

Educational session draft ESRS E2 Pollution

Presented by Andrea Giannini,
EFRAG Central Secretariat

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Overview

- EU Legal Framework
- Objective of the Draft Standard and Overview
- Deep dive on Disclosure Requirements
- Questions

EU Legal Framework

CSRD

Recital 35: « Sustainability reporting standards should be coherent with other Union legislation. Those standards should in particular be aligned with the disclosure requirements laid down in [Regulation \(EU\) 2019/2088](#), and they should take account of underlying indicators and methodologies set out in the various delegated acts adopted pursuant to [Regulation \(EU\) 2020/852](#), disclosure requirements applicable to benchmark administrators pursuant to [Regulation \(EU\) 2016/1011](#) of the European Parliament and of the Council, [...]” [see

Art. 29b 5, b), c), d) CSRD]

Recital 42: «Achieving a climate neutral and circular economy **without diffuse pollution** requires the full mobilisation of all economic sectors”.

Art. 29 b, 2 a): «The sustainability reporting standards shall, taking into account the subject matter of a particular standard:

(a) specify the information that undertakings are to disclose about the following environmental factors:

[..] (v) **pollution**”

Art. 9 - Environmental objectives

“ For the purposes of this Regulation, the following shall be environmental objectives: [...]

(e) **pollution prevention and control**”

Art. 14 - Substantial contribution to pollution prevention and control

“An economic activity shall qualify as contributing substantially to pollution prevention and control where that activity contributes substantially to environmental protection from pollution by: (a) **preventing or, where that is not practicable, reducing pollutant emissions into air, water or land**, other than greenhouse gasses; (b) **improving levels of air, water or soil quality in the areas** in which the economic activity takes place whilst minimising any adverse impact on, human health and the environment or the risk thereof; (c) **preventing or minimising any adverse impact on human health and the environment** of the production, use or disposal of chemicals; (d) cleaning up litter and other pollution; or [...]”

Table 1

8. Emissions to water (*Tonnes of emissions to water generated*)

Table 2

1. Emissions of inorganic pollutants (*Tonnes of inorganic pollutants*)

2. Emissions of air pollutants (*Tonnes of air pollutants*)

3. Emissions of ozone-depleting substances (*Tonnes of ozone-depleting substances*)

Taxonomy
(Reg 2020/852)

SFDR (+Reg.
2022/1288)

EU Legal framework [Pollution related]

Commission Recommendation
2013/179/EU
[Art. 29 b, 5 (f) CSRD]



Commission Recommendation of 9 April 2013 on the use of common methods to measure and communicate the life cycle environmental performance of products and organisations

Regulation (EC) No 1221/2009 EMAS
III [Art. 29 b, 5 (i) CSRD]



EMAS is mainly addressed to improve the environmental protection and provide organisations, supervisory authorities and citizens (to the general public) with a tool through which it is possible to obtain information on the environmental performance of organisations.

Directive 2010/75/EU [IED]



IED is the main EU instrument regulating pollutant emissions from industrial installations.

Regulation (EC) 1907/2006 [REACH]



REACH addresses the production and use of [chemical substances](#), and their potential impacts on both human health and the environment

Regulation (EC) 1272/2008 [CLP]



The purpose of this Regulation is to ensure a high level of protection of human health and the environment as well as the free movement of substances

EU Regulation 166/2006



The regulation establishes the European Pollutant Release and Transfer Register (E-PRTR). The register contains information on releases of pollutants to air, water and land, as well as off-site transfers of pollutants present in waste-water and waste.

Directive 2012/18/EU



The Seveso-III Directive aims at preventing such incidents and minimising their risks. All EU countries are obliged to adopt measures at national and company level to prevent major accidents and to ensure appropriate preparedness and response should such accidents nevertheless happen.

Zero pollution action plan



The zero pollution vision for 2050 is for air, water and soil pollution to be reduced to levels no longer considered harmful to health and natural ecosystems, that respect the boundaries with which our planet can cope, thereby creating a toxic-free environment.

Objective and Overview

Objective of ESRS E2

A. How the undertaking affects pollution of air, water and soil, in terms of positive and negative material actual and potential impacts.

B. Actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential material negative impacts.

C. The plans and capacity of the undertaking to adapt its strategy and business model in line with the transition to a sustainable economy.

D. The nature, type and extent of the undertaking's material risks and opportunities related to the undertaking's pollution-related impacts and dependencies, and how the undertaking manages them.

E. the financial effects on the undertaking over the short-, medium- and long-term time horizons of material risks and opportunities

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

ESRS 2 GENERAL DISCLOSURES

DR related to ESRS 2 IRO-1:

Description of processes to identify and assess material pollution-related **impacts, risks and opportunities** that include

→ methodologies, assumptions and tools used to screen its site locations and business activities

→ interconnection between risks and opportunities

→ process for conducting consultations and in particular with affected communities

POLICIES, ACTIONS AND RESOURCES

E2-1 Policies

- Minimise and substitute substances of concern, phase out substances of very high concern, especially for non-essential uses
- Avoiding incidents and emergencies
- Mitigate negative impacts

E2-2 Actions and resources

- Avoiding pollution, inc. phase-out
- Reduce pollution, inc. phase-out and BAT (Best Available Techniques) requirements
- Restore, regenerate, and transform ecosystem

METRICS AND TARGETS

DR E2-3: Targets related to Pollution

DR E2-4: Metrics related to pollution into air, water and soil

DR E2-5: Metrics related to substances of concern and SVHC

DR E2-6: Potential **financial effects** from pollution-related impacts, risks and opportunities

Deep Dive on Disclosure Requirements

ESRS 2 – General disclosures

The objective of ESRS 2 DR-IRO1 is to provide an understanding of the process(es) through which the undertaking identifies impacts, risks and opportunities and assesses their materiality, as the basis for determining the disclosures in its sustainability reporting

The requirements in ESRS E2 related to **ESRS 2 DR-IRO1** should be reported alongside the disclosures required by [draft] ESRS 2

Specific topical DR from [draft] ESRS E2 on Pollution

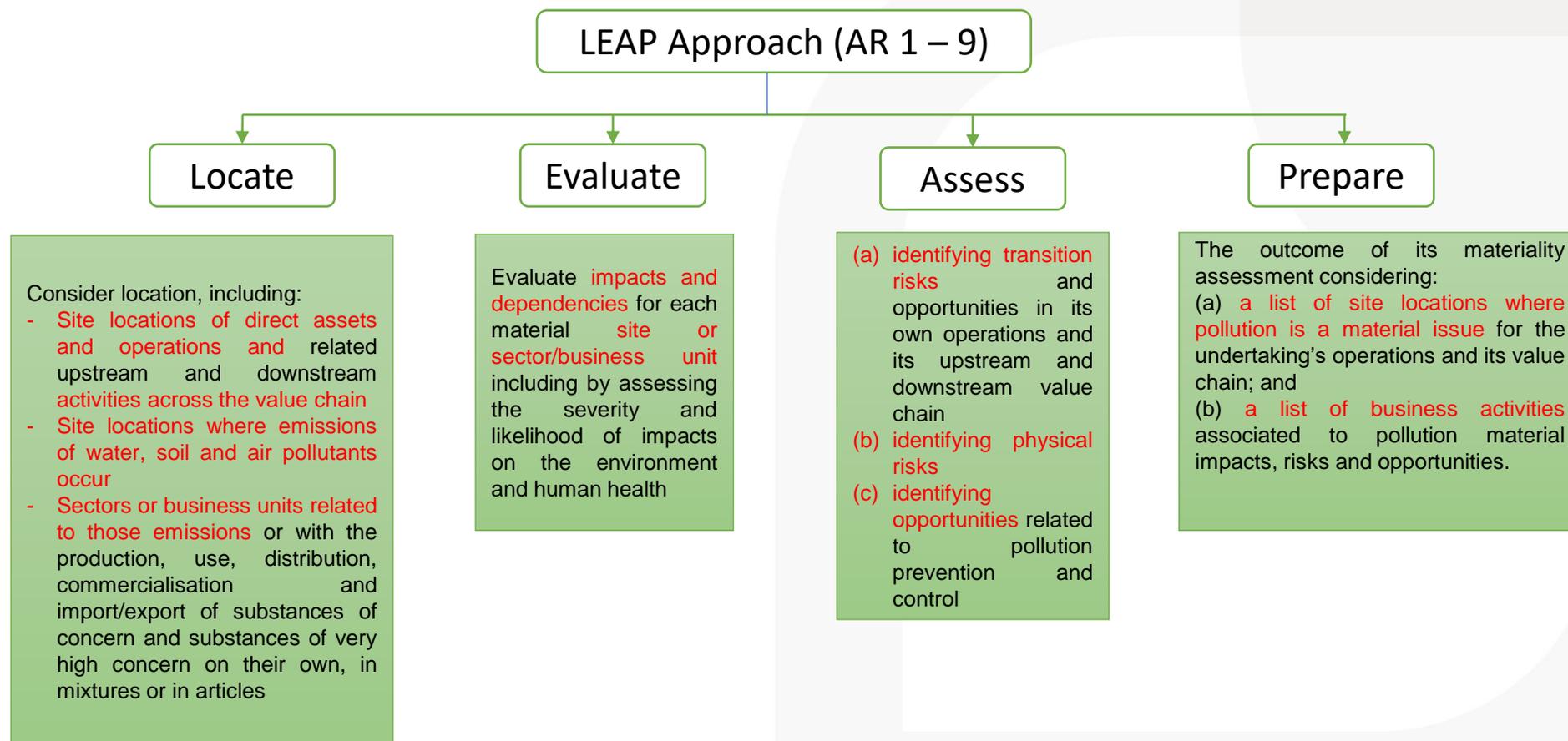
The undertaking shall describe the process to identify IRO and shall provide information on

methodologies, assumptions and tools used to screen its site locations and business activities

interconnection between risks and opportunities

process for conducting consultations and in particular with affected communities

The description of the process to identify and assess IROs using



Policies, Actions & Resources

DR E2-1 – Policies related to pollution

A policy implements the undertaking's strategy or management decisions related to a material sustainability matter

The undertaking shall disclose its policies that address the:

- **Identification;**
- **Assessment;**
- **Management; and/or**
- **Remediation of material pollution-related impacts, risks and opportunities.**

The [draft] ESRS 2 DC-P contains the content that the undertaking shall include when it reports on policies (see par. 63)

The undertaking shall indicate whether and how its policies address the following areas on its own operations and throughout the upstream and downstream value chain:

- Mitigating negative impacts related to pollution of air, water and soil including prevention and control;
- Minimising and substituting substances of concern and phasing out substances of very high concern, in particular for non-essential societal use and in consumer products; and
- Avoiding incidents and emergency situations, and if and when they occur, controlling and limiting their impact on the environment and/or civil society.

DR E2-2 – Actions and resources related to pollution

Actions refer to (i) actions and action plans (including transition plans) that are implemented to ensure that the undertaking delivers against targets set and through which the undertaking seeks to address material impacts, risks and opportunities; and (ii) decisions to support these with financial, human or technological resources

The [draft] ESRS 2 DC-A contains the content that the undertaking shall include when it reports on actions (see par. 66 –ESRS 2)

The undertaking shall disclose its pollution-related actions and the resources allocated to their implementation:

Avoid pollution including any phase out of materials or compounds that have a material negative impact

Reduce pollution, including any phase-out of materials or compounds and by meeting enforcement requirements such as Best Available Techniques (BAT) requirements or the address of Do No Significant Harm criteria for pollution prevention and control

Restore, regenerate and transform ecosystems where pollution has occurred

Application Requirement 13

Where actions extend to upstream or downstream value chain engagements, the undertaking shall provide information on the types of actions reflecting these engagements

Metrics & Targets

Targets refer to measurable, outcome-oriented goals that the undertaking aims to achieve in relation to material impacts, risks or opportunities

The description of targets shall contain the information requirements defined in [draft] ESRS 2 DC-T

The disclosure indicates whether and how targets relate to the prevention and control of:

- **Air pollutants**
- **Emissions to water**
- **Pollution to soil**
- **Substances of concern and substances of very high concern**

If ecological and entity-specific thresholds were taken into consideration when setting targets, the undertaking shall also specify:

- **The ecological thresholds identified, and the methodology used to identify such thresholds;**
- **Whether or not the thresholds are entity-specific and if so, how they were determined; and**
- **How responsibility for respecting identified ecological thresholds is allocated in the undertaking.**

DR E2-4 – Pollution of air, water and soil

Metrics refer to qualitative and quantitative indicators that the undertaking uses to measure and report on the effectiveness of the delivery of its sustainability-related policies and against its targets over time

The undertaking shall disclose the pollutants that are generated or used during production processes or that are procured, such as:

- Emissions of air pollutants generated by the undertaking **(SFDR PAI)**
- Emissions to water generated by the undertaking **(SFDR PAI)**
- Emissions of inorganic pollutants generated by the undertaking **(SFDR PAI)**
- Emissions of ozone-depleting substances generated by the undertaking **(SFDR PAI)**
- Microplastics generated or used by the undertaking

DP to be always disclosed
(see Appendix E – ESRS 2)

Subject to the materiality assessment

The volume of pollutants shall be presented in tonnes or kilogrammes

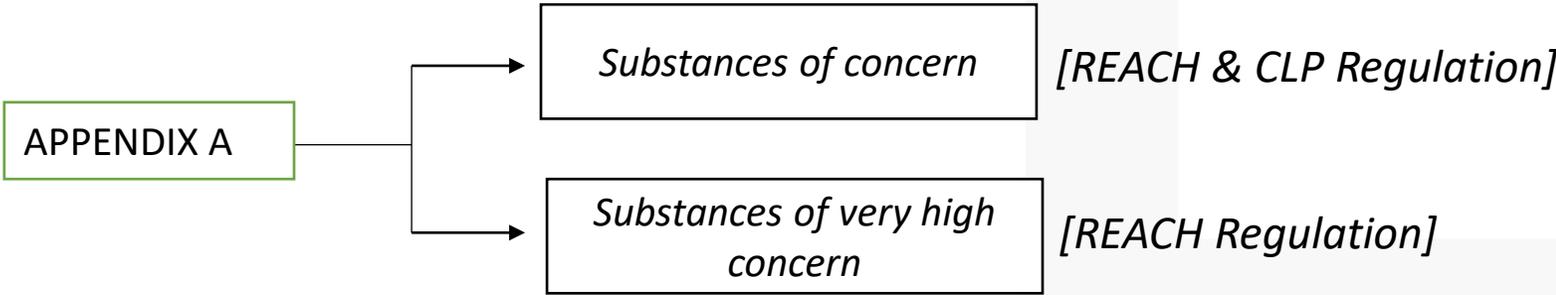
Contextual information to be provided:

- Changes over time
- Measurement methodologies; and
- Process(es) to collect data for pollution-related accounting and reporting, including the type of data needed and the information sources

The undertaking shall disclose information on the production, use, distribution, commercialisation and import/export of substances of concern and substances of very high concern on their own operations

- The **total amounts of substances of concern** that are generated or used during the production or that are procured, and that leave its facilities as emissions, as products, or as part of products or services
- The undertaking shall present separately information related to **substances of very high concern** (SVHC)

AR 35: *The volume of pollutants shall be presented in tonnes or kilogrammes*



DR E2-6 – Potential financial effects from pollution-related impacts, risks and opportunities

Potential material financial effects includes:

- i. potential situations that following the occurrence of future events may affect cash flow generation potential;
- ii. capitals that are not recognised as assets from an accounting and financial reporting perspective but have a significant influence on financial performance, such as natural, intellectual (organisational), human, social and relationship capitals; and
- iii. possible future events that may have an influence on the evolution of such capitals.

The undertaking shall disclose its potential financial effects of material risks and opportunities arising from pollution-related impacts (impact on the undertaking's cash flows, performance, position, development, cost of capital or access to finance over the short-, medium- and long-term time horizons)

Potential financial effects:

- Quantitative in monetary terms unless impracticable that include:
 - Share of SoC/SVHC-related revenue
 - CapEx/OpEx related to incidents & deposits
 - Environmental provisions
- Description of the effects considered
- Critical assumptions used in the estimate

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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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