



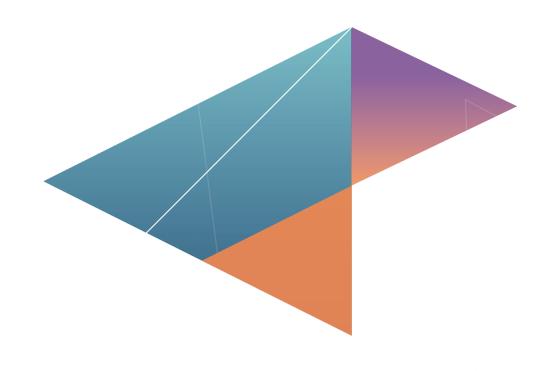
**European Financial Reporting Advisory Group** 





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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 extend 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

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

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

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

DR E4-4: Biodiversity and ecosystems

CSRD

CSRD

#### **PERFORMANCE MEASURES**

DR E4-5: Pressure metrics

DR E4-6: Impact metrics

CSRD

DR E4-7: Response metrics

Optional DR E4-8: Biodiversity-friendly consumption

and production metrics

Optional DR E4-9: Biodiversity offsets

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

CSRD

TNFD

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 <u>did not</u> 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

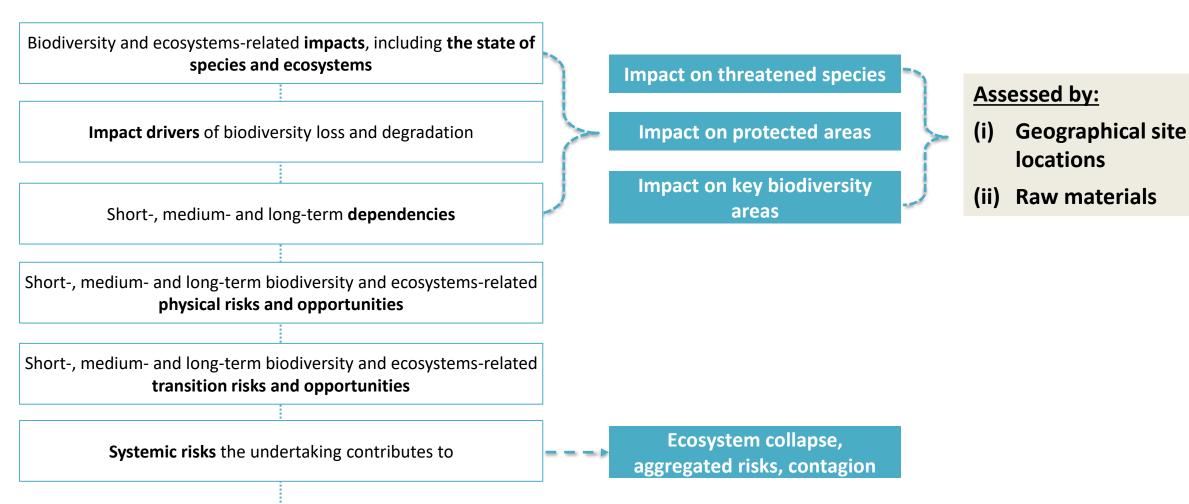
AG on ESRS 2-SBM4: Biodiversity and ecosystems integration in the resilience of the strategy and business model

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

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

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

Material biodiversity and ecosystems-related impacts

Its contribution to material biodiversity loss drivers

Material dependencies and material physical and transition risks and opportunities

Biodiversity friendly production, consumption and sourcing of raw materials

Screening and engaging with suppliers on biodiversity and ecosystems

The social consequences of biodiversity and ecosystems related dependencies and impacts

Disclose how its policies are aligned with other legislations

How it avoids/reduces negative impacts, restore/rehabilitate degraded ecosystems, etc.

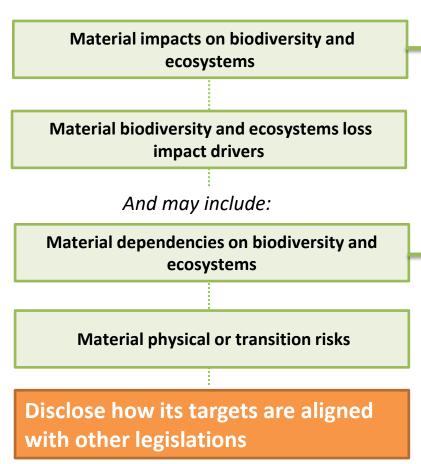
How it produces, sources or consumes with or **from third-party certification**, ensure **traceability**, etc.

The fair and equitable **benefit-sharing**, the protection of the **rights of local and indigenous communities**, etc.

# **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:



### Following the mitigation hierarchy:

1. Avoidance

2. Reduction and minimisation

3. Restoration/rehabilitation

Including targets related specifically to biodiversity friendly sourcing and consumption of raw materials

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

### Their description shall include:

The geographical scope

How stakeholders are involved (or/and a list of impacted stakeholders)

The material impact each action or action plan aims to tackle

Actions categorised according to the mitigation strategy

An elaboration of the reason(s) why it selected such action over other possible actions

Whether it is intended to a be a one-time initiative or a systematic practice

Whether it is individual or collective

Whether the success of the action depends on similar or supporting actions by other undertakings, and to what degree

The outcome of its assessment whether key actions may induce significant sustainability impacts

Covering its own operations and value chain

Describing how it has incorporated **traditional knowledge and nature-based solutions** 

**Optional** 

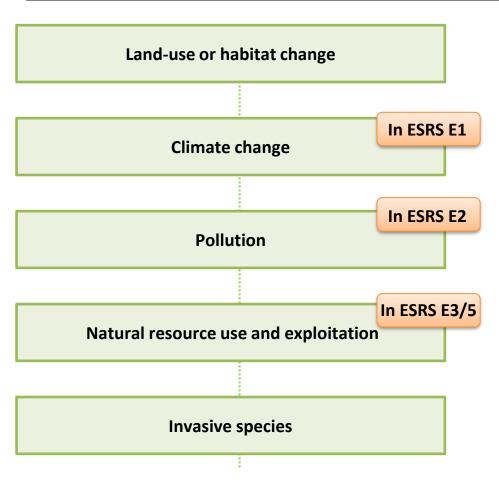
Describing the actions or actions plans to **contribute to**systemwide change

## **Deep dive on Disclosure Requirements**Performance Metrics

Including methodologies and metrics used Including the **scope** of the metrics and methodologies Including the **biodiversity components** of the metrics Including a description of the geographies covered by the methodology Including how the metrics allow for the respect of ecological thresholds Including the **frequency of monitoring**, key indicators being monitored, and the baseline condition/value and baseline year/period, as well as the reference period Including whether the parametrisation of these metrics rely on primary data, secondary data, modelled data or on expert judgement, or a mixture of these Including which actions are measured and monitored via the metrics, how they relate to targets achievement Including whether metrics are mandatory (based on legislation) or voluntary Including whether the metrics are informed by relevant legislations

# **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:

**Impacts on species:** population size, and extinction risk

Impacts on ecosystems: condition, extent, and functioning

### **Breakdown by:**

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

Same requirements as in DR E2-5

# **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:

The aim of the offset and key performance indicators used

The financing (direct and indirect costs) of biodiversity offsets in monetary terms

A description of offsets including area, type, the quality criteria applied and the standards that the biodiversity offsets fulfil

Regarding the type, the undertaking shall consider:

- (a) averted-loss
- (b) restoration

#### **ELEMENTS** when considering offsets:

The **optimal location** of offsets

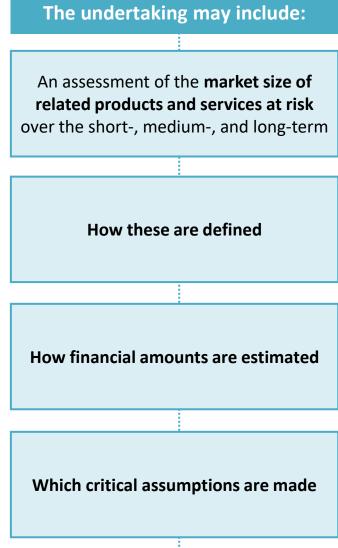
**In-kind** (like-for-like) vs. **out-of-kind** (trading up)

Stakeholder participation fortifies offset design

Offsets' benefits should last as long as project impacts

# **Deep dive on Disclosure Requirements**DR E4-10 financial effects from biodiversity-related impacts, risks and opportunities

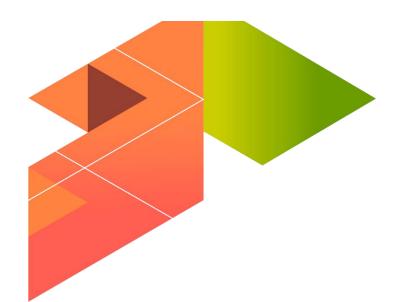
"...the undertaking is expected to provide an understanding of the effects of material risks and opportunities, related to the undertaking's biodiversity-related impacts and dependencies, on the undertaking's development, performance and position over the short-, medium- and long-term and therefore on its ability to create enterprise value."





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