

## EFRAG SECRETARIAT ANALYSIS OF THE COMMENTS - E4 Biodiversity and Ecosystems

Q43: Please, rate to what extent do you think ESRS E4 – Biodiversity and ecosystems

	Comment	Type	Already in TEG survey/ISSB vs GRI vs TNFD alignment	EFRAG Secretariat comments	EFRAG Secretariat conclusion	Issue paper needed ?
1	<p>Align with existing and future EU and international level standards and requirements</p> <ul style="list-style-type: none"> <li>- Alignment with existing EU level (e.g. CSDDD, Deforestation-free Production Regulation, Timber Regulation, Taxonomy Regulation, RED II) and international level (TNFD, ISSB, Forest Stewardship Council, Global impact).</li> <li>- In particular TNFD 's future developments.</li> <li>Reassessment of E4 when TNFD is released.</li> <li>- Potentially EFRAG should wait for international standards to be ready.</li> </ul>	EU and international alignment	Yes	Agree that alignment with international and EU norms is a must as long as it does not contradict the CSRD.	Draft are being amended to ensure environmental standards and in particular ESRS E4 are aligned with v02 TNFD. ISSB is knowledge partner to TNFD. Cooperation with TNFD expected after the issuance of Set1. Similar to TCFD, it is to be expected that TNFD will be part of the emerging global baseline.	No
2	Reassess the sector-agnosticism of the standard	Architecture	Yes	Assessment at DR level to identify DR to be moved to sector specific. A minimum content however will stay at sector agnostic, as to	No change	No

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	- need to reassess if standard can potentially move under sector-specific standards			entirely omit the biodiversity topic at sector agnostic is not possible. In fact, CSRD specifies « biodiversity and ecosystems » at the same level as e.g. climate. Expectation is also for all firms to comply with the Convention for Biological Diversity-goals currently in negotiation. The global baseline, in future TNFD, is also sector-agnostic and will only later develop additional sector-specific guidance. With GRI 304 : Biodiversity 2016, GRI also already has a sector-agnostic standard on biodiversity.		
3	Phase in disclosure requirements over time  -Phasing in of disclosure requirements over time should be considered, in order achieve a sustainable cost-benefit balance, as well as to allow for nascent standards and reporting methodologies to mature.	Missing	Partially	The content reflects the CSRD requirements and there are already many remarks of the DRs overall being excessive in number/granularity.	Phase-in DR E4-1.  A number of disclosures (E4-5, E4-7, E4-8, E4-9, E4-10) will be cut and moved to sector-specific standards, which essentially amounts to a phase-in.	Detailed assessment at DR level

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4	Clarify certain notions and concepts - Multiple definitions (e.g., "raw material concern", "desertification, soils sealing"), concepts (e.g., third party certification). - wording of different paragraphs (e.g. par 64-65 in E4-9) should be clarified	Glossary	Yes	Agree with clarifications of notions and concepts to be integrated, especially to align with TNFD.	Draft to be amended with clarifications of notions and concepts.	No
5	Clarify or provide additional guidance -Additional application guidance, with clarifications and examples would allow to improve implementation, especially on materiality and metrics.	Clarifications	Partially	Agree with the need to provide additional guidance on materiality, methodologies and metrics. Subject to feasibility, examples will be included in AG.	To be aligned	No
6	Specify a list of common KPIs, metrics or methodologies - A set of common targets/KPIs/metrics should be defined in order to ensure	Guidance	Yes	Agree with more guidance on targets, metrics, methodologies and tools. Also, more precise explanation how environmental standards interrelate.	Drafts to be amended (see also above point 5).	No

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	comparability and to guide reporting entities. -the standard currently refers to numerous frameworks, databases, methodologies and tools that are still under development or not ready to use yet.			But a list of common KPIs is unlikely to work at the sector-agnostic level for biodiversity. As suggested by GRI, E4-5 to E4-7 will be merged into one metric on impact drivers. An additional DR related to metrics measuring the change in state of biodiversity and ecosystems may be proposed.		
7	Include additional DRs - Suggestions for the inclusion of more precise DRs are made, e.g., human rights aspects	Out of scope	No	Human rights are part of ESRS2 and Governance Standards. However, interaction with other standards to be improved. This includes both environmental and social standards.	To be aligned (as per the comment)	No
8	Better define the value chain framework - The value chain framework and scope of reporting should be defined as they impact companies' reporting workload and quality of disclosures.	Value chain	Yes	Agree. Value chain framework is pervasive to all ESRS and addressed at level of ESRS Since biodiversity and ecosystems-related impacts do generally occur across the value chain, ESRS E4 cannot focus on operations alone.	To be aligned (as per the comment)	Yes

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				Secretariat to evaluate and amend draft where needed (subject to feasibility). Specify explicitly where what level of the value chain applies.		
9	Better specify or amend certain DRs - suggestions are made for ways in which certain DRs could be improved/made more specific - examples: I) E4-7 on response metrics should be located under E4-4 on actions as it requires the list of actions undertaken or planned. Ii) clarify E4-9 offsets or move to sector-specific.	Content	No	Agree with amending certain DRs to improve or make more specific. E4-7 will be deleted, and a provision added to E4-4 to disclose progress on the action plans.  E4-9 will be deleted due to the immaturity of the topic. The concept of Biodiversity offsets is controversial and not yet well established.	To be implemented as suggested.	No
10	Reduce minimum disclosure requirements or simplify DRs	Simplification	Yes	Agree with simplification. E4-5, E4-7, E4-8 and E4-9 will be removed. E4-10 may be removed.	Draft to be amended.	No
11	Adopt a double approach - Both a global (cross-sector) and specific approach are needed to ensure comparability.	Content	No	In addition to the sector-agnostic ESRS E4 sector-specific ESRS will be developed with more specific biodiversity and ecosystems-related disclosure requirements.	No action	No

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12	Better account for verification and assurance procedures - The challenges and high costs associated with verification and assurance procedures should be better taken into account.	Burden	No	Cost-benefit analysis is being carried out and preliminary results indicate that the cost of assurance is overall reasonable but depends on the number of value-chain layers to be considered. Need to consider value chain beyond first tier is a general principle in CSRD and international frameworks.	No action.	No
13	Traceability of referenced documents and materials - References to documents and materials across the full ESRS should be done in the form of a direct document hyperlink.	Navigation	No	To be added where possible.	Secretariat to evaluate and update where needed. This will be done soon after the deadline of November.	No
14	Standardisation of disclosure requirements to enable comparability	Guidance	Yes	Same as point 6 above, agree with more need of guidance on targets, metrics, methodologies and tools to enable comparability.	Draft to be amended, subject to feasibility. More AG to be considered in future amendments.	No
15	Disclosure of confidential information should not be required - The disclosure of confidential/sensitive information should not be	Confidentiality	Yes	In CSRD omission is possible only if member states have adopted the option to do so. So ESRS 1 is being amended to acknowledge that where	No action	No

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	required, e.g., in relation to defense activities.			member states have included this option, the undertaking can consider it. Not appropriate for Level 2 (ESRS) to take a different approach.		
16	Allow cross referencing	Incorporation by reference	No	Already allowed, being now broadened to some other regulated reports, however with a number of conditions	No action for ESRS E4.	No
17	Better define financial materiality -separately from impact related disclosures.	Clarification	Yes	E4-10 could move to the sector-specific level to allow for more precise, sector-specific disclosures requirements and AG.	Move to sector specific.	Yes
18	Biodiversity reporting & associated methodologies and international frameworks are still underdeveloped	Alignment with international initiatives	Yes	Agree that international alignment is a must. Engagement at technical level with TNFD is ongoing to ensure compatibility.	Draft are being amended to ensure alignment with v02 TNFD and phase in considered.	No
19	High or excessive burden for reporting entities - excessive/disproportionate burden, given the high level of detail of the DRs and the tight timeframe.	Burden	Yes	Already taken into account. Number of DR's is being reduced.	Draft are being amended to simplify DRs or phase-in.	No
20	Limited comparability across sectors & lack of standardisation			ESRS at both sector-specific and sector-agnostic layer are an attempt to provide for this	No action	No

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				comparability and standardization.		
21	Excessive granularity & complexity - together with difficulties in gathering the data, will hinder compliance.	Burden	Yes	Already taken into account.	Draft are being amended to simplify DRs or phase-in.	No
22	Difficulties in value chain reporting	Value Chain	Yes	Agree. Value chain framework is pervasive to all ESRS and addressed at level of ESRS 1.	To be discussed	Yes, value chain paper.
23	Excessive ambition of the standard	Overambition	No	Addressed in simplification.	Addressed in simplification.	Detailed assessment at DR level
24	Biodiversity reporting should not be approached in the same way as climate - unlike for climate, quantitative disclosures are currently very difficult to provide for biodiversity aspects.	Lack of data	No	Agree with lack of data, but not with different approach compared to climate as at international level TCFD and TNFD take similar approaches. Biodiversity and ecosystems are a rapidly emerging field and by the time the standards have to be implemented, more tools will be available. Draft are being amended to simplify performance-related disclosures and align the remaining to TNFD.	To be aligned	No
25	Issues with third-party auditing	Out of scope	No	Out of ESRS scope and EFRAG's mandate.	No action needed.	No



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	- There is a lack of third parties auditing biodiversity disclosures; additional guidance on third party auditing should be provided.					
26	Inconsistencies with other EU or international requirements - Consistency with existing EU level or international level is limited (e.g., GRI, TNFD); the standard also tends to go beyond existing CSRD requirements.	EU and international alignment	No	Do not agree. International and EU alignment is considered a must. TNFD is work in progress and GRI 304 is being updated. Biodiversity is a specific focus of CSRD.	No further action needed.	No
27	Topic not covered by ISSB (3 respondents)	International alignment	No	Topic covered by CSRD at the same level as the other environmental standard. TNFD is already available. Core content, e.g. LEAP framework (can already be implemented) as well as other components that are based on IPBES will not change significantly or at all. Hence, TNFD is a useful reference point to take into account the emerging global baseline.	Intensify engagement with TNFD	No
28	Insufficient focus on financial materiality (2 respondents)			See line 17	See line 17	See line 17
29	Relevance of ESRS E4 is recognized	Positive Comment			Avoid too much simplification	No

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30	Comprehensiveness of the standard is deemed adequate	Positive Comment			Avoid too much simplification	No