

Exposure Drafts ESRS Set 1

PRESENTATION FOR OUTREACH EVENTS

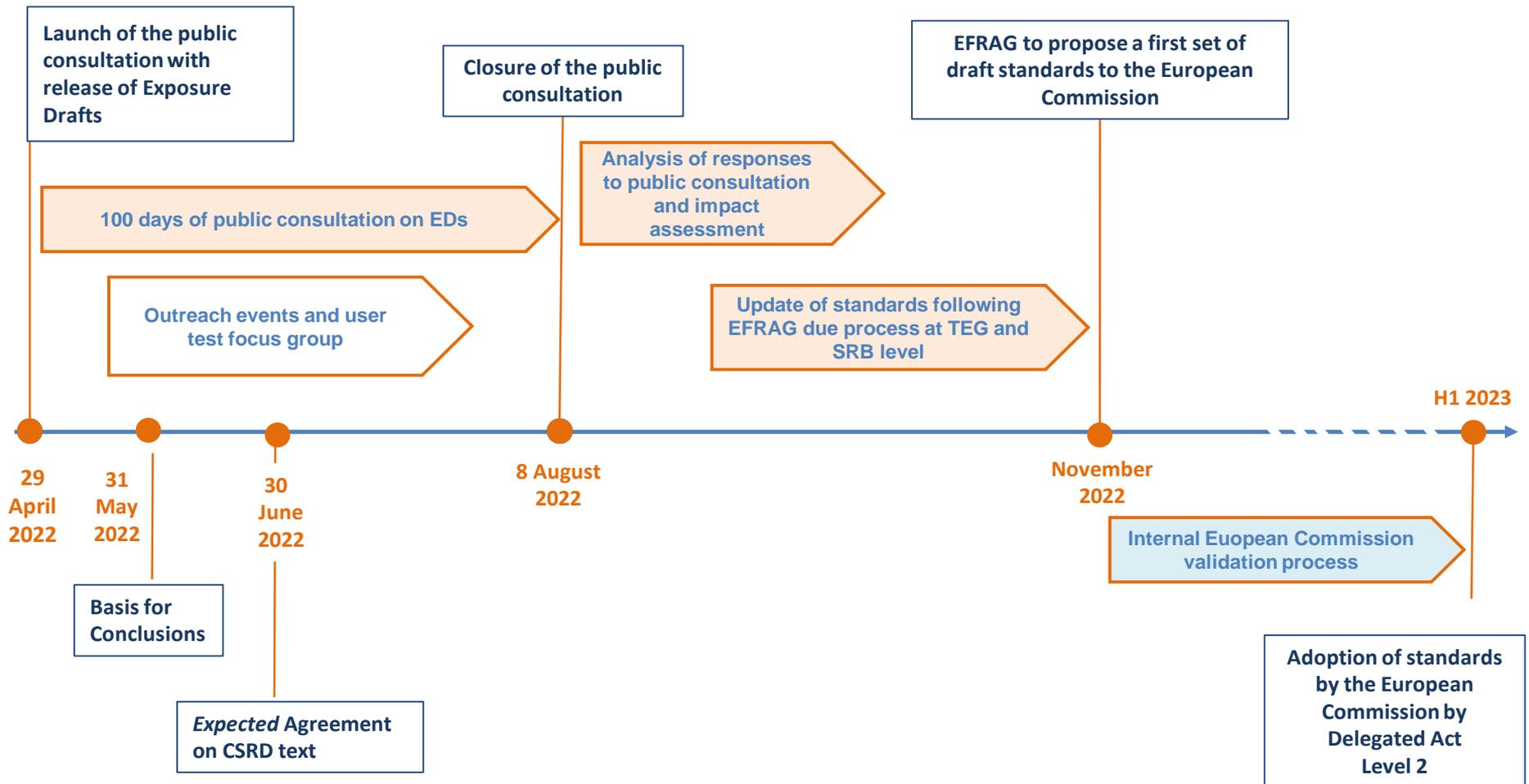
June/July 2022





Overview and Architecture

1. 1 From EDs to draft standards: 7 months in “institutional mode”



1.2 The seven key features of the EDs

1. They will be **adjusted to meet the requirements of the final CSRD**
2. They take account of **existing European law and initiatives**
 - SFDR, Taxonomy Art. 8
 - A list of European texts (e.g. GHG allowance Directive, the EMAS regulation and European Commission recommendation on the life cycle environmental performance of products and services, see Basis for Conclusions)
 - European Pillar of Social Rights
 - Recent European initiatives (e.g. a Corporate Sustainability Due Diligence Directive (CSDDD))
3. They **take account of European and international sustainability reporting initiatives**
4. The overall architecture of Exposure Drafts is designed **to ensure that sustainability information is reported in a carefully articulated manner** (see next slide)
5. They address **sustainability matters as per Article 19b of the CSRD proposal**
6. They are a first step in a journey towards a faithful representation of sustainability performance (SME standard(s) and sector-specific standards in the 2nd set)
7. The public consultation will help to finetune relevance and comparability as well as explore ESRS implementation prioritisation / phasing-in options

1.3 A coherent architecture to implement the CSRD provisions

Cross-cutting

T
O
P
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C
A
L

Overall umbrella

Cross-cutting disclosures

Environment

Social

Governance



Open for comments until 30 August 2022

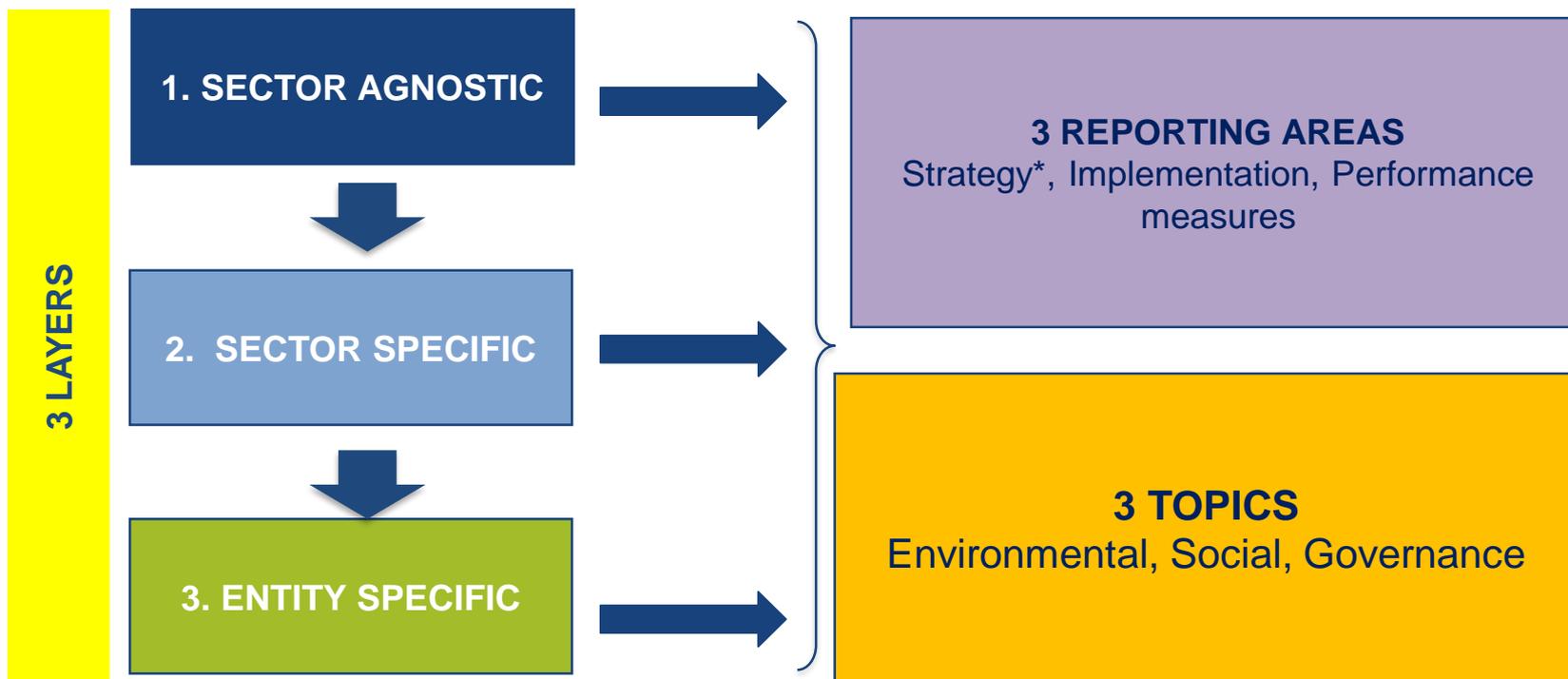
1.4 Main success factors of the ESRS

1. **Information quality** (in particular: relevance and sector-agnostic comparability)
2. **Coherence with EU policy objectives** (content and timing)
3. **Compatibility with international initiatives**
4. **Exercise of judgement** to foster proportionate implementation
5. **Balanced combination** of narrative, semi-quantitative and quantitative information
6. **Connectivity** to ensure seamless standardised corporate reporting
7. **Flexibility in presentation** (sustainability statements and incorporation by reference)

1.5 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)

1.6 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

1.7 Compatibility with TCFD and IFRS S1 core contents

The structure and location of ESRS requirements reflects the need to cover the entire set of topics (not only one topic). Cross-cutting contents are dealt with in a single place, while implementation and performance measures are left at topical level



1.8 Main challenges of the ESRS

1. A real challenge for **first time reporters**
2. **Overall depth of required information** (to be fine tuned and/or phased-in)
3. **Assessment of material IROs and rebuttable presumption**
4. **Boundary issues**
5. Meeting **expectations of all stakeholders**
6. **Avoiding multiple reportings**



Cross-cutting:

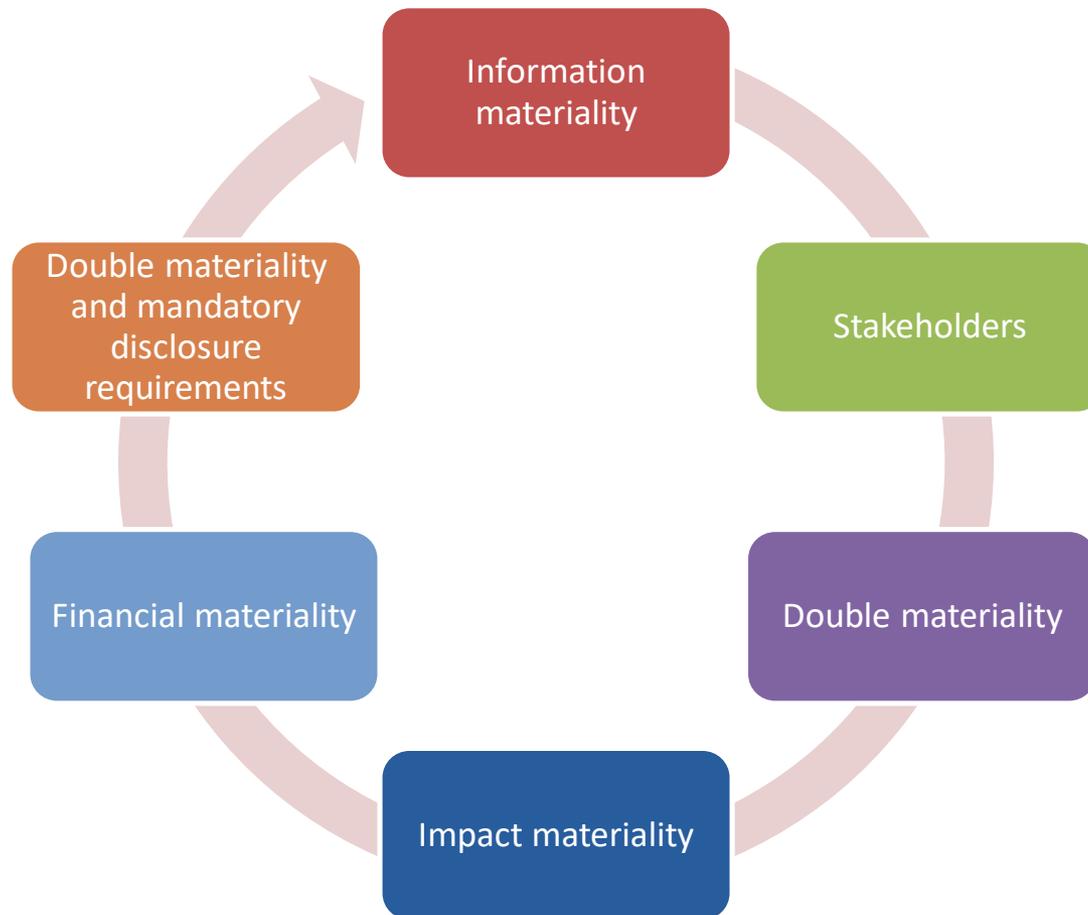
ESRS 1 General principles

ESRS 2 General, strategy,

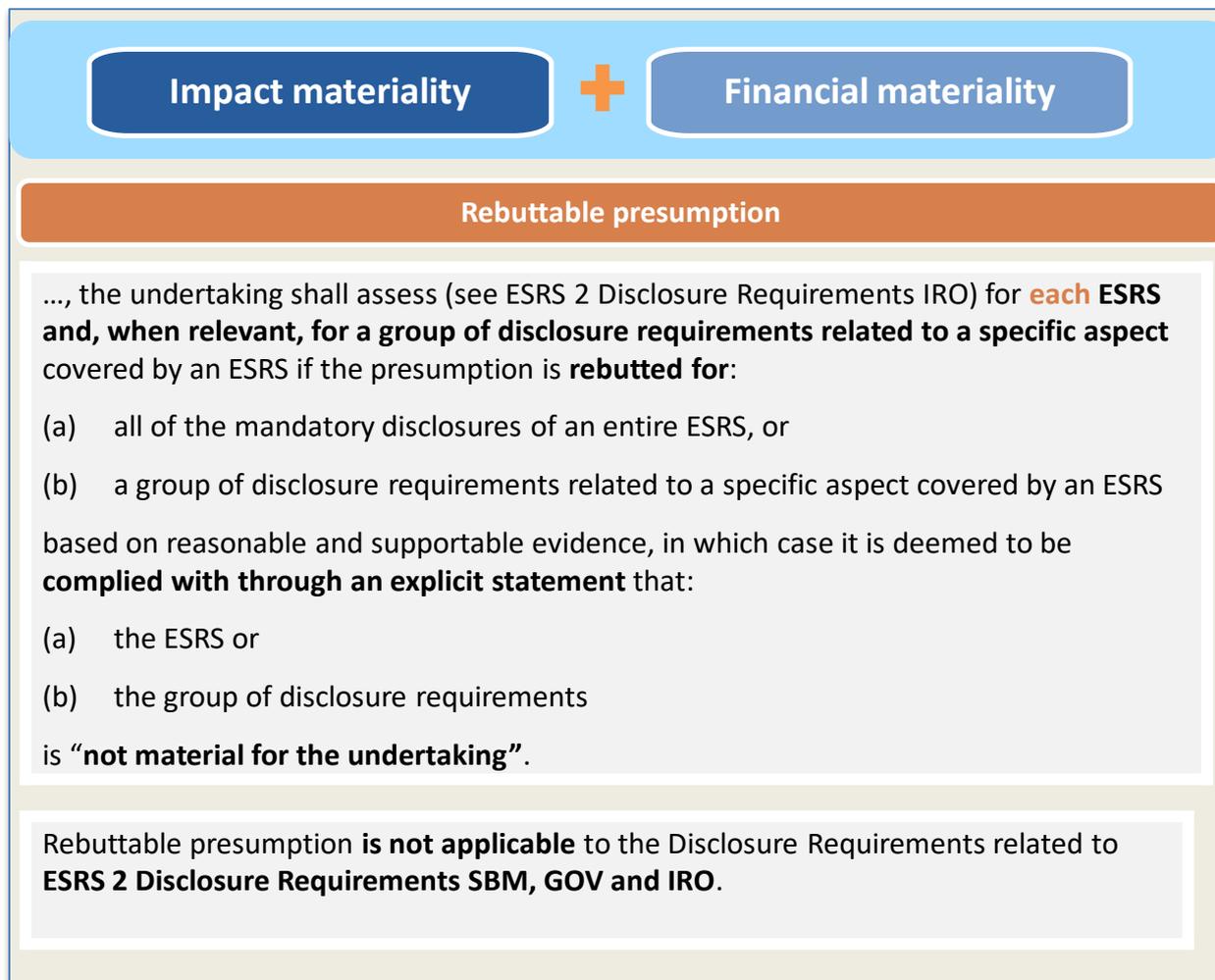
governance and materiality assessment.

2.1 Chapter 2 Applying CSRD concepts:

2.2. Double materiality as the basis for sustainability disclosures



2.1 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

2.1 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”

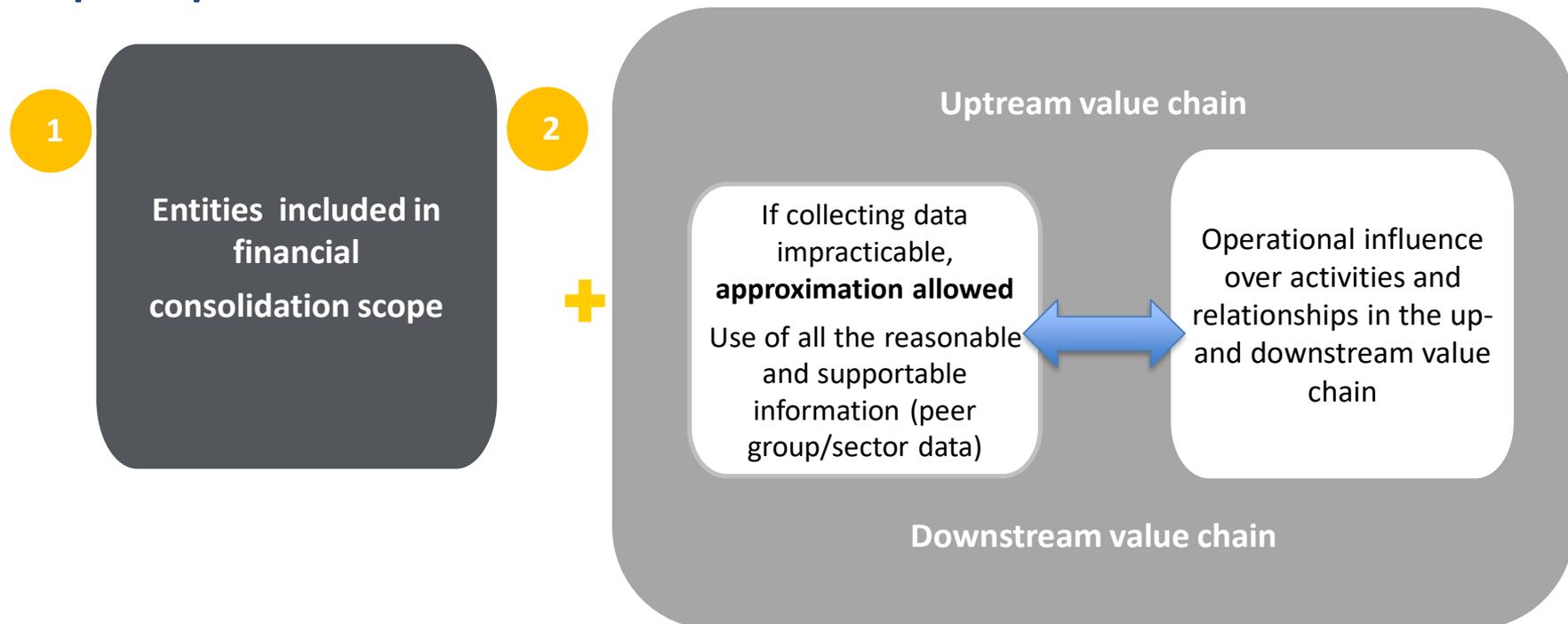
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Entity specific disclosures

=

Material disclosure requirements for the undertaking

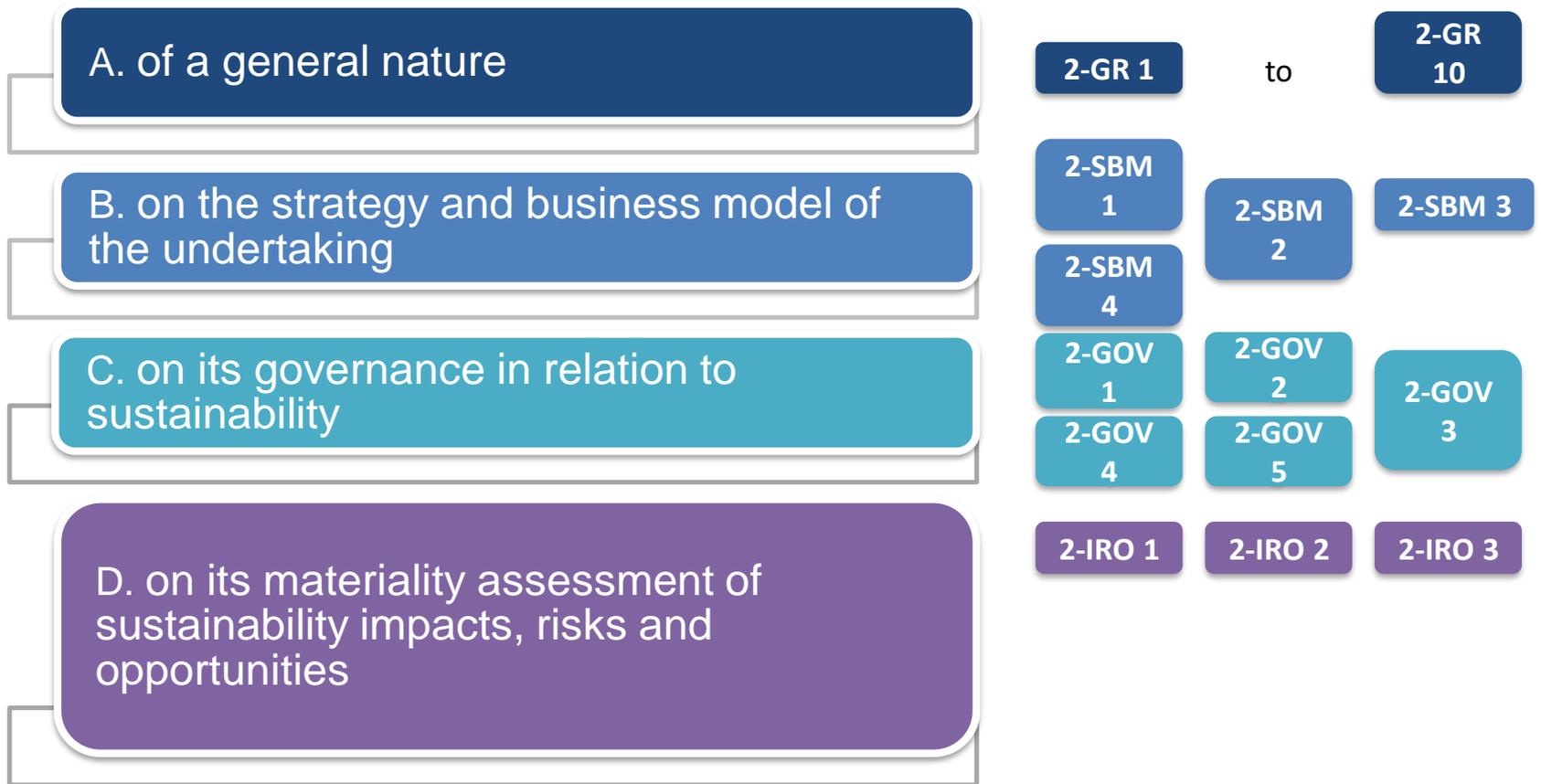
2.2 ESRS 1 – Key concepts: Boundaries and value chain: Consolidation scope plus up- and down-stream



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.

2.3 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:



22 Disclosure requirements + Not subject to the “rebuttable presumption”

2.4 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**

ISSB

CSRD

Strategy and business model

DR 2-SBM4: **Interaction of risks and opportunities and the**

TCFD

CSRD

undertaking's strategy and business model

ISSB

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

Social standards

EFRAG/Trade Union/NGO OUTREACH EVENT

13 July 2022

Sigurt Vitols



7/13/2022

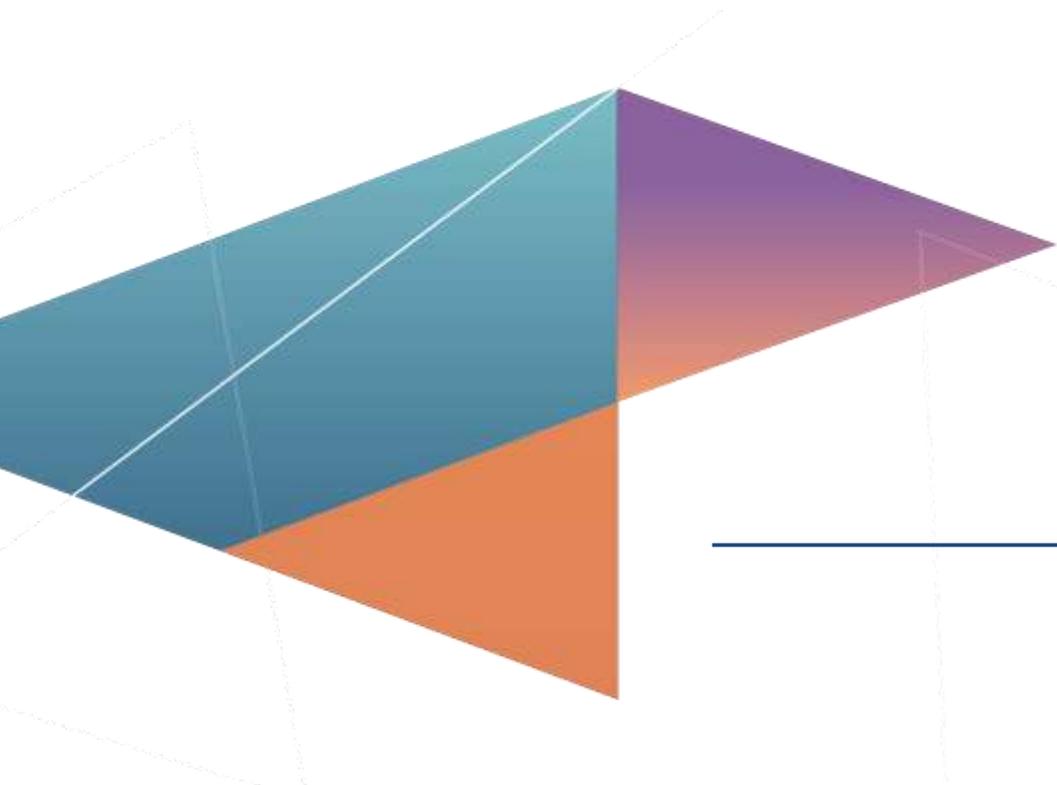
PTF-ESRS

Project Task Force on European sustainability reporting standards

DISCLAIMER

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Social:

S1 Own workforce

S2 Workers in the value chain

S3 Affected communities

S4 Consumers and end-users

Background and methodology

Standard development based on CSRD, Article 29 b (Extract)

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

i) equal **treatment and*** opportunities for all, including:

- gender equality and equal pay for work of equal value
- training and skills development
- employment and inclusion of people with disabilities
- **measures against violence and harassment in the workplace***
- **diversity***

ii) working conditions, including:

- secure employment
- **working time***
- wages
- social dialogue
- **freedom of association***
- **existence of work councils***
- collective bargaining **including the rate of workers covered by collective agreements***
- **the involvement information, consultation and participation rights of workers***
- work-life balance
- ~~a healthy, safe and well-adapted work environment~~
- **health and safety***

Background and methodology

Standard development based on CSRD, Article 29 b (Extract)

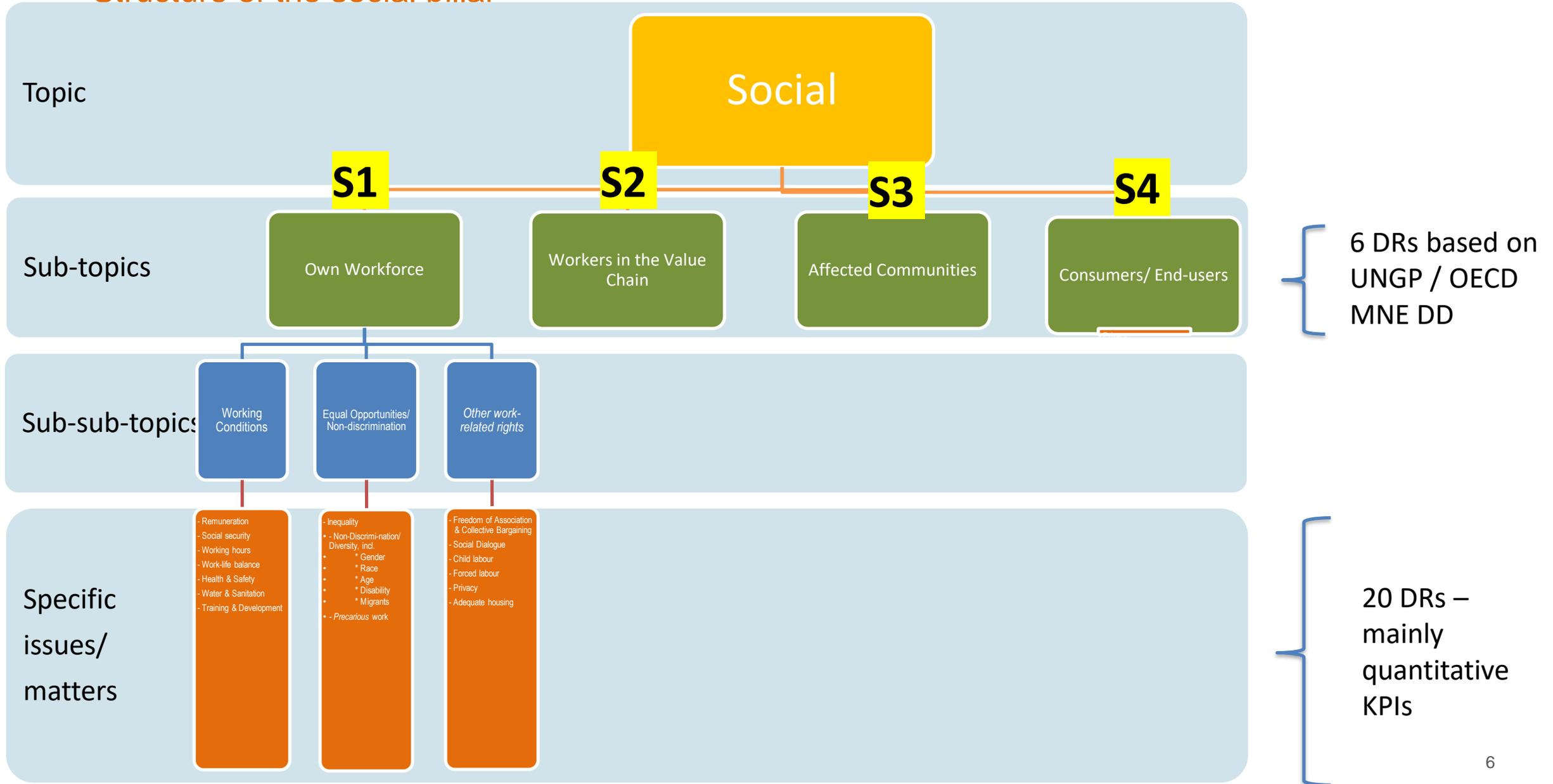
“ (b) specify the information that undertakings are to disclose about social factors, including information about:

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, including **the UN Convention on Persons with Disabilities***
- **the UN Declaration on the Rights of Indigenous Peoples***
- the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work
- the ILO fundamental conventions
- **the European Convention of Human Rights***
- **the revised European Social Charter***
- the Charter of Fundamental Rights of the European Union

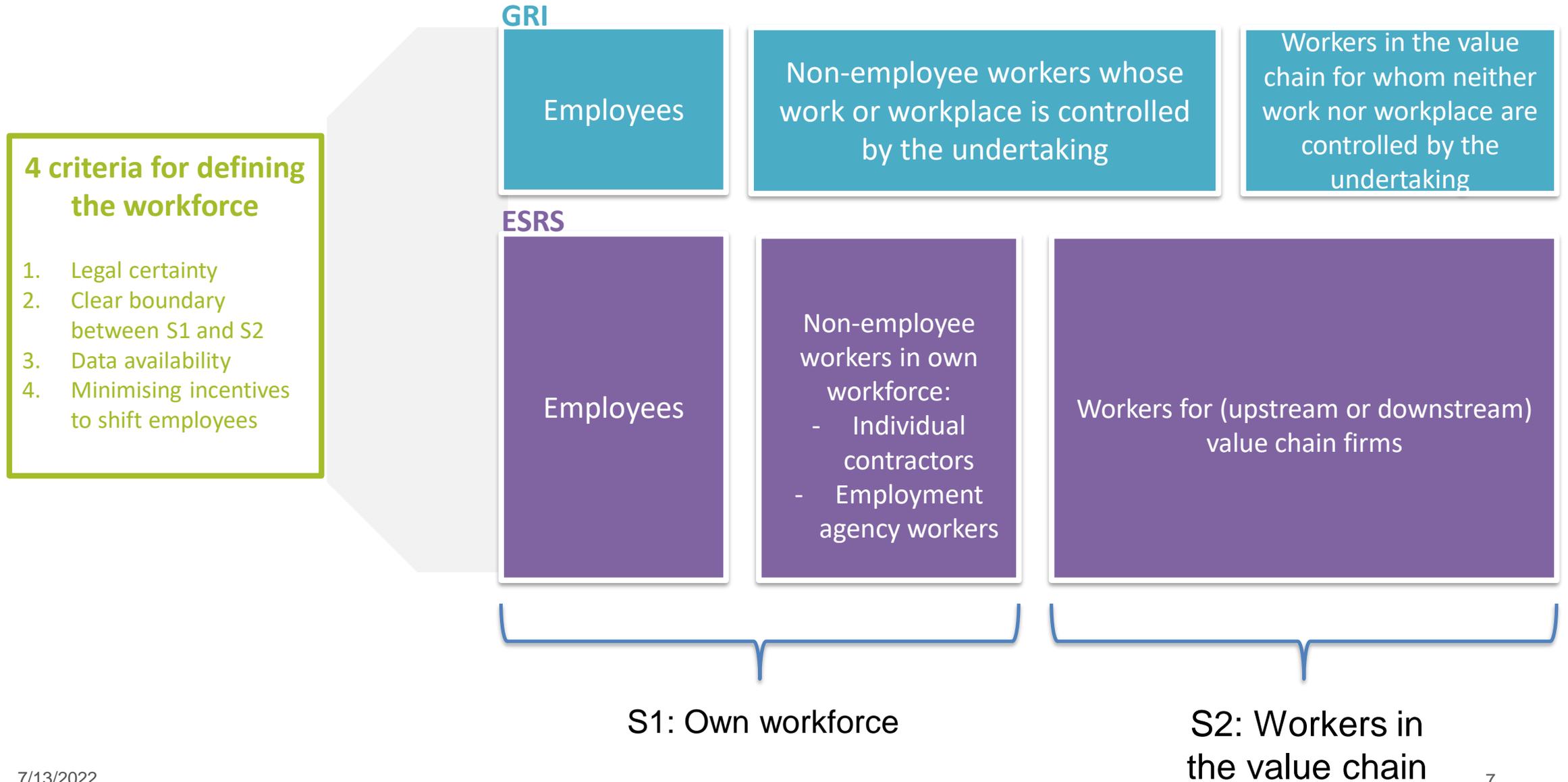
Social standards

Structure of the social pillar



Social standards

Definition of workforce



Social Standards: Embedding Due Diligence

Alignment of social standards with OECD Due Diligence

0. ESRS S1 - DRs 2 and 3: **engage stakeholders** and ESRS 2 DRs (SBM, IROs)



1. ESRS 2 (cross cutting) and AG 3 – 12/13: **assess** impacts, risks and opportunities



2. ESRS S1 DRs 1, 2, 5 and 6: **integrate and act** by developing policies, setting targets and taking action



3. ESRS 1 on targets, progress and tracking effectiveness and ESRS S2 – DR 4: **track** performance



4. The standards in their entirety contribute to the reporting obligation required by the draft CSRD: **communicate**

Approach developed in co-construction with Shift

Other Social standards: ESRS S2 to ESRS S4

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**

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)**

SFDR

IMPLEMENTATION

DR S2-1: **Policies**, targets, action plans and resources

GRI

OECD

UNGP

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 **managing** material negative impacts, **advancing** positive impacts, and managing material risks and opportunities

GRI

UNGP

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

GRI

OECD

UNGP

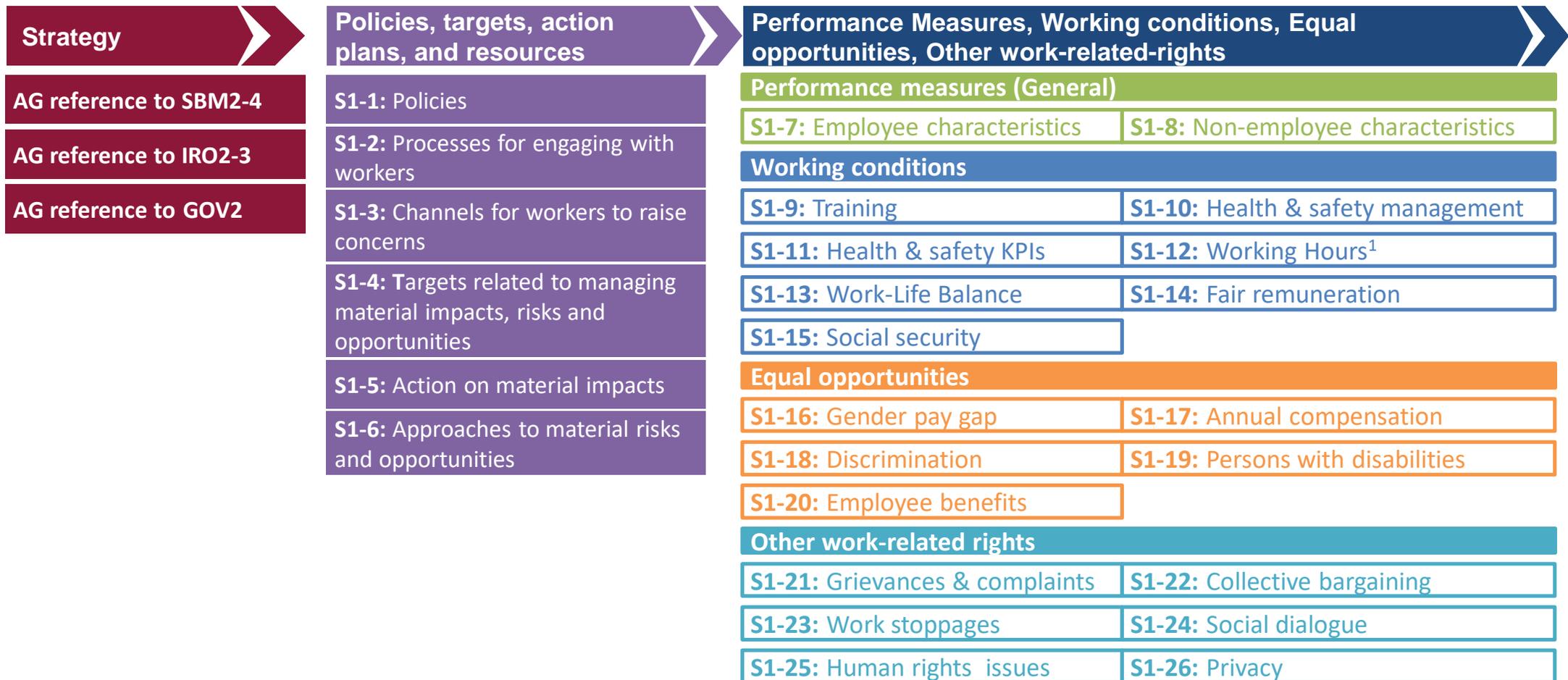
DR S2-6: **Approaches** to mitigating material risks and pursuing material opportunities related to own workforce

OECD

UNGP

ESRS S1 - overview

Standard architecture



¹ Optional Disclosure Requirement

ESRS S1 - overview

Reference frameworks

PERFORMANCE MEASURES

General

DR S1-7: Characteristics of the Undertaking's **Employees**

GRI

DR S1-8: Characteristics of **non-employee workers** in the undertaking's own workforce

GRI

Working Conditions

DR S1-9: **Training and Skills** Development indicators

GRI

DR S1-10: **Coverage** of the health and safety management system

ILO

OECD

GRI

DR S1-11: **Performance** of the health and safety management system

SFDR

ILO

GRI

DR S1-12: Working **Hours**

ILO

EPSR

DR S1-13: Work-Life **Balance** indicators

ILO

EPSR

DR S1-14: **Fair** remuneration

EPSR

GRI

DR S1-15: **Social security** eligibility coverage

EPSR

Equal Opportunities

DR S1-16: **Pay gap** between women and men

EPSR

GRI

SFDR

DR S1-17: Annual total **compensation ratio**

EPSR

GRI

SFDR

DR S1-18: **Discrimination** incidents related to equal opportunities

EPSR

GRI

SFDR

DR S1-19: Employment of persons with **disabilities**

EPSR

GRI

DR S1-20: Differences in the **provision of benefits** to employees with different employment contract types

EPSR

GRI

Other Work-related Rights

DR S1-21: **Grievances** and other work-related rights

GRI

DR S1-22: **Collective bargaining** coverage

SASB

GRI

ILO

DR S1-23: Work **stoppages**

SASB

ILO

DR S1-24: Social **dialogue**

DR S1-25: Identified cases of **severe human rights issues** and incidents

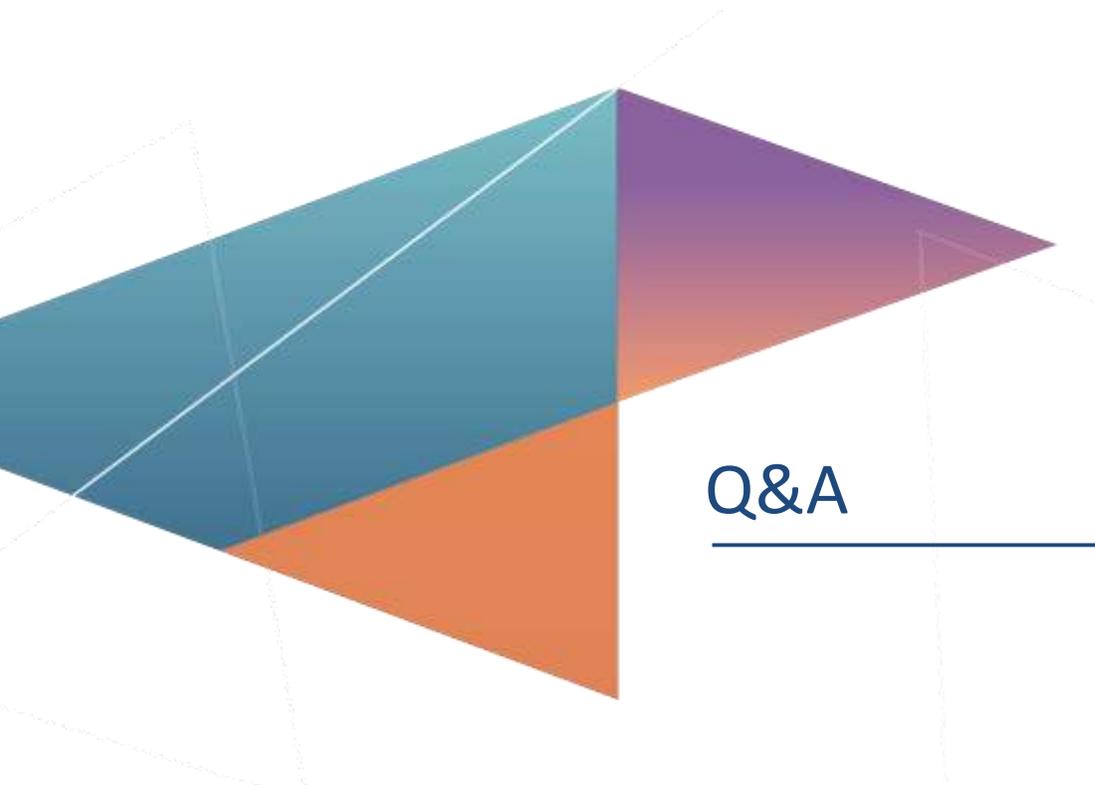
SFDR

GRI

ILO

DR S1-26: **Privacy** at work

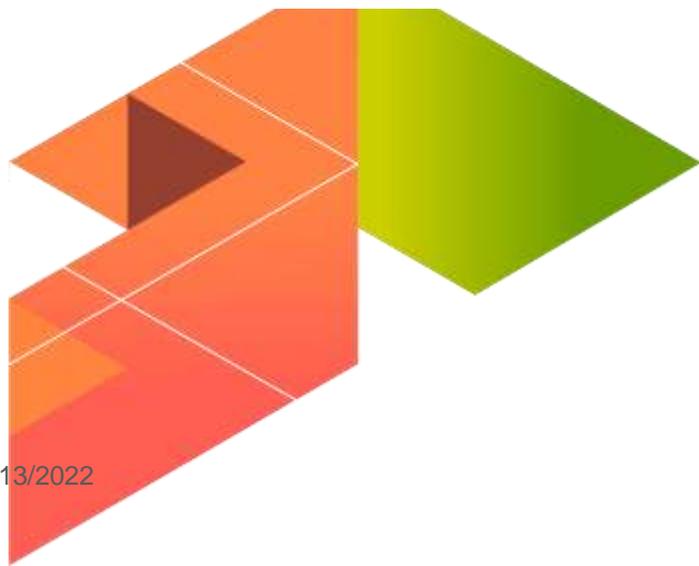
ILO



Q&A



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EFRAG
Aisbl - ivzw
35 Square de Meeüs
B-1000 Brussel
Tel. +32 (0)2 207 93 00
www.efrag.org



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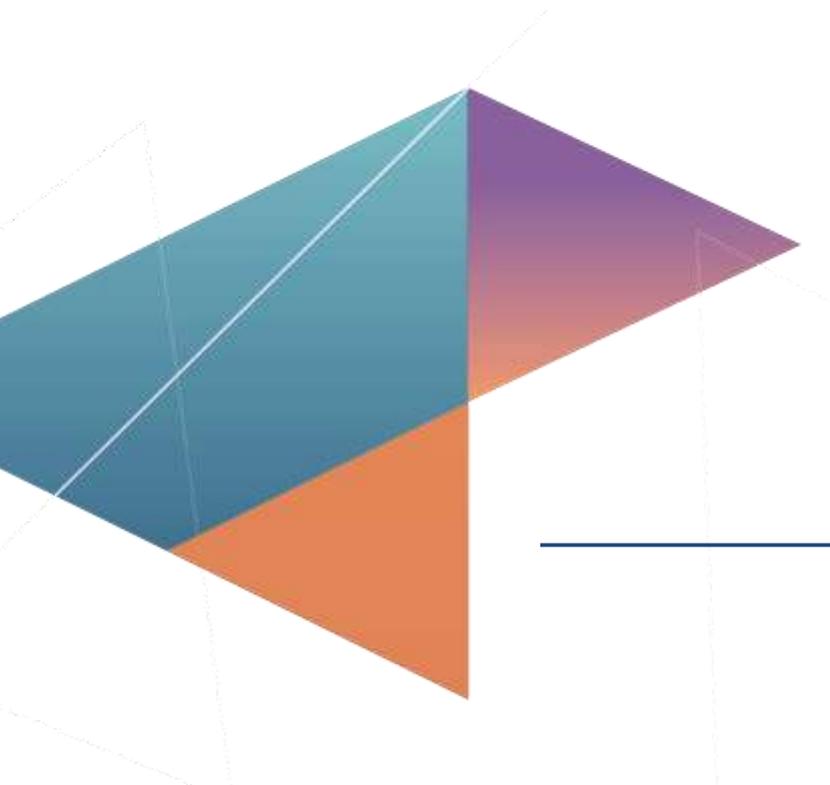
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Environment:

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
 - 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

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.

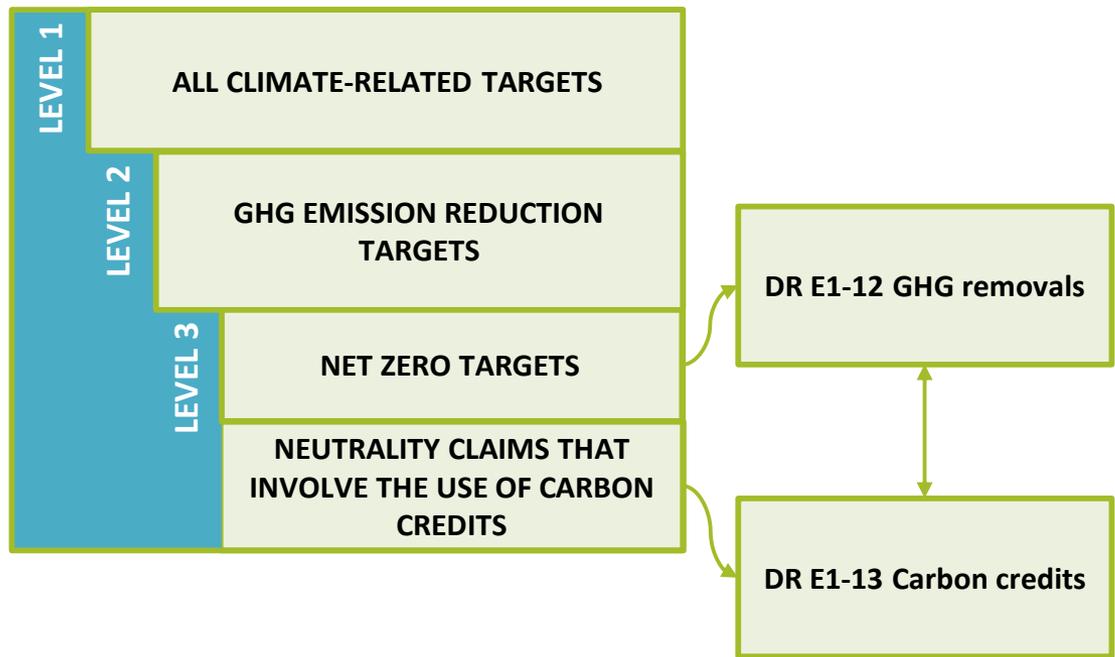
E1 Climate change: Disclosure Requirements

Policies, targets, action plans and resources

FOCUS

ESRS E1 - Focus on targets

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



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 turn 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.

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**  

DR E1-16: Financial effects from **transition risks**  

DR E1-17: Financial effect from **opportunities**   

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).

Pollution: Overview

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

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

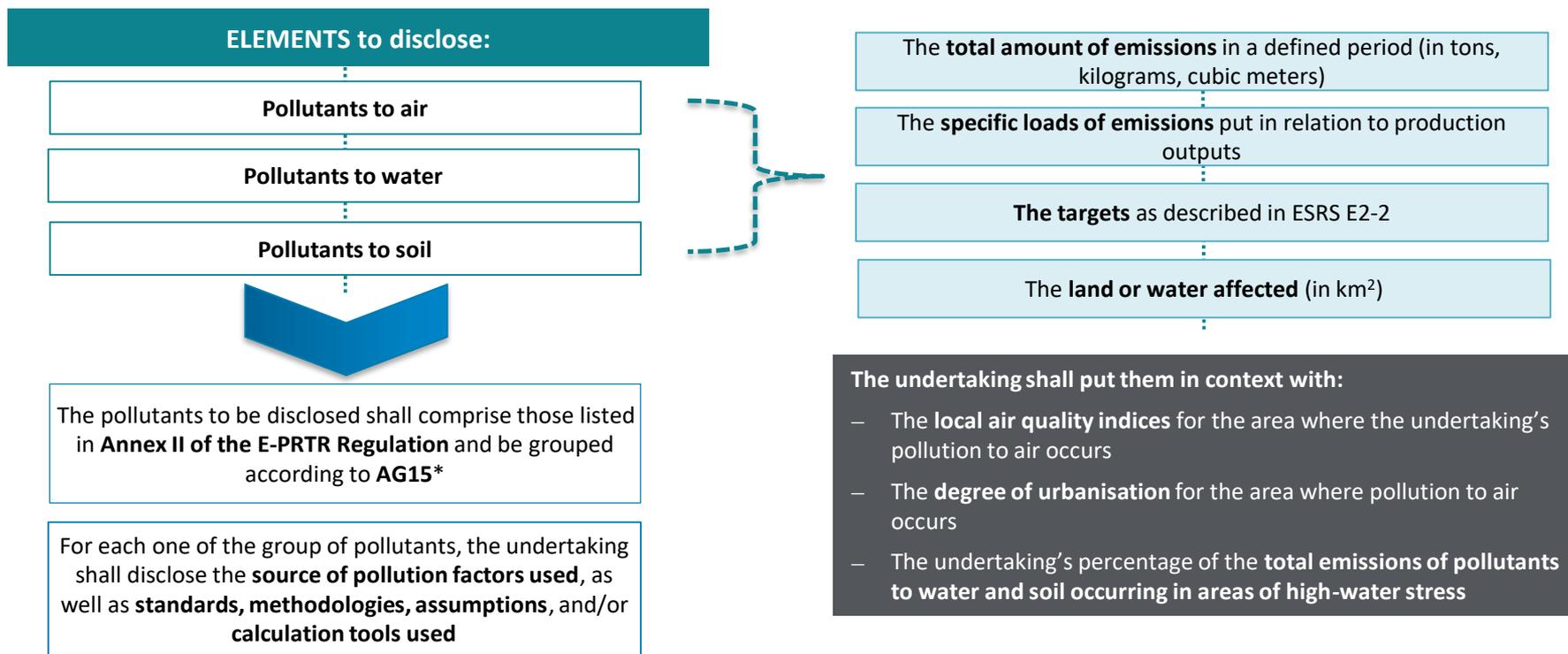
- Information on the main incidents and deposits, their impacts as well as their associated and provisioned costs.

SFDR

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

E2 Pollution: Overview of performance measurement

“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.”



E3 Water and marine resources: Overview

Application guidance related to ESRS 2

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

CSR
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

CSR
SFDR
GRI
CDSB

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

CSR
GRI
CEO W CDP W
CDSB F Mer

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

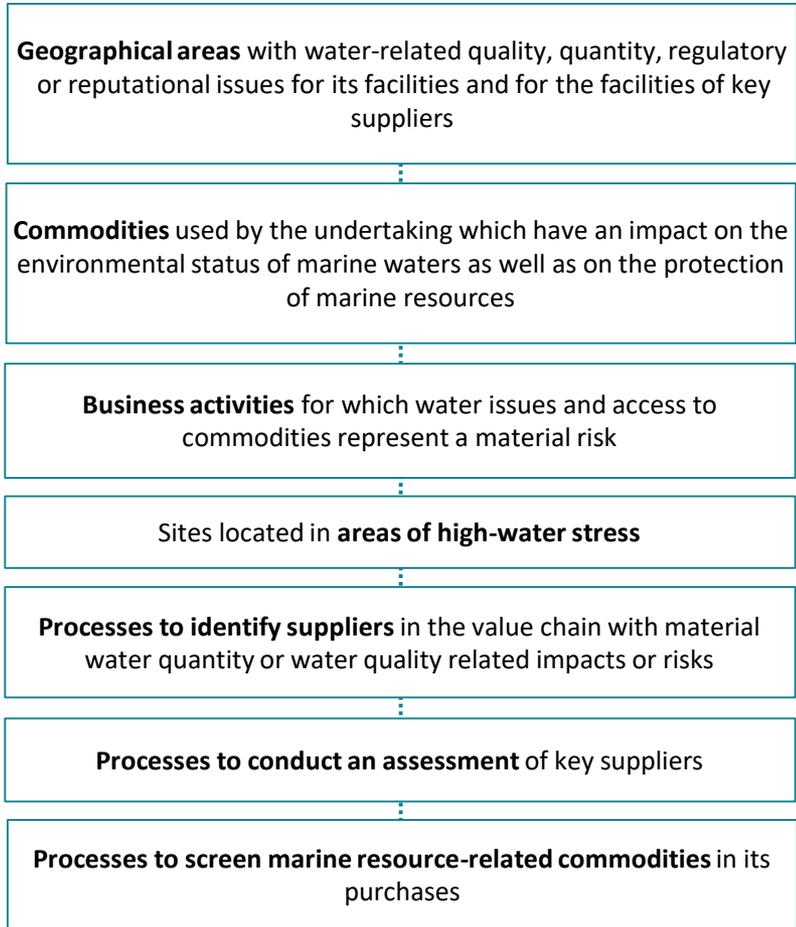
CSR
CDSB

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

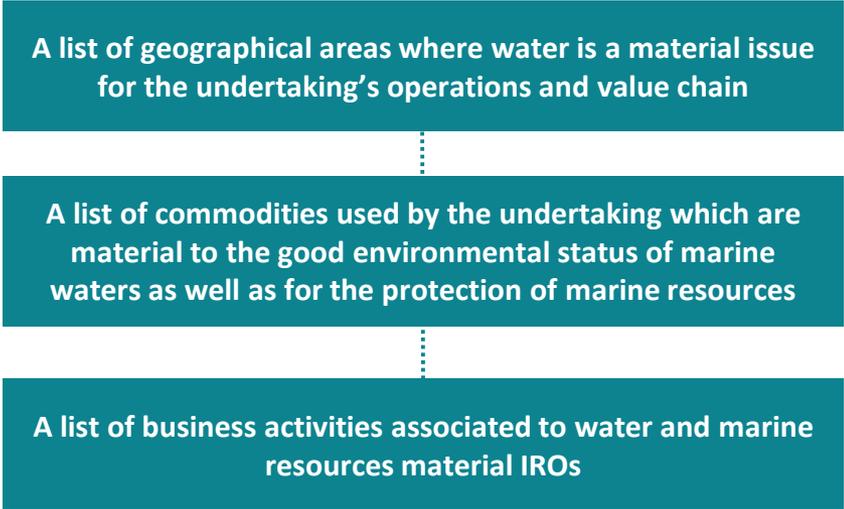
E3 Water and marine resources

FOCUS

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



Outcomes:



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

4 Disclosure Requirements related to performance measurement

DR E3-4: Water management performance

- SFDR
- CDP W
- CDSB
- CSRD
- GRI
- 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

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

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

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

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**

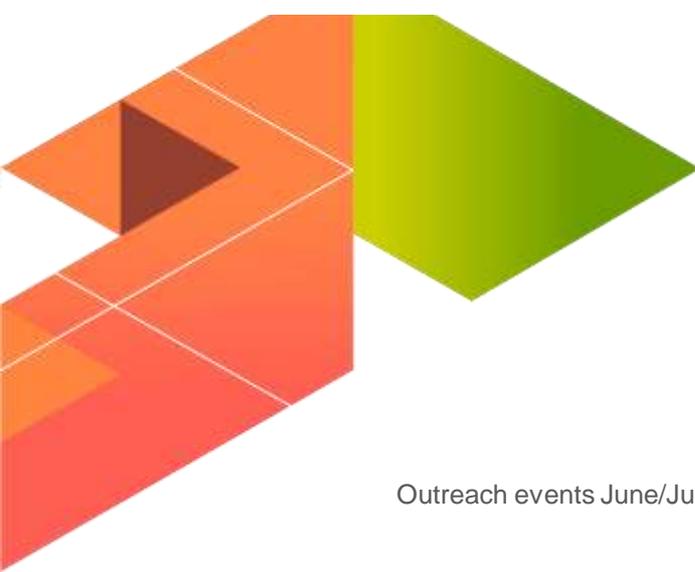
SFDR Link to SFDR principal indicator on Hazardous waste and radioactive waste ratio and additional indicator on Non-recycled waste ratio.

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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EFRAG
Aisbl - ivzw
35 Square de Meeüs
B-1000 Brussel
Tel. +32 (0)2 207 93 00
www.efrag.org



Exposure Drafts ESRS Set 1

PRESENTATION FOR OUTREACH EVENTS

June/July 2022



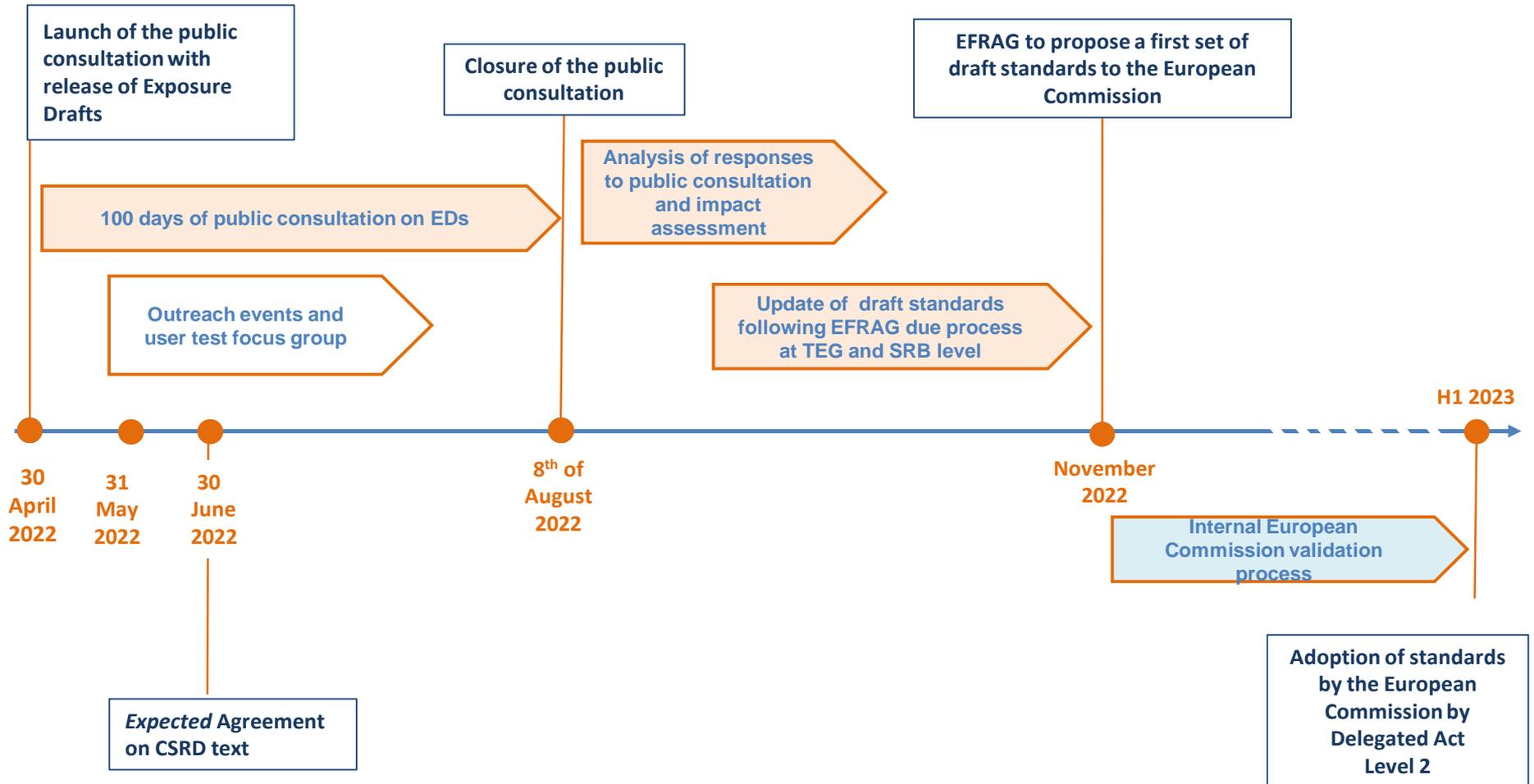
DISCLAIMER

These slides have been prepared by the EFRAG Secretariat supporting the presentations of the Exposure Drafts on the first set of draft ESRS in outreach events. The slides do not represent the official views of EFRAG or any individual member of the EFRAG Sustainability Reporting Board (EFRAG SRB), EFRAG Sustainability Reporting TEG, EFRAG PTF-ESRS or the EFRAG Administrative Board. The slides are made available to enable the public to follow the discussions in the outreaches.

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4.1 Next steps: Timetable

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



4.2 Public consultation EDs first set of draft ESRS (1/2)

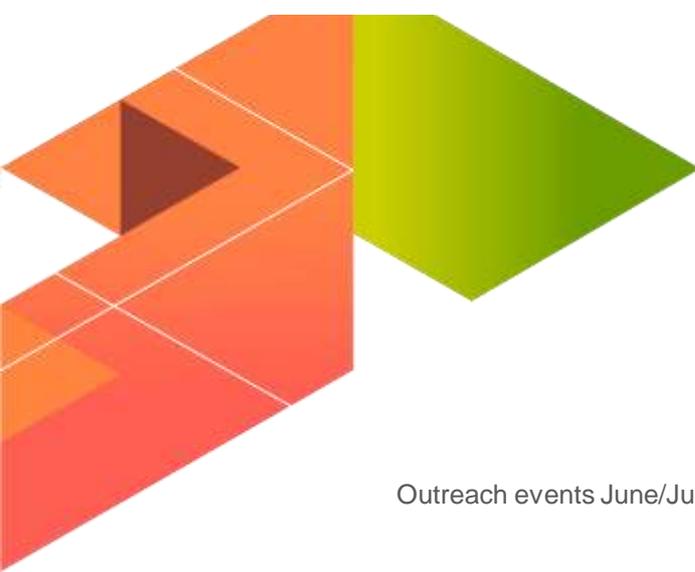
- **Feedback from constituents on three key aspects of the EDs and the survey has followed the same structure :**
 1. The relevance of (i) the proposed architecture, (ii) the implementation of the CSRD principles and (iii) the overall content of each ED
 2. The possible options for prioritising / phasing-in the implementation of the ESRS, and
 3. the adequacy of each disclosure requirement mandated by each ED.
- **Section 3 of the survey on disclosure requirements split as follows:**
 - 3A. Cross Cutting standards
 - 3B. Environmental standards
 - 3C. Social standards
 - 3D. Governance standards
- **Respondents are strongly encouraged to respond to section 1 and 2.**
- **Due to comprehensive nature of section 3, constituents may select the questions and standards to which they provide feedback (no need for complete responses).**

4.3 Public consultation EDs first set of draft ESRS (2/2)

- **Other information included in the public consultation:**
 - Cover note
 - Appendix I: Navigating the ESRS
 - Appendix II: CSRD requirements mapping
 - Appendix III: SFDR PAI mapping
 - Appendix IV: TCFD recommendations and ESRS reconciliation table
 - Appendix V: IFRS Sustainability standards and ESRS reconciliation table
 - Appendix VI: Acronyms and glossary of terms
- **EC survey tool**
- **Not consulting on second set of draft ESRS (SMEs and and sector specific)**
- **Outreaches during consultation period**



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