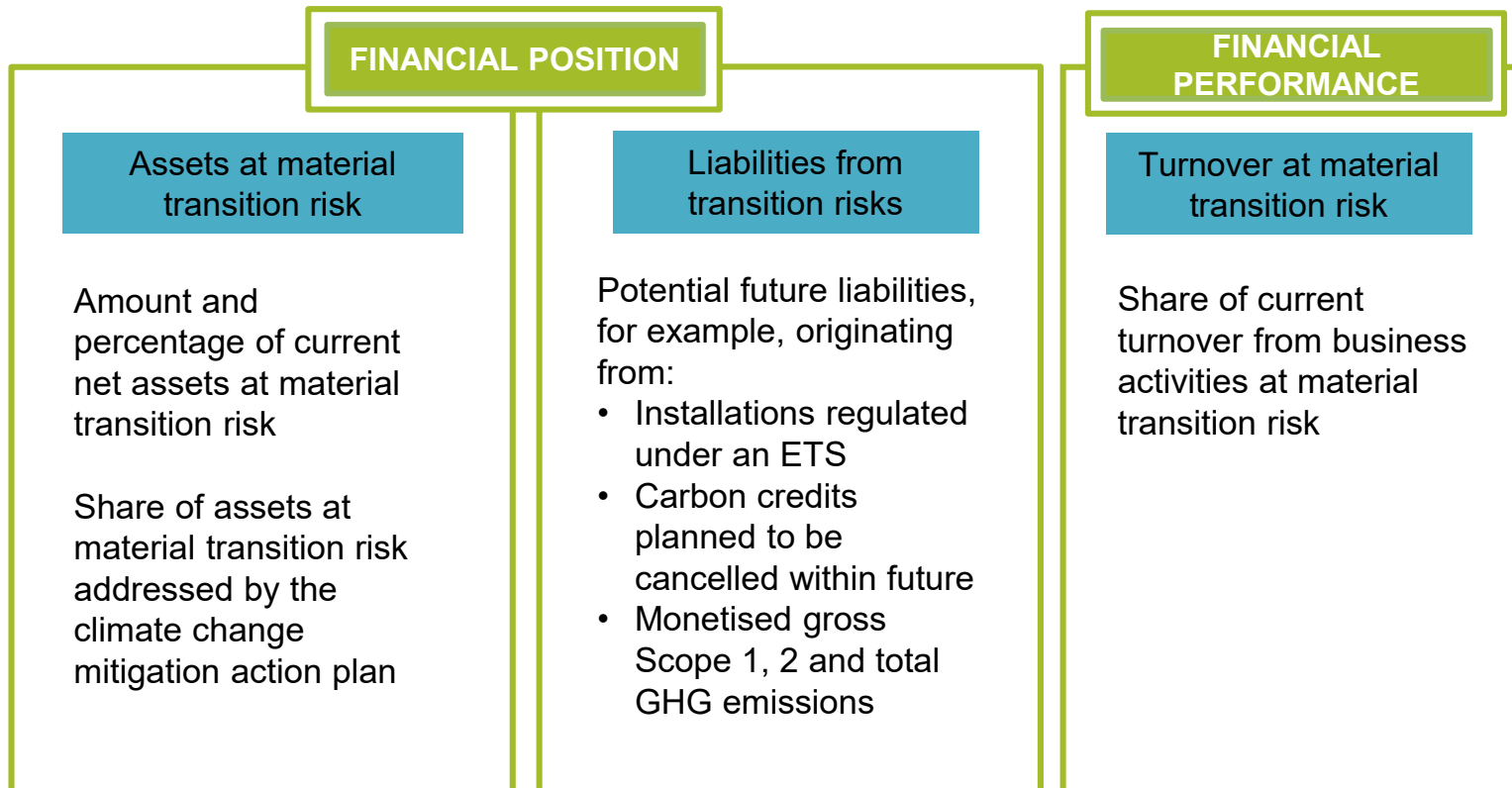


E1 Climate change: Disclosure Requirements

Performance measures

ESRS E1 – Focus on financial effects

DR E1-16 – Potential financial effects from material transition risks



ESRS S2-S5

- ESRS E2 Pollution
- ESRS E3 Water and marine resources
- ESRS E4 Biodiversity and ecosystems
- ESRS E5 Resource use and circular economy

Reporting Areas

- General, Strategy, Governance and Materiality assessment
- Policies, targets, action plans and resources
- Performance measurement

- ***General, Strategy, Governance and Materiality assessment***
 - AG on ESRS 2-SBM4: Pollution integration in the resilience of the strategy and business model
 - AG on ESRS 2-IRO1 & 2: Pollution-related impacts, risks and opportunities

DRs Pollution

- ***Policies, targets, action plans and resources***
 - E2-1 – Policies implemented to prevent and control pollution
 - E2-2 – Measurable targets for pollution
 - E2-3 – Pollution action plans and resources
- ***Performance measurement***
 - E2-4 – Pollution of air, water and soil
 - E2-5 – Substances of concern and most harmful substances
 - E2-6 – Pollution-related incidents and deposits impacts and risks, and financial exposure to the undertaking
 - E2-7 – Potential financial effects from pollution-related impacts, risks and opportunities

- ***Disclosure Requirement E2-1 – Policies implemented to prevent and control pollution***
- Sub-subtopics
 - pollution of air;
 - pollution of water;
 - pollution of soil;
 - substances of concern;
 - enabling activities; or
 - other;
- Objectives:
 - prevention of pollution at the source;
 - minimisation and control of pollution;
 - avoidance, and if occurred, control of the impact of incidents;
 - remediation of pollution of both from regular activities and from incidents;
 - or other.

Pollutant

ESRS E2

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.¹⁶ For a definition of “pollution” and “pollutants”, see Article 2 points (10) and (12) of the [Taxonomy Regulation \(EU\) 2020/852](#).

Most harmful substances

ESRS E2

- i. carcinogenic, mutagenic or reprotoxic substances (CMRs);
- ii. persistent, bioaccumulative and toxic substances (PBTs);
- iii. very persistent and very bioaccumulative substances (vPvBs);
- iv. endocrine disrupting substances (EDs);
- v. immunotoxicants;
- vi. neurotoxicants, respiratory sensitisers;
- vii. substances having specific organ toxicity (STOT) with chronic effects;
- viii. persistent, mobile and toxic substances (PMTs); and
- ix. very persistent and very mobile substances (vPvMs).

Substances of concern

ESRS E2

- i. substances having a chronic effect for human health or the environment (Candidate list in REACH and Annex VI to the CLP Regulation); and
- ii. those which hamper recycling for safe and high quality secondary raw materials; and the most harmful substances as listed in the Chemicals Strategy for Sustainability.

Disclosure Requirement E2-7 – Potential financial effects from pollution-related impacts, risks and opportunities

50. **The undertaking shall disclose the potential financial effects of the risks and opportunities arising from pollution-related impacts and dependencies.**
51. **The principle to be followed** under this Disclosure Requirement is to an understanding of the potential effects of risks and opportunities, arising from 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. **This includes those related to pollution prevention and control, considering that those potential future financial effects may not meet at the reporting date the recognition criteria set for financial statements.** Such information is complementary to the information requested under the Taxonomy Regulation, particularly related to **enabling activities** that enable other undertakings to prevent, control and eliminate pollution.
52. The undertaking may include an assessment of the market size of 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.

E2 Pollution: Overview (I/III)

ESRS E2

Application guidance related to ESRS 2

- **AG on ESRS 2-SBM 4: Resilience** of strategy and business model
 - TCFD
 - CSRD
 - ZPAP
- **AG on ESRS 2-IRO 1 and 2: material pollution-related impacts, risks and opportunities**
 - TCFD
 - CSRD
 - OEI

- Link to the EU Action Plan initiative "Towards a Zero Pollution for Air, Water and Soil", and value chain consideration.
- Five sub-themes: air pollution, water pollution, soil pollution, substances of concern (including the most harmful substances) and enabling activities to prevent, control and eliminate pollution.
- Link to the definitions of the Chemicals Strategy for Sustainability, the EU REACH Regulation, the E-PRTR (European Pollutant Release and Transfer Register), the Industrial Emissions Directive and the work of the Sustainable Finance Platform.

3 Disclosure Requirements related to Policies, targets, action plans and resources

- **DR E2-1** – Policies implemented to prevent and control pollution
 - CSRD
 - Sev. III
- **DR E2-2** – Measurable targets for pollution
 - ZPAP
 - Taxo
 - CSRD
 - IED
 - GRI
- **DR E2-3** – Pollution action plans and resources
 - CSRD
 - GRI
 - IED
 - Taxo

- Policies should pursue an objective (prevention, minimisation, etc.) related to one of the five sub-themes.
- Targets should be expressed in terms of the volume of pollutants concerned, as well as in terms of turnover and raw material costs for substances of concern, and the link should be made with the BAT benchmarks.
- The actions serve the objectives in line with the regulations.

E2 Pollution: Overview (II/III)

ESRS E2

4 Disclosure Requirements related to performance measurement

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

Pollution to air, water and soil

- Information on the list and volumes of air, water and soil pollutants generated or used throughout the value chain, as well as the area affected where relevant (including Annex II E-PRTR).
- Link to degree of urbanisation and air quality indicators, as well as to the EU Industrial Emissions Directive and BAT/BREFs where relevant.

Substances of concern

- Specific information on the share of turnover and raw material costs related to these substances.

Incidents and deposits

- Information on the main incidents and deposits, their impacts as well as their associated and provisioned costs.

SFDR

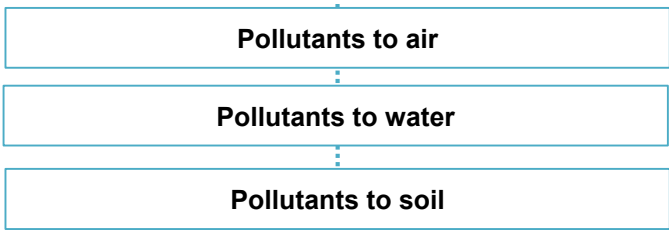
Link to additional indicators SFDR on Emissions of inorganic pollutants, air pollutants and ozone-depleting substances.

E2 Pollution: Overview (III/III)

ESRS E2

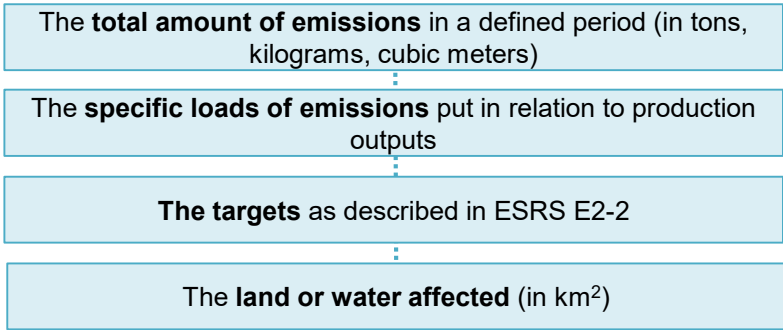
“The undertaking shall disclose the list of pollutants that are generated or used during production processes or that are procured, and that leave its facilities as emissions, as products, or as part of products or services.”

ELEMENTS to disclose:



The pollutants to be disclosed shall comprise those listed in **Annex II of the E-PRTR Regulation** and be grouped according to **AG15***

For each one of the group of pollutants, the undertaking shall disclose the **source of pollution factors used**, as well as **standards, methodologies, assumptions, and/or calculation tools used**



The undertaking shall put them in context with:

- The **local air quality indices** for the area where the undertaking’s pollution to air occurs
- The **degree of urbanisation** for the area where pollution to air occurs
- The undertaking’s percentage of the **total emissions of pollutants to water and soil occurring in areas of high-water stress**

E3 Water and marine resources: Overview (I/III)

ESRS E3

Application guidance related to ESRS 2

AG on ESRS 2-IRO 1 and 2: Water and marine resources-related impacts, risks and opportunities

- CSRD
- GRI
- CDSB
- CDP W
- CEO W

- Water and marine resources sub-themes, covering the impacts and dependencies of water abstraction, consumption and discharge, including exposure to physical hazards (flooding, water stress, etc.).
- Link with the Water Framework Directive and the EU Marine Strategy Framework Directive.
- Water is a local issue: criticality of geographical sites, hydrological basins.
- Importance of raw materials and consideration of suppliers.
- Marine resources: consideration of deep-sea mineral resources, gravel and seafood.

3 Disclosure Requirements related to Policies, targets, action plans and resources

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

- CSRD
- SFDR
- GRI
- CDSB

- Value chain and link to EU policies and quantified commitments to reduce water abstraction, consumption and discharge.

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

- CSRD
- GRI
- CEO W
- CDP W
- CDSB
- F Mer

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

- CSRD
- CDSB

E3 Water and marine resources: Overview (II/III)

ESRS E3

The process of identifying **material IROs** should include:

Outcomes:

- Geographical areas with water-related quality, quantity, regulatory or reputational issues for its facilities and for the facilities of key suppliers
- Commodities used by the undertaking which have an impact on the environmental status of marine waters as well as on the protection of marine resources
- Business activities for which water issues and access to commodities represent a material risk
- Sites located in areas of high-water stress
- Processes to identify suppliers in the value chain with material water quantity or water quality related impacts or risks
- Processes to conduct an assessment of key suppliers
- Processes to screen marine resource-related commodities in its purchases



- A list of geographical areas where water is a material issue for the undertaking's operations and value chain
- A list of 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
- A list of business activities associated to water and marine resources material IROs

Recommended databases: WWF Water Risk Filter, World Resources Institute's (WRI) Water Risk Atlas tool Aqueduct, annex II to EU Recommendation 2021/2279 on the use of the Environmental Footprint methods.

E3 Water and marine resources: Overview (III/III)

ESRS E3

4 Disclosure Requirements related to performance measurement

DR E3-4: Water management performance

SFDR CSRD

CDP W GRI

CDSB CEO W

DR E3-5: Water intensity performance

SFDR CSRD

CEO W

DR E3-6: Marine resources-related performance

CSRD

F Mer

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

Taxonomy regulation

Water

- Volumes of water abstracted, consumed, discharged and link to ESRS E2.
- If relevant, volume of water recycled, reused or stored.
- If relevant, information on intensity.
- Information by geographical area and business segment.

Marine resources

- Nature and quantity of materials used from marine resources.
- Links with ESRS E5 on waste and plastic use, ESRS E2 on pollutants, ESRS E1 on GHG emissions, ESRS E4 on impacting land use or settlement changes.

SFDR

Link to SFDR principal indicator on Emissions to water and additional indicators on Water usage and recycling, Investments in companies without water management policies and Exposure to areas of high-water stress.

E4 Biodiversity and ecosystems: Overview (I/III)

ESRS E4

1 Disclosure Requirement related to Strategy, Governance and materiality assessment

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

TNFD

- Information on the compatibility of the business model with the EU Biodiversity Strategy 2030 and the Post-2020 Global Biodiversity Framework.
- Identification of biodiversity loss levers (threatened species, protected areas and key areas) in the value chain and remediation actions (avoid, minimise, restore, compensate) on the main resources/dependencies and assets concerned.

Application guidance related to ESRS 2

- **AG on ESRS 2-SBM 4: Resilience** of strategy and business model

CSRD

TNFD

- **AG on ESRS 2-IRO 1 and 2: Biodiversity and ecosystems - related impacts, risks and opportunities**

CSRD

SFDR

TNFD

Resilience : advocating the use of scenarios (e.g. IPBES, ENCORE, etc.).

Materiality assessment :

- Advocacy of databases, assessment by geographical location and by commodity, consideration of threatened species, protected areas and key zones.
- Distinction between physical, transition and systemic risks, as well as opportunities in relation to TNFD and CDSB work.
- Presence of activity in biodiversity hotspots.

E4 Biodiversity and ecosystems: Overview (II/III)

ESRS E4

3 Disclosure Requirements related to Policies, targets, action plans and resources

- **DR E4-2 – Policies** implemented to manage biodiversity and ecosystems **SFDR**
- **DR E4-3** – Measurable targets for biodiversity and ecosystems
- **DR E4-4** – Biodiversity and ecosystems action plans and resources

- Information in relation to the transition plan, as well as the hierarchy of levers: avoid, minimise, restore, compensate, and mitigate.
- Key role of the value chain, traceability of raw materials and suppliers, and importance of social issues of IROs including in relation to the use of genetic resources and interaction with local communities.

6 Disclosure Requirements related to performance measurement

- DR E4-5** – Pressure metrics
- DR E4-6** – Impact metrics
- DR E4-7** – Response metrics
- DR E4-8** – Biodiversity-friendly consumption and production metrics
- DR E4-9** – Biodiversity offsets
- DR E4-10** – Potential financial effects from biodiversity-related impacts, risks and opportunities
- Taxonomy Regulation**

- Very basic indicators, in line with ongoing work at international level and the lack of agreed indicators, description of characteristics that indicators should have.

SFDR

Link to SFDR principal indicator on Activities negatively affecting biodiversity-sensitive areas and additional indicators on Land degradation, desertification, soil sealing, Investments in companies without sustainable land/agriculture practices, Investments in companies without sustainable oceans / seas practices, Natural species and protected areas and Deforestation.

E5 Resource use and circular economy: Overview (I/II)

ESRS E5

Application guidance related to ESRS 2

- **AG on ESRS 2 SBM 3 and SBM 4** on the integration of resource use and circular economy in the business model
- **AG on ESRS 2-IRO 1 and 2:** on impacts, risks and opportunities

- Link with the European plan on the circular economy.
- Integration of **circular economy principles** in the business model: **elimination of waste and pollution**, circularity of products, **regeneration of nature**, decoupling of economic activity from natural resource extraction, **products and materials maintained at their highest value**.
- Materiality assessment in relation to the **five sub-themes described** in E5-4 to E5-8 in relation to the scenarios of remaining in a linear economy versus making a transition to a circular economy.

3 Disclosure Requirements related to Policies, targets, action plans and resources

- **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**

- Policies to decouple activity and use of non-renewable resources / regenerate renewable resources and ecosystems.
- Action plans related to the sub-themes and the three principles of the circular economy.

E5 Resource use and circular economy: Overview (II/II)

ESRS E5

6 Disclosure Requirements related to performance measurement

- **DR E5-4** – Resource inflows
- **DR E5-5** – Resource outflows
- **DR E5-6** – Waste SFDR
- **DR E5-7** – Resource use optimisation
- **DR E5-8** – Circularity support

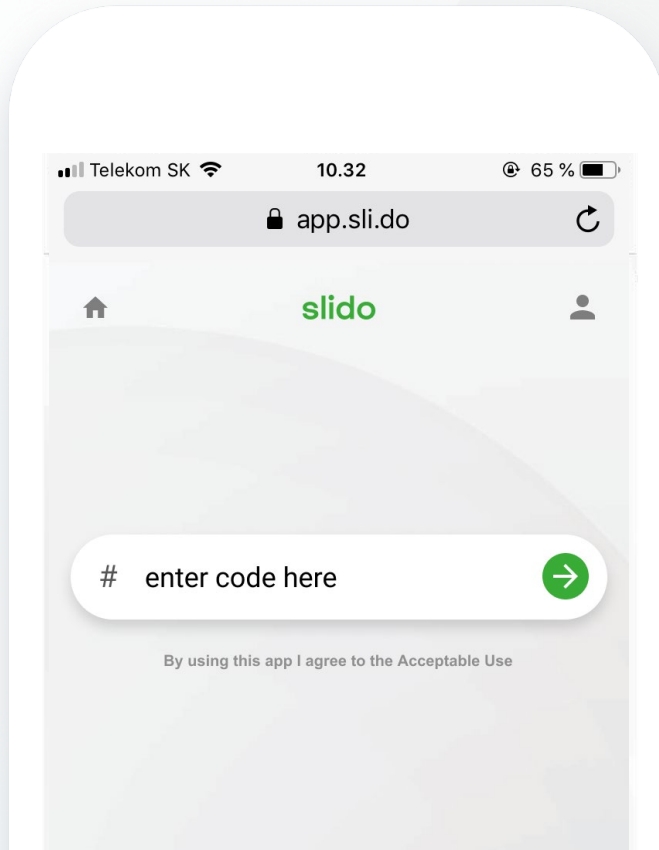
- **DR E5-9** – Financial effects from resource use and circular-economy-related impacts, risks and opportunities
- **Taxonomy Regulation**

SFDR

Link to SFDR principal indicator on Hazardous waste and radioactive waste ratio and additional indicator on Non-recycled waste ratio.

Information on the **five sub-themes**:

- quantitative (absolute value et percentage) et qualitative.
- **Resource Inflows**: information on the materials used (renewable, reused, recycled).
- **Resource Outflows**: information on the weight and percentage of products, materials and packaging intentionally created to contribute to the circular economy, i.e. sustainability, reusability, reparability, disassembly, recycling, etc.
- **Waste**: details of hazardous/non-hazardous waste and waste destination.
- **Resource use optimisation**: share of turnover for products and services that optimise the use of resources and promote circular business models.
- **Circularity support**: coordinated actions and partnerships in the value chain.



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Standards zu Sozialem

Social:

S1 Own workforce

S2 Workers in the value chain

S3 Affected communities

S4 Consumers and end-users

[draft] CSRD Mandate on Social sustainability matters

Background and methodology

Standard development based on CSRD, Article 19 b (Extract)

“ (b) specify the information that undertakings are to disclose about social factors, including information about:

(i) Equal opportunities

for all, including gender equality and equal pay for equal work, training and skills development, and employment and inclusion of people with disabilities;

(ii) Working conditions

including secure and adaptable employment, wages, social dialogue, collective bargaining and the involvement of workers, work-life balance, and a healthy, safe and well-adapted work environment;

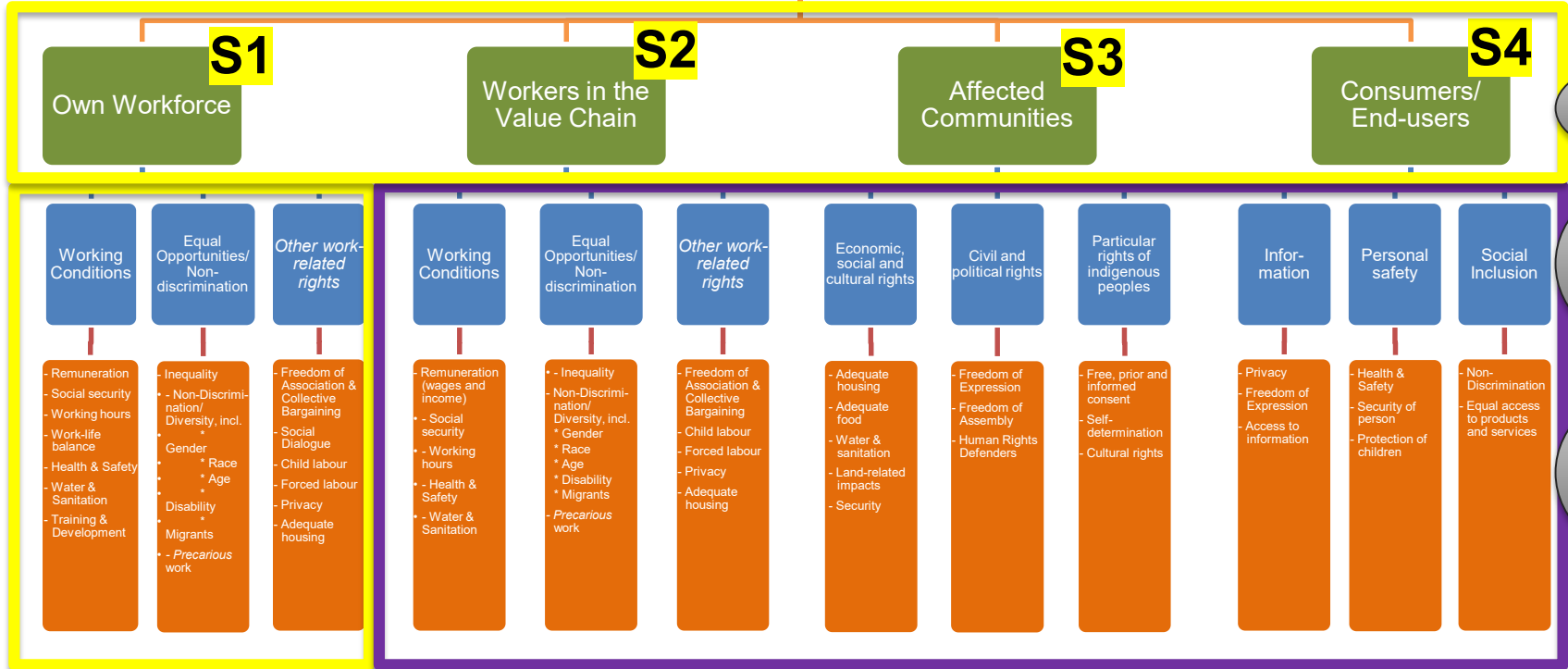
(iii) Respect for the human rights

fundamental freedoms, democratic principles and standards established in the International Bill of Human Rights and other core UN human rights conventions, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work and the ILO fundamental conventions and the Charter of Fundamental Rights of the European Union.”

Social standards: Structure of the social pillar

- S1 Own Workforce
- S2 Workers in the value chain
- S3 Affected communities
- S4 Consumers and end-users

Social



Topic

Sub-Topic

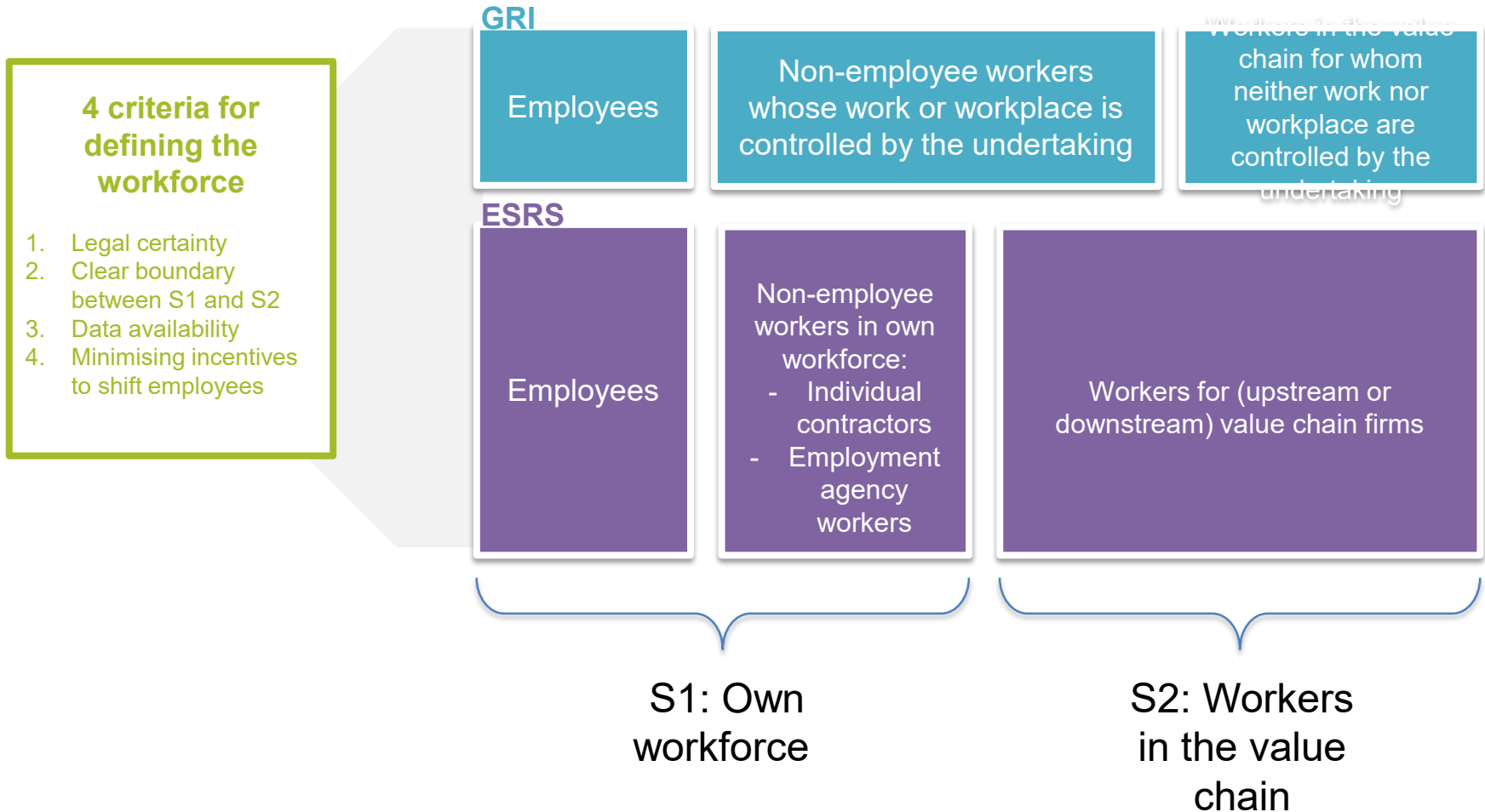
Sub-Sub-Topic

Specific issues / matters

Standards developed in first set

Standards/disclosures to be developed in second set

Social standards: Definition of workforce



Workers in the value chain / Affected communities / Consumers and end-users: Overview

STRATEGY (complemented by ESRS 2)

AG on ESRS 2-SBM2: Interaction between **material impacts, risks** and **opportunities** and the strategy and business model

AG on ESRS 2-SBM3: Workforce matters on people and the **adaptation** of its **strategy** and **business model(s)** to such material sustainability impacts

AG on ESRS 2-SBM4: Workforce matters that originate from or are connected to the undertaking's strategy and business model(s) and of the adaptation of its strategy and business model(s) to such **material risks** and **opportunities**

SFDR

AG on ESRS 2-IRO2: Outcome of the undertaking's assessment of material sustainability impacts, risks and opportunities as identified by reference to and in compliance with **sector-agnostic** and **sector-specific** level ESRS

AG on ESRS 2-IRO3: Outcome of the undertaking's assessment of material sustainability impacts, risks and opportunities that are not covered by an **ESRS (entity-specific)** level

IMPLEMENTATION

DR S2-1: **Policies, targets,** GRI OECD UNGP
action plans and resources SFDR

DR S2-2: **Processes for engaging** with own workers and workers' representatives about impacts GRI OECD UNGP

DR S2-3: **Channels** for own workers and workers' representatives to raise concerns SFDR UNGP

DR S2-4: **Targets** related to GRI UNGP
managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

GRI OECD UNGP
DR S2-5: **Taking action on** material impacts on own workforce and effectiveness of those actions

OECD UNGP
DR S2-6: **Approaches to mitigating** material risks and pursuing material opportunities related to own workforce

PERFORMANCE MEASURES

First set:

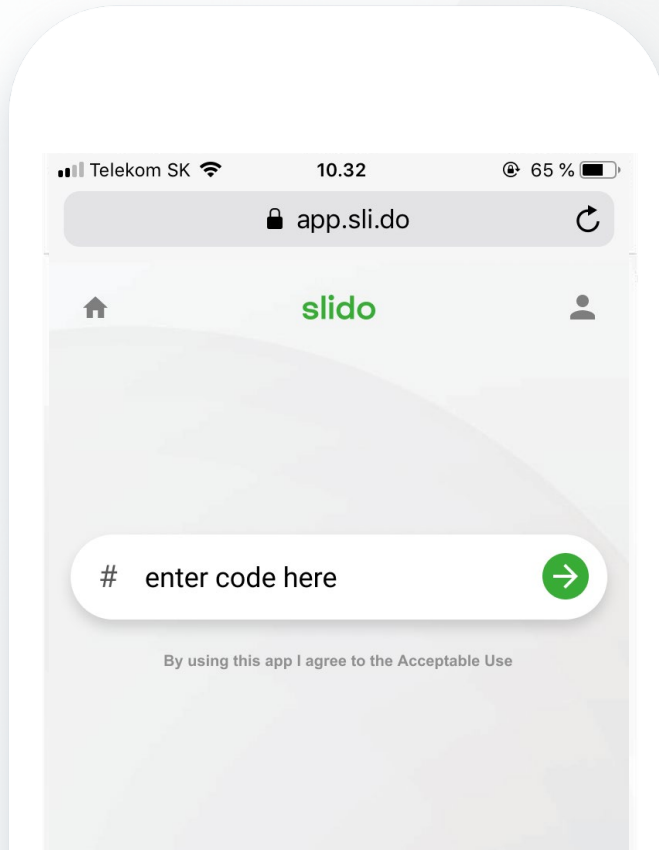
Focus on developing the disclosures that can be expected of **all entities** under the scope of the CSRD. These standards provide **high-level disclosures** regarding an undertaking's impacts on value chain workers / affected communities / consumers&end users and related risks and opportunities, when viewed in general across an undertaking's operations and upstream and downstream value chain.

Subsequent standards:

Subsequent standards are expected to expand on these standards by providing more detailed disclosures in relation to the sub-topics and specific issues that would be identified as material through the **sector-specific** or **entity-specific** materiality determination, which will include actions to address specific impacts and risks, along with related targets and performance measures to cater for the diversity in value chains.

SFDR/CSDDD structural alignment

Initiatives from the Platform for Sustainable Finance (incl. announced guidance on the Minimum Safeguards), as well as the proposal for an EU Corporate Sustainability Due Diligence Directive, were taken into consideration to ensure that the structure of the reporting would be compatible with upcoming developments in this area.



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Standards zur Unternehmensführung

Governance:

G1 Governance, risk management, internal control

G2 Business conduct

[draft] CSRD mandate on Governance sustainability matters

Governance as a separate category of sustainability matters

The Governance category (G) is broader than traditionally considered under the concept of 'governance'. The aim is to cover the full spectrum of relevant matters in order to report on sustainability aspects relating to the reporting undertaking itself, including but not limited to governance.

CSRD Article 19 b)

(c) specify the information that undertakings are to disclose about governance factors, including information about:

- (i)** the role of the undertaking's administrative, management and supervisory bodies, including with regard to sustainability matters, and their composition;
- (ii)** the business ethics and corporate culture, including anti-corruption and anti-bribery;
- (iii)** political engagements of the undertaking, including its lobbying activities;
- (iv)** the management and quality of relationships with business partners, including payment practices;
- (v)** the undertaking's internal control and risk management systems, including in relation to the undertaking's reporting process.

G1 Governance, risk management, internal control

G2 Business conduct

G1 Governance, risk management, internal control:

Sources considered in drafting the proposed standard

Sources	
TCFD	Capital Requirement Regulation (CRR)
SASB	Emissions Trading System Directive (ETS)
IIRC	Solvency 2
Sustainable corporate governance initiative (procedura e consultazione pubblica)	PRI REPORTING FRAMEWORK 2020 Strategy and Governance (Climate-related indicators only)
CE Climate-related disclosure guidance	G20/OECD Principles of Corporate Governance
COSO Framework (focus on ESG integration)	King IV report
ECB Guide on climate-related and environmental risks - Supervisory expectations relating to risk management and disclosure	EU climate benchmarks and benchmark ESG disclosure
Rating ESG (MSCI, FTSE, VIGEO, SUSTAINALITYCS, ISS)	Prospectus Regulation 2017/1129
Sustainable Finance Disclosure Regulation (SFDR) – 2088 / PAI	Shareholder rights Directive 2017/828
Taxonomy EU 852/2020	Markets in financial industry Directive II (MIFID II)
Corporate Governance codes in Italy, Germany, ...	Transparency Directive

G1 Governance, risk management, internal control: Interaction with ESRS 2

(Governance disclosure requirements in cross-cutting)



G1 Governance, risk management, internal control: Overview

STRATEGY

DR G1-1: Governance structure GRI Acc Dir

- General description of ASMB and their composition

IMPLEMENTATION

DR G1-2: Corporate governance code or policy Acc Dir

DR G1-3: Nomination process GRI

DR G1-4: Diversity policy Acc Dir

DR G1-5: Evaluation process GRI

DR G1-6: Remuneration policy SR Dir GRI

DR G1-7: Risk management GRI

DR G1-8: Internal control GRI

- More detailed description of specific aspects
- General description of the risk management & internal control processes and how they enable the ASMB to exercise their responsibility to oversee the undertaking.

PERFORMANCE MEASURES

DR G1-9: Composition of ASMB SFDR Acc Dir

DR G1-10: Meetings and attendance rate

- Indicators to measure performance of policy objectives defined by previous DRs

G2 Business conduct: Overview

STRATEGY

DR 1: Business conduct culture GRI

A description of how business conduct is promoted and integrated into the culture of the undertaking

IMPLEMENTATION

DR 2: Policies and targets on business conduct SFDR GRI

DR 3: Prevention and detection of corruption and bribery GRI

DR 4: Anti-competitive behaviour prevention and detection GRI

- Description of how the business conduct culture is translated into clearly defined policies, procedures and objectives
- Including prevention and detection

PERFORMANCE MEASURES

DR 5: Anti-corruption and anti-bribery training GRI

DR 6: Corruption or bribery events SFDR GRI

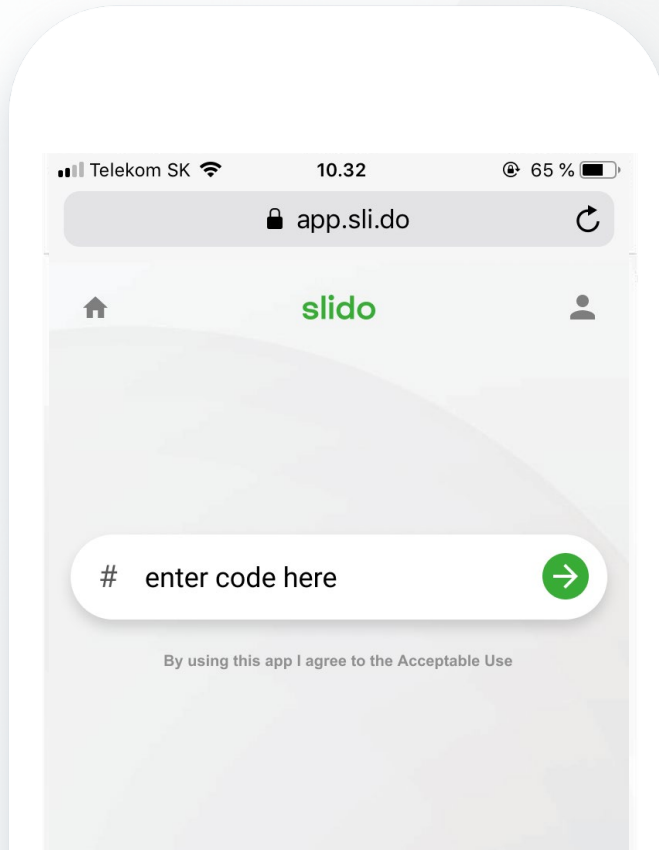
DR 7: Anti-competitive behaviour events GRI

DR 8: Beneficial ownership Dir 2015/849 GRI

DR 9: Political engagement and lobbying activities GRI

DR 10: Payment practices

- Measuring the achievement of policies and objectives in previous DRs
- covering anti-corruption/anti-bribery training
 - current legal proceedings (number, inventory, penalties or fines paid)
 - lobbying activities and their funding
 - contractual terms of payment and practices



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OUTREACH EVENT

von

AFRAC, EFRAG & WU Wien

zu den

ENTWÜRFEN DER EUROPÄISCHEN NACHHALTIGKEITSBERICHTERSTATTUNGS- STANDARDS

22. Juni 2022

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