

# Exposure Draft ESRS E4 – Biodiversity and ecosystems

23 May 2022



**EFRAG**

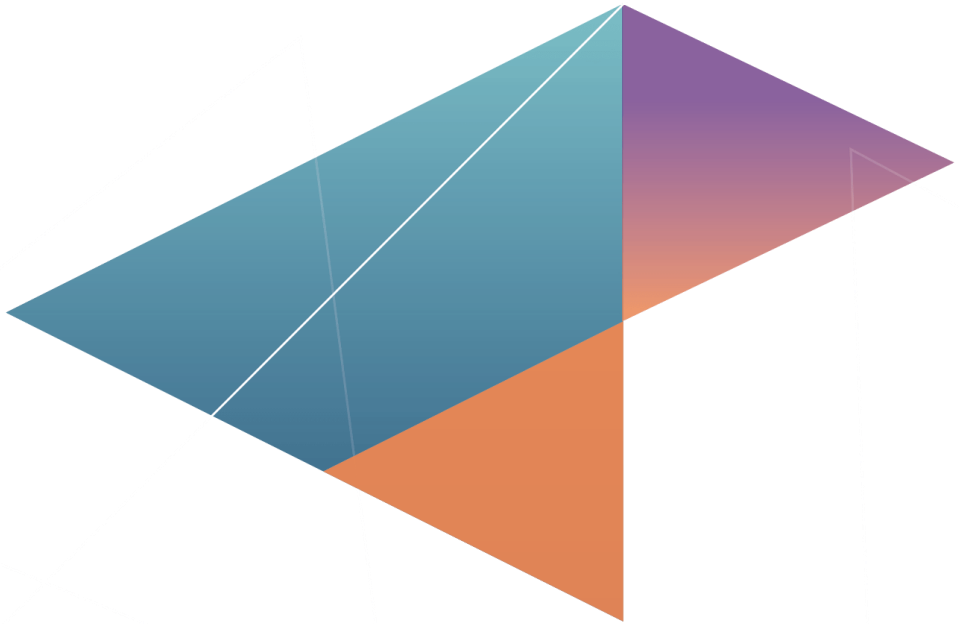
European Financial Reporting Advisory Group



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## Agenda

1. Objective of the [draft] standard and overview
2. Deep dive on Disclosure Requirements
3. Questions

## Objective and Overview

### Objective of ESRS E4

Specify Disclosure Requirements (DR) which will enable users of sustainability reporting to understand:

A. How the undertaking affects biodiversity and ecosystems in terms of positive and negative material actual or potential adverse impacts

B. The undertaking's actions taken to prevent, mitigate or remediate adverse impacts and to protect and restore biodiversity and ecosystems

C. To what extent the undertaking contributes to (i) the EU Green Deal's ambitions for protecting biodiversity and ecosystems, and (ii) the respect of global environmental limits.

D. The plan and capacity of the undertaking to adapt its business model and operations in line with the preservation and restoration of biodiversity and ecosystems

E. The nature, type and extent of the material risks and opportunities related to the undertaking's impacts and dependencies arising from biodiversity and ecosystems, and how it manages them

F. The effects of biodiversity and ecosystems-related risks and opportunities on the undertaking's development, performance, position over the short, medium and long term and its ability to create enterprise value in the short, medium and long term

# Objective and Overview

## Content of ESRS E4

### STRATEGY (complemented by ESRS 2)

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**

CSRD

TNFD

AG on ESRS 2-SBM4: Biodiversity and ecosystems integration in the resilience of the strategy and **business model**

CSRD

TNFD

AG on ESRS 2-IRO1 & 2: Biodiversity and ecosystems **impacts, risks and opportunities**

CSRD

SFDR

TNFD

### IMPLEMENTATION

DR E4-2: **Policies** implemented to manage biodiversity and ecosystems

CSRD

DR E4-3: Measurable **targets** for biodiversity and ecosystems

CSRD

DR E4-4: Biodiversity and ecosystems **action plans**

CSRD

### PERFORMANCE MEASURES

DR E4-5: **Pressure metrics**

CSRD

DR E4-6: **Impact metrics**

CSRD

DR E4-7: **Response metrics**

CSRD

Optional DR E4-8: Biodiversity-friendly **consumption and production metrics**

CSRD

Optional DR E4-9: **Biodiversity offsets**

CSRD

DR E4-10: **Financial effects** from biodiversity-related impacts, risks and opportunities

CSRD

TNFD

## Deep dive on Disclosure Requirements

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

The undertaking shall disclose :

Its plans for its own operations and throughout its upstream and downstream value chain

Whether the administrative, management and supervisory bodies have approved the transition plan

The main identified drivers of biodiversity loss and possible mitigation actions

Its metrics and related tools used to measure progress to No net loss/Net gain

How its business development strategy interacts with the achievability of its transition plan

The level of approval to which the Transition Plan is subjected

### If the undertaking did not adopt a plan:

- Need to provide the reasons for not having adopted a policy or objective
- May report a timeframe in which it aims to have such plan in place

## Deep dive on Disclosure Requirements

### AG on ESRS 2-SBM4: Biodiversity and ecosystems integration in the resilience of the strategy and business model

The description of the integration of **material IROs** in the business model should include:

Whether the business model(s) has been verified by **conducting a range of biodiversity and ecosystems scenarios**

The **scope** of the resilience analysis: (i) along the **own operations and the value chain** and (ii) the **material transition and physical biodiversity and ecosystems-related risks** covered

The **key assumptions** made

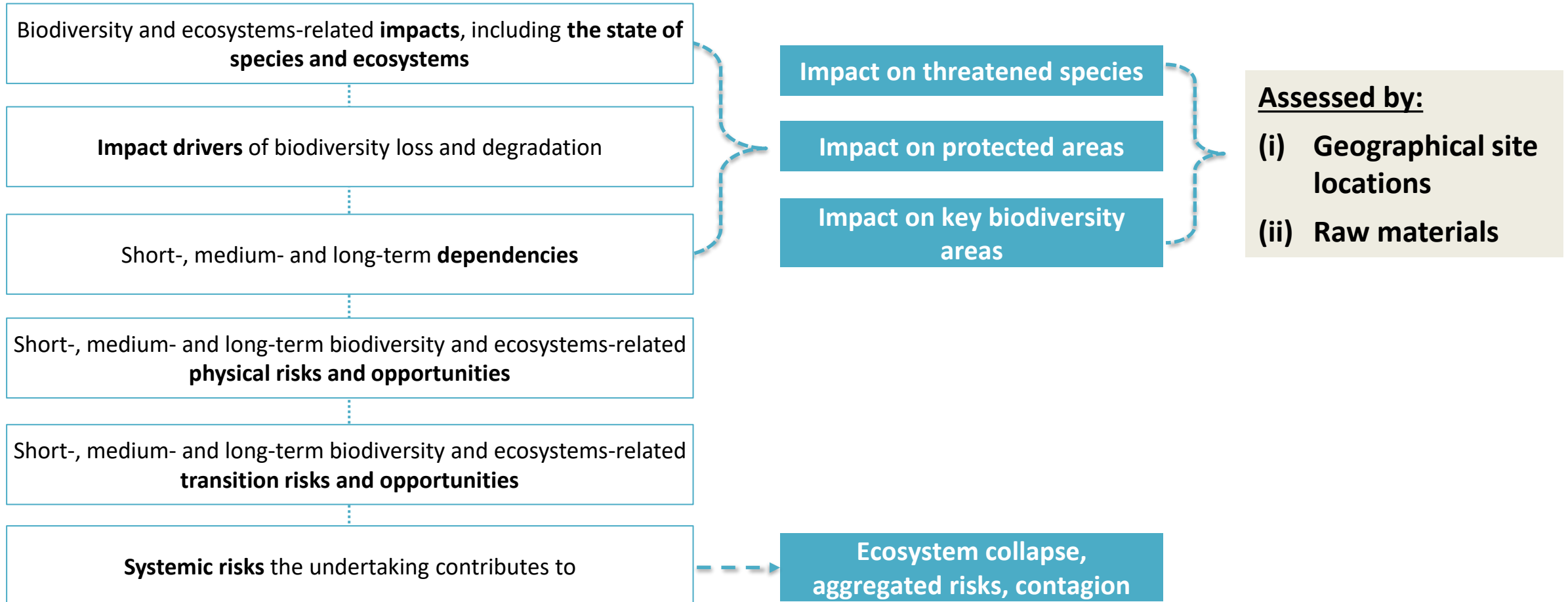
The **time horizon** over which the analysis has been conducted

The **results** of the resilience analysis

## Deep dive on Disclosure Requirements

### AG on ESRS 2-IRO1 & 2: Biodiversity and ecosystems impacts, risks and opportunities

The description of the process to identify and assess IROs shall cover:





## Deep dive on Disclosure Requirements

### AG on ESRS 2-IRO1 & 2: Biodiversity and ecosystems impacts, risks and opportunities

The undertaking shall disclose **the outcomes of the process:**

Whether it has identified **material negative impacts**

The percentage of **its suppliers'** facilities/procurements spent on them which are **located in risk prone areas**

Whether it has geographical site locations located in **biodiversity-sensitive areas** with activities negatively affecting those areas

Whether it has material impacts on **threatened species** on its own operations

Whether it has a **biodiversity protection policy** covering operational sites owned, leased, managed in, or adjacent to, a protected area or an area of high biodiversity value outside protected areas

#### Breakdown by:

- (i) **Geographical site locations**
- (ii) **Raw materials**

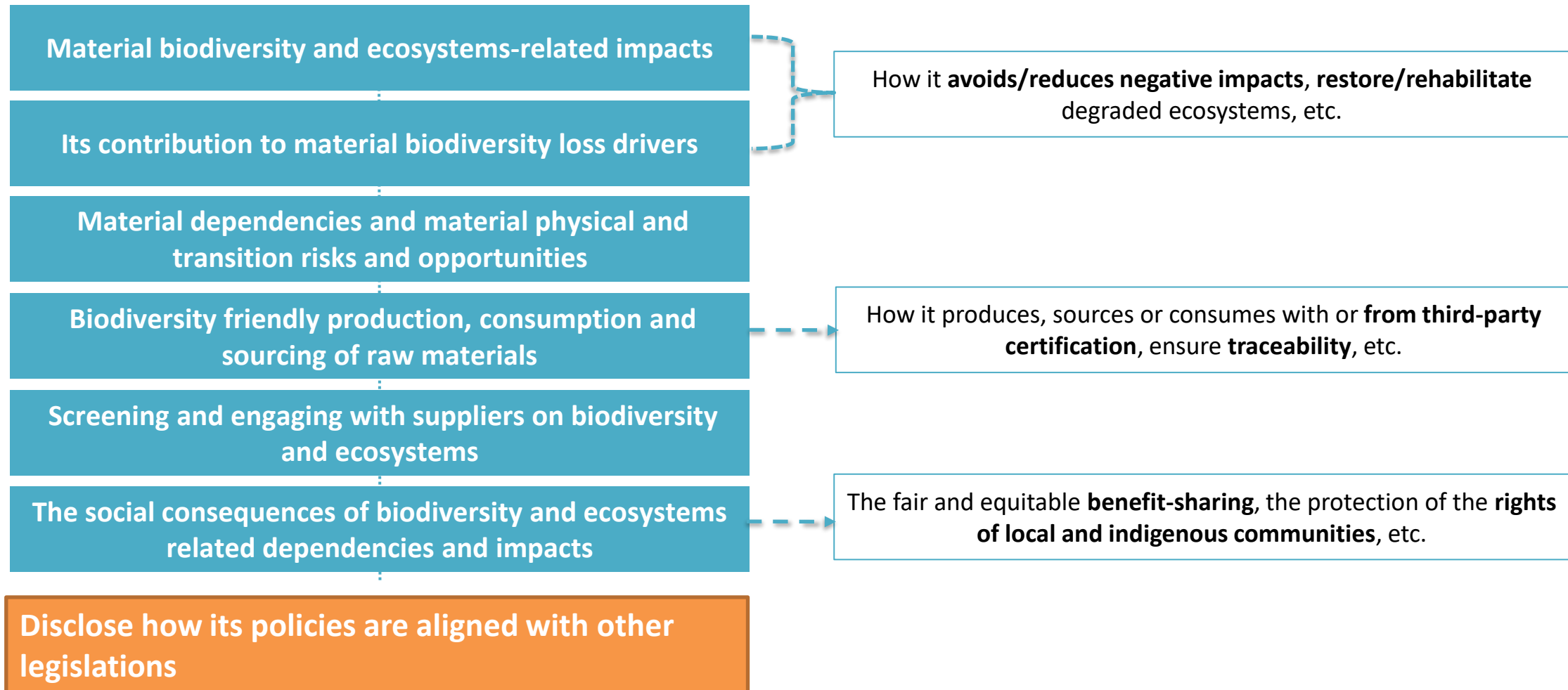
#### Cover both:

- (i) **Own operations**
- (ii) **Value chain**

## Deep dive on Disclosure Requirements

### DR E4-2 – Policies implemented to manage biodiversity and ecosystems

The undertaking shall indicate the matter(s) addressed by its policies:

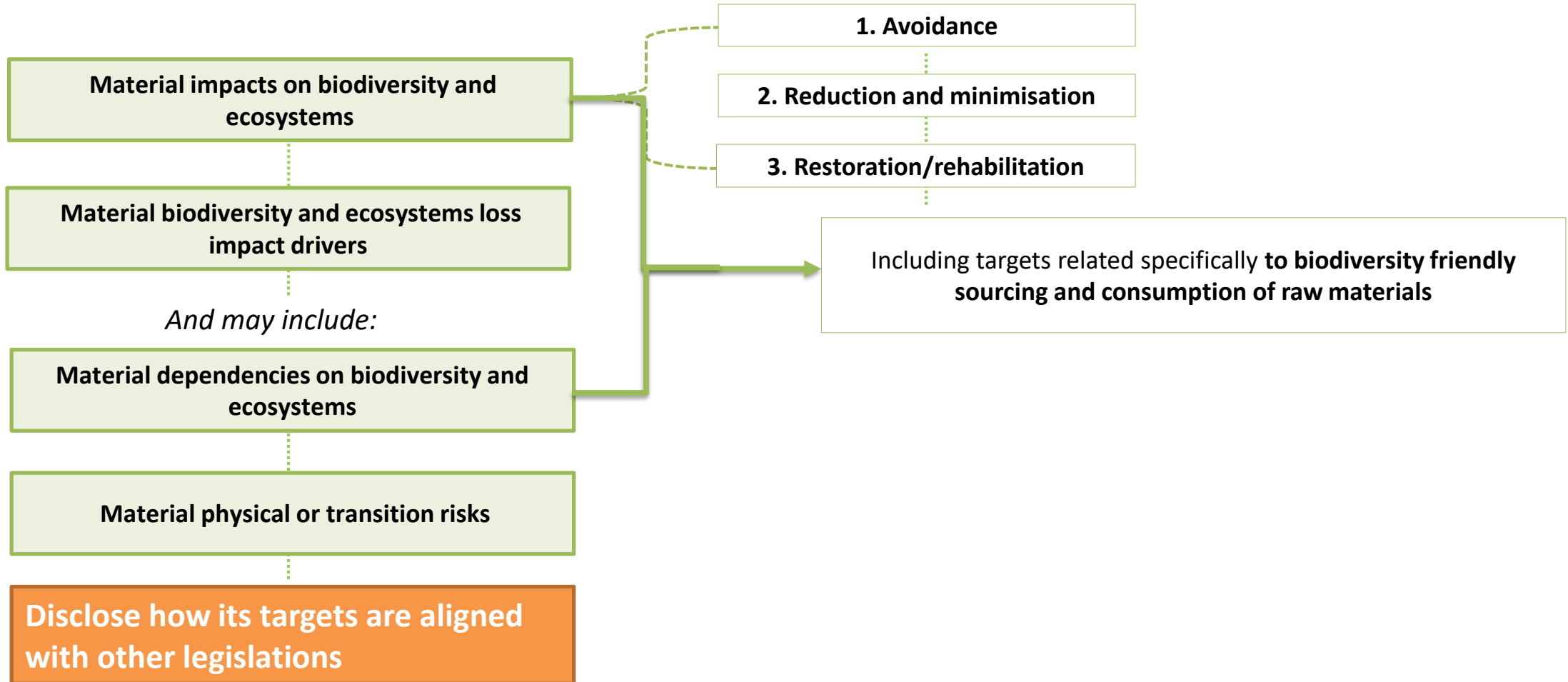


# Deep dive on Disclosure Requirements

## DR E4-3 – Measurable targets for biodiversity and ecosystems

*“The undertaking shall disclose the biodiversity and ecosystem-related targets it has adopted.”*

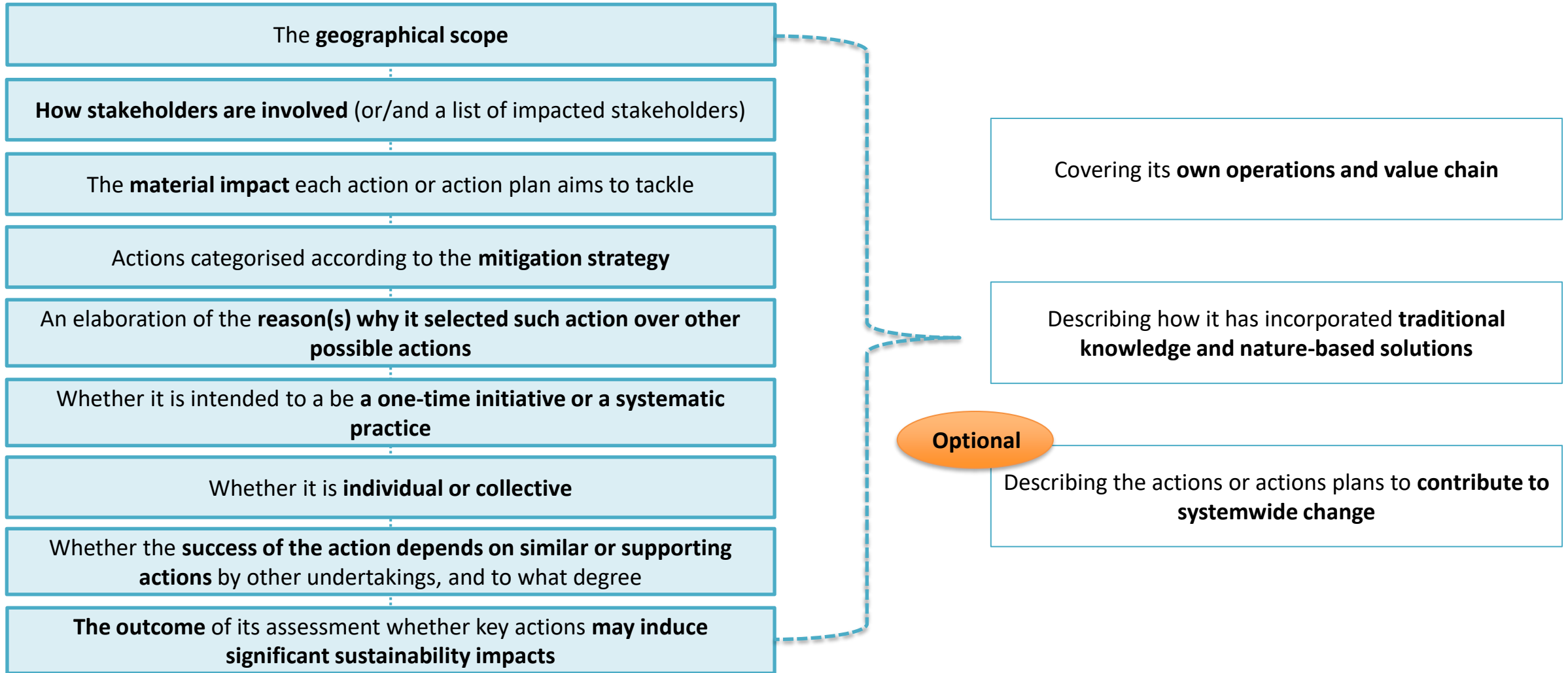
The targets relate to:



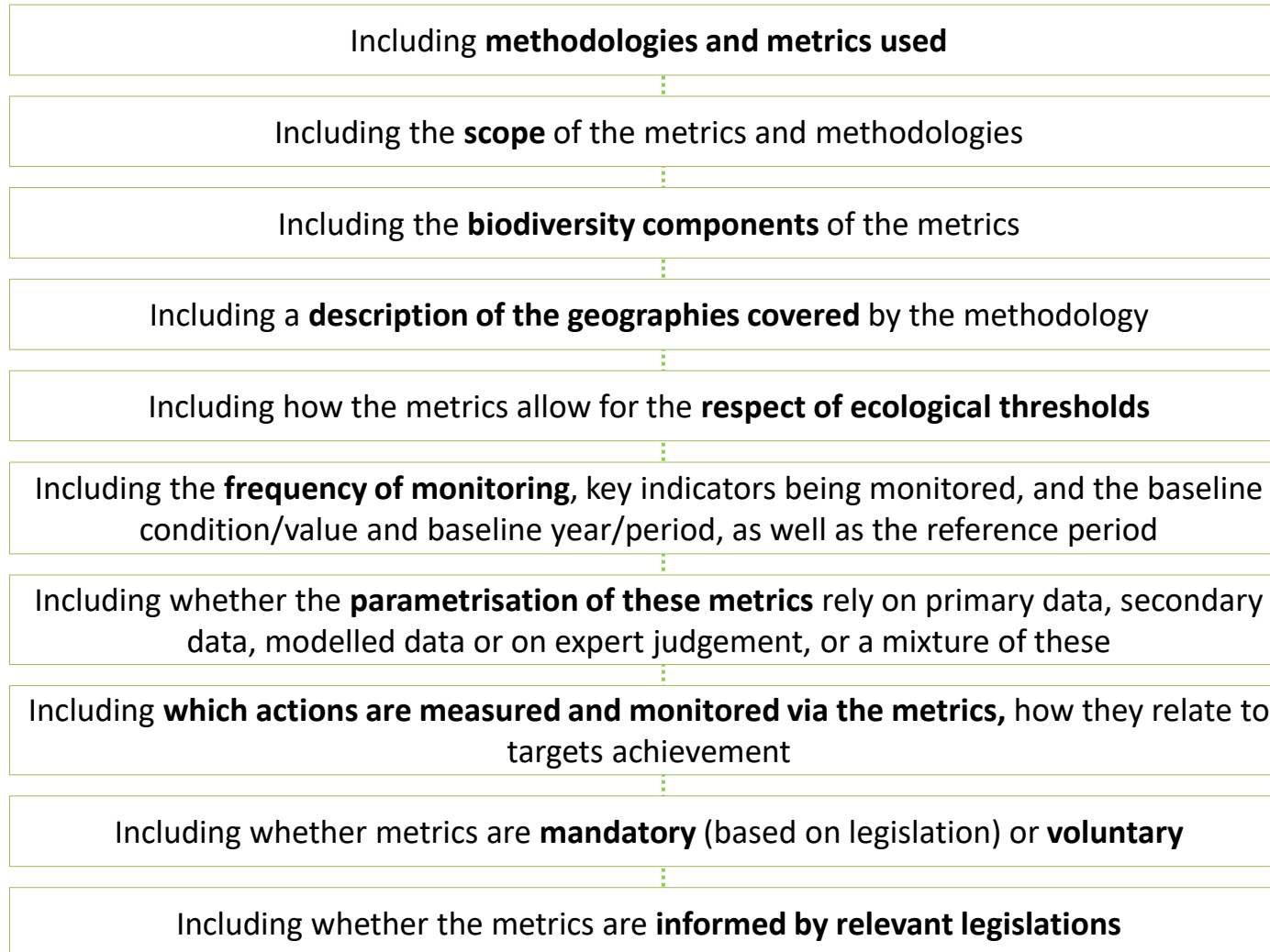
## Deep dive on Disclosure Requirements

### DR E4-4 – Biodiversity and Ecosystems action plans and resources

Their description shall include:



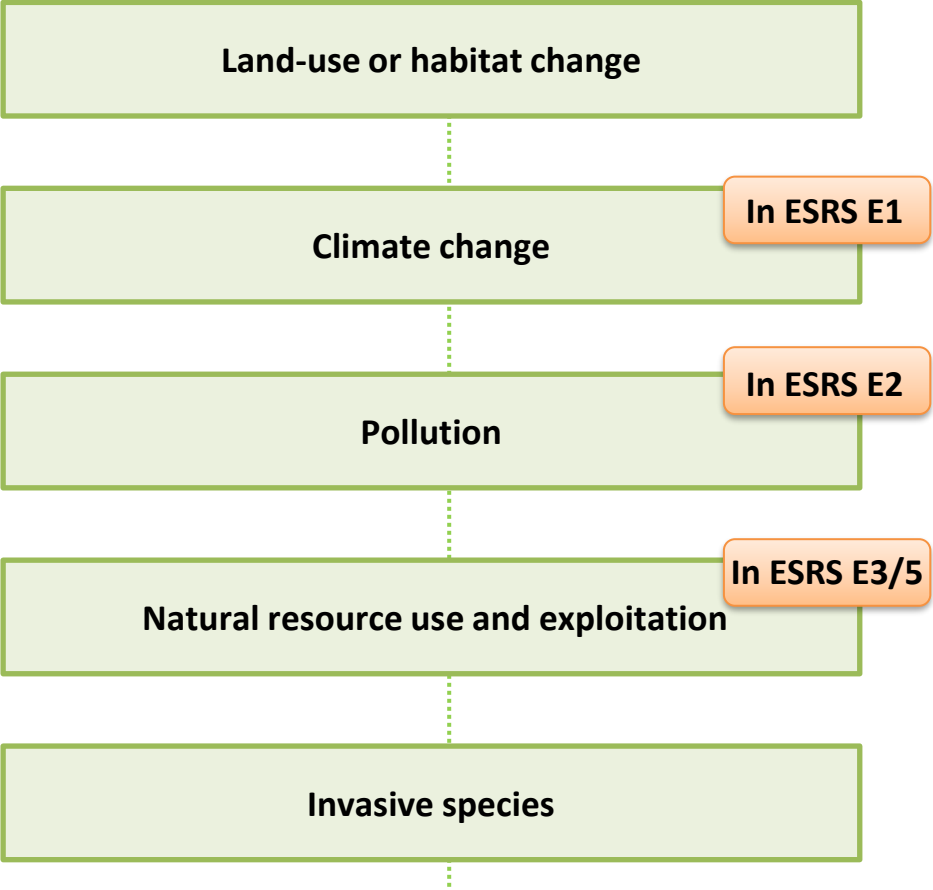
## Deep dive on Disclosure Requirements Performance Metrics



# Deep dive on Disclosure Requirements

## DR E4-5 – Pressure metrics

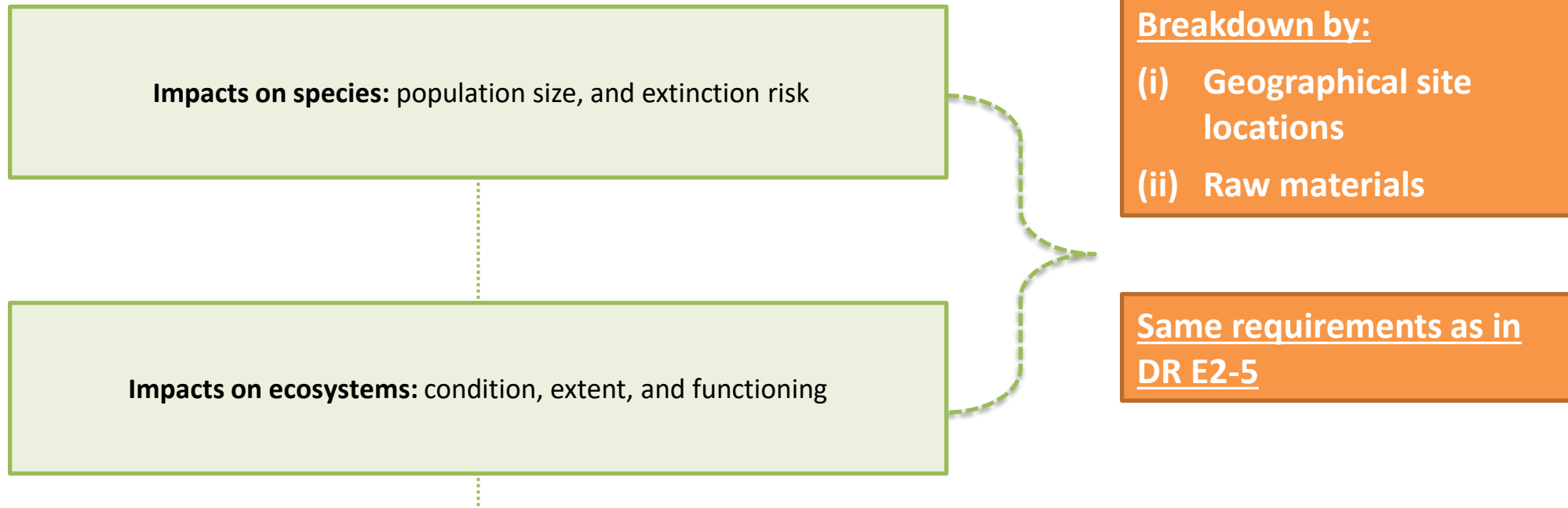
Metrics should cover material impact drivers on:



# Deep dive on Disclosure Requirements

## DR E4-6 – Impact metrics

The description of the assessment of the impact shall include:



# Deep dive on Disclosure Requirements

## DR E4-7 – Response metrics

Response metrics may include:

Size and location of all habitat areas protected or restored

Area of land with a permanently protected land status

Area of land with a protected land status

Recreated surfaces

Number or percentage of projects / sites whose ecological transparency was increased

Same requirements as in DR E2-5

*“...the undertaking is expected to provide an understanding of how the undertaking **minimises, rehabilitates or restores material impacts on biodiversity and ecosystems in material geographical locations of sites and/or raw materials identified.**”*



## Deep dive on Disclosure Requirements

### Optional DR E4-8 – Biodiversity-friendly consumption and production metrics

The undertaking shall disclose:

The list of any third-party certification schemes that it uses for its raw material, as well as the volume and percentage of its production and/or consumption covered

The volume and percentage of supply of raw material traceable to mill or to plantation level

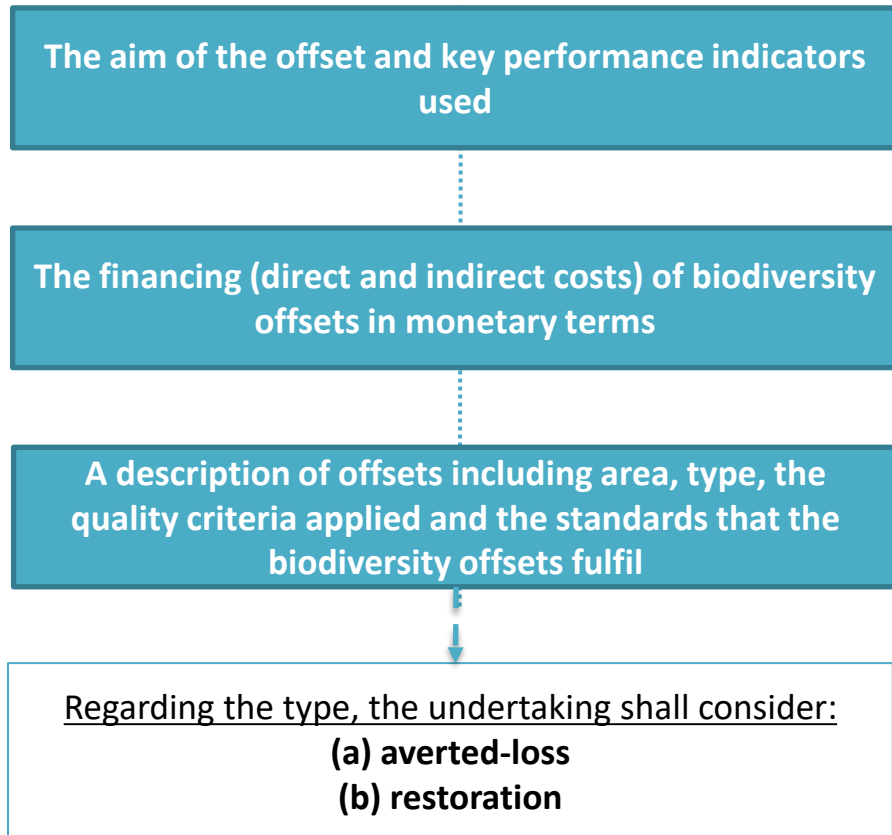
The volume and percentage of raw material that comes from ecosystems that have been managed to maintain or enhance conditions for biodiversity

*“...the undertaking is expected to provide an understanding of its **consumption and production that qualifies as being biodiversity friendly.**”*

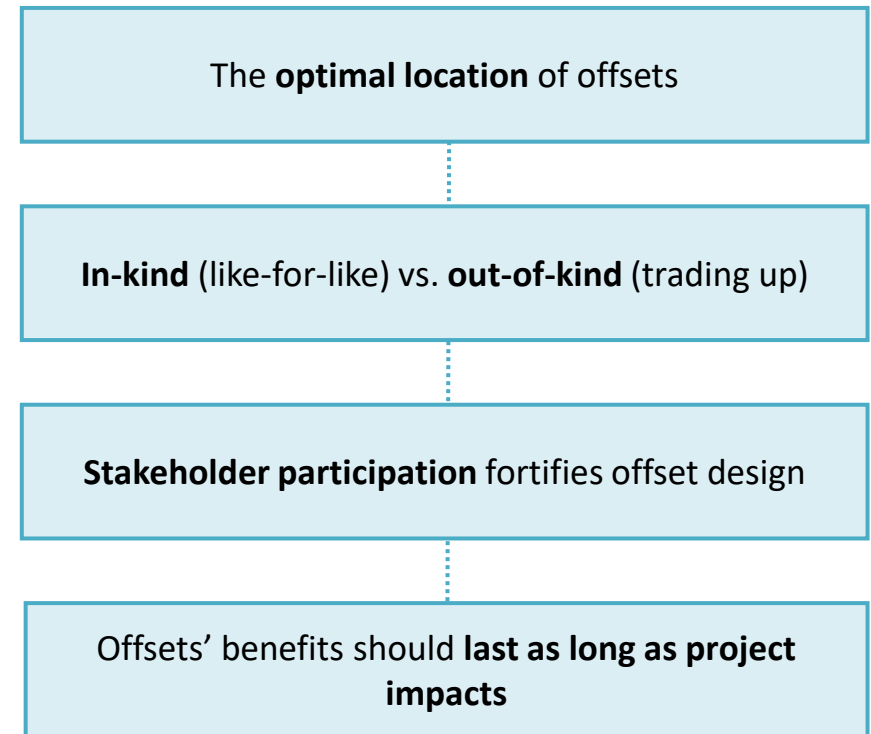
# Deep dive on Disclosure Requirements

## Optional DR E4-9 – Biodiversity offsets

Their undertaking shall disclose:



**ELEMENTS** when considering offsets:



## Deep dive on Disclosure Requirements

### DR E4-10 financial effects from biodiversity-related impacts, risks and opportunities

*“...the undertaking is expected to provide an understanding of the effects of material risks and opportunities, related to the undertaking’s biodiversity-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.**”*

The undertaking may include:

An assessment of the **market size of related products and services at risk** over the short-, medium-, and long-term

How these are defined

How financial amounts are estimated

Which critical assumptions are made



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