

EFRAG SECRETARIAT ANALYSIS OF THE COMMENTS

Survey 1 - Q41: Please, rate to what extent do you think ESRS E2 - Pollution

n.	Comment	Type	Already in TEG/GRI surveys	EFRAG Secretariat comments	EFRAG Secretariat conclusion	Issue paper needed ?
1	It should be considered whether the standard should be sector-specific rather than sector-agnostic Possibly start with SFDR only.	Sector-specific	Yes	<p>Pollution is a topic mentioned in the final CSRD (Article 29b 2 (a) v) and in the Taxonomy Regulation (art. 9). Emissions are also addressed by SFDR with 3 PAI in Table 2 of Annex I, #1 Emissions of inorganic pollutants, #2 Emissions of air pollutants and #3 Emissions of ozone-depleting substances.</p> <p>There are mixed views in the consultation's feedback on the fact that the standard would be sector-specific. Some comments note that parts of the standard should be considered sector-specific, others that the standard in full should be sector-specific. A majority of RAR believe ESRS E2 to be sector-agnostic.</p> <p>The Secretariat hence propose a DR by DR analysis, also considering that IROs can seat in the value chain and that materiality assessment in the value chain is a key step to be led for all undertakings.</p>	DR by DR – sometimes datapoint by datapoint - led (see template 2).	No, template 2.
2	Value chain emission reporting is complex and needs further guidance, especially on pollution. We propose to cover this in the sector-specific standards Reference to the value chain may also be useful in some other Disclosure requirements (e.g. E2-2 on measurable targets for pollution and E2-3 on pollution action plans and resources)	Value chain		<p>Public consultation reflects mixed views in the consultation's feedback on the importance of value chain: while some note the importance of reporting along the value, others highlight the complexity, lack of available data, verifiability challenges.</p> <p>The Secretariat propose:</p>	Draft to be amended.	No, template 2.

	<p>It would be useful to make sure that reporting includes franchised/licensed operations so as to avoid greenwashing made by focusing only on corporate-owned activities and not franchised/licensed activities.</p> <p>Hard to get verifiable information of pollution occurring downstream in the value chain through the use of the undertaking's products and/or services.</p> <p>Consider a risk-based-approach regarding information that should be collected throughout the value chain, as information will hardly be reliable if obtained</p>			<ol style="list-style-type: none"> 1. to phase in quantitative information over time (i.e. effective in the third year) and, as a consequence, in the first 2 years; 2. to keep the value chain in the materiality assessment and PTAPR in a qualitative manner when no data is available; 3. to provide qualitative information where available in the Performance measurement while clarifying the wording to ensure own operations reporting in year 1. 		
3	Disclosures of compliance with local regulation in the standards are not desirable, all the more as some of them are drafts or subject to coming (E-PRTR)	Reference to other regulations	Yes	<p>The Secretariat propose that links to upcoming legislation remain in an informative way in a form of guidance for companies to help them identifying their impacts, risks and also opportunities and possible improvements.</p> <p>The Secretariat also proposes to delete the reference to the Taxonomy regulation, as there will be a central placeholder in ESRS 1.</p> <p>Some of the current references are sector-specific ad should be moved to sector-specific (e.g. reference to EID and BREF which cover agro / industry activities).</p>	Draft to be amended.	No.
4	Full country-by-country reporting is needed to fully understand impacts, as impacts frequently vary significantly across countries. Reporting at an aggregate level for the undertaking obscures these country-specific impacts.	Geographical area	Yes	<p>Information at Group Level is required, for compliance with SFDR.</p> <p>The Secretariat acknowledges the importance of site/geographical location and hence proposes 2 options:</p>	No action.	No.

	Information requested has significance when acquired at the site level, but for a multisite reality they cannot be differentiated and are not significant			- since this standard is sector-agnostic, proposes to make further breakdowns mandatory at sector-specific level - add information at site level when material (similar to water).		
5	Too granular and extensive	Granularity	Yes	The Secretariat agree to ensure that Application Guidance does not contain Disclosure Requirements and hence to move data points to main body.	Draft to be amended.	No.
6	The standard should allow a gradual implementation since methodologies and data on pollution are still very weak	Phase-In	No	If the undertaking does not disclose the information required by a given datapoint, it shall disclose this to be the case, shall provide reasons for not having adopted a policy or objectives, and may report a timeframe in which it aims to have such policy or objectives in place. (Par. 19) On top of it, the Secretariat hence propose a DR by DR analysis, also considering that IROs can seat in the value chain and that materiality assessment in the value chain is a key step to be led for all undertakings.	DR by DR – sometimes datapoint by datapoint - led (see template 2).	No, template 2.
7	Prioritize the definitions of certain concepts (for instance, “substances of concern”), as well as metrics and interaction with other standards Terms such as “most harmful”, “raw materials”, “major deposits” lack clear definitions, “substances of concern” is wide, unspecific and will require interpretation.	Defined terms	Yes	Wherever possible, definitions were taken from the EU legislative frameworks. Further alignment with GRI will be considered notwithstanding alignment with EU texts. Substances of concern to be aligned with the proposal for an ecodesign for sustainable products Regulation, in Article 2(28). Introductory section to environmental standards to be drafted and all existing or missing cross-references to be reviewed and clarified.	To be aligned Draft to be amended.	Yes, dedicated issue paper on architecture.

8	The application guidance is limited to the provision of explanations and guidance. At the moment, the application guidance seems to also include requirements.	Application guidance	Yes	Agree that some of the AGs includes requirements, however a complete re-write is not feasible. We should focus on the main points.	To be aligned Draft to be amended.	No
9	Align timelines with the one for the Financial planning "Comparability could be improved if the disclosure requirements were to provide clearer time-horizons when it comes to the targets described in ESRS E2-DR E2-2. E2-2 on targets is clearly sector specific"	Time horizon	Yes	See dedicated issue papers on PTAPR and Time horizon.	To be discussed Draft to be amended	Yes, issue papers on PTAPR and Time Horizons.
10	Emissions are only reported in volume but not in concentration levels of the medium in which the emissions were induced. This may affect the faithful representation of reported information.	Missing	No	The Secretariat acknowledge that concentration levels are important, but since this standard is sector-agnostic, proposes to make further breakdowns mandatory at sector-specific level.	No action.	No.
11	More guidance is needed to faithfully represent the financial effect described in ESRS E2-DR E2-7 Merge E2-6 and E2-7 Financial information may raise confidentiality issues when referring to actions associated to incidents / accidents.	Financial effects	Yes	See dedicated issue paper on Financial effects.	To be discussed Draft to be amended	Yes.
12	Strong concerns regarding data quality and availability "concern on the existing difficulties to provide assurance on information regarding pollution, as this data is not easy to obtain even for large companies." "Measuring and tracking all pollutants listed in AG15 (DR4) will require enormous resources whereas quantities will be immaterial for majority of pollutants." Difficulties of measuring impacts outside the EU.	Feasibility / assurance	Yes	The considerations DR by DR for sector-agnostic / sector-specific, clarifications and value chain should address those concerns.	No action.	No.

13	Suggest policy format for digitization	Digitization	No	Companies must prepare their management statement in XHTML format, then digitally 'tag' their reported sustainability information according to a digital categorization system which will be specified at a later stage.	No action	No.
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Note for next questions: general comments which did not relate specifically to a DR have not be duplicated in the next questions to avoid unnecessary redundancies.

Q40: Please share any comment and suggestion for improvement of E2-1 – Policies implemented to prevent and control pollution?

n.	Comment	Type	Already in TEG survey /GRI alignment	EFRAG Secretariat comments	EFRAG Secretariat conclusion (*)	Issue paper needed ?
1	Link with existing or upcoming legislation (e.g. Taxonomy) / challenge for preparers	Links to EU legislation	Yes	Reference to upcoming legislations will be reworded to clarify expectations.	Draft to be amended.	No.
2	Value chain considerations / boundaries	Value chain	No	Value chain is also where the key impacts, risks and opportunities sometimes sit. Only where IROs are material, policies are expected to be in place.	Draft to be amended. PTAPR harmonization including careful rewording as regards transparency.	Yes – Value chain
3	Granularity of the information required.	Granularity	Yes	Some comments mention granularity. The Secretariat would like to recall that PTAPR shall be subject to materiality assessment and should focus on material IROs only – which seems very important.	Detailed analysis at DR level. PTAPR harmonization including careful rewording as regards transparency.	Detailed analysis at DR level (template 2)
4	Need to include specific pollution prevention policies and policies regarding incidents and emergency	Missing	No	Given the numerous comments on granularity and since this standard is sector-agnostic, the Secretariat	No action.	No.

	situations as well as control of major accidents			propose to add granularity at sector-specific level.		
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EFRAG SECRETARIAT ANALYSIS OF THE COMMENTS

Q41: Please share any comment and suggestion for improvement of DR E2-2 – Measurable targets for pollution?

n.	Comment	Type	Already in TEG survey/ISSB alignment/GRI alignment	EFRAG Secretariat comments	EFRAG Secretariat conclusion (*)	Issue paper needed ?
1	Value chain considerations / boundaries / aggregation at group level may be misleading and is not conducive of comparability	Value chain and scope	Yes	<p>Since the materiality assessment is to include value chain, the Secretariat propose to keep the disclosure requirement on policies, targets and actions if they exist (and describe plans to put them in place), and propose qualitative / contextual information as a phase-in approach (see above).</p> <p>Aggregation at group level seems necessary on a sector-agnostic level.</p> <p>Two options:</p> <ul style="list-style-type: none"> - Proposal to include a breakdown by site at a sector-specific level - Proposal to introduce site reporting for relevance when material 	Draft to be amended.	No, template 2.

2	Choose a single metric to be used for comparability	Metrics	No	<p>One simple metric does not seem a relevant way to measure pollution and reflect its complexity.</p> <p>On the opposite, proposal of PTAPR harmonization which would keep the current level of flexibility on the type of targets adopted. ("Disclose what has been adopted")</p>	No action.	No.
3	Align time horizon for targets with the one for the business plan	Schedule	Yes	PTAPR harmonization and specific issue paper on time horizons.	To be discussed Draft to be amended	Yes – CCS Issue papers on time horizon and PTAPR
4	Details on material cost are sensitive information	Confidentiality	No	See CCS regarding the possibility not to disclose information if sensitive. However, as volume have to be published and is deemed material, the cost may not be so confidential (given market prices are generally known).	No action.	No.
5	Move DR to sector specific	Structure	Yes	<p>The Secretariat would like to recall that PTAPR shall be subject to materiality assessment and should focus on material IROs only – which seems very important.</p> <p>Wording ensures flexibility in targets implemented. PTAPR harmonization should reinforce.</p> <p>Granularity could be improved. The Secretariat propose: - to delete para 27 from the sector-agnostic standard</p>	Draft to be amended according to simplification option proposed.	No. See template 2.

				- to delete para 26 (d) i, ii, iii (the breakdown) - to delete para 26 (e) I, ii, iii (the breakdown)		
6	Add Science/Nature-based target, can be a good verification mechanism	Missing/Metrics	No	Given the numerous comments on granularity and since this standard is sector-agnostic, the Secretariat propose to add granularity at sector-specific level.	No action.	No.

EFRAG SECRETARIAT ANALYSIS OF THE COMMENTS

Q42: Please share any comment and suggestion for improvement of DR E2-3 – Pollution action plans and resources?

n.	Comment	Type	Already in TEG survey/ISSB alignment/GRI alignment	EFRAG Secretariat comments	EFRAG Secretariat conclusion (*)	Issue paper needed ?
1	Clarify: “a description of whether the action is individual or collective: For a collective action, the undertaking shall explain its role and contribution” (para 31(d)) Additional guidance is needed on: how to determine the information related to action plans and allocated resources, the way value chains should be included in the action plans, on "process, initiative or engagement", Individual or collective	Application guidance	No	A harmonization of PTAPR is ongoing. This concept of collective action seems clear, but is subject to harmonization. Though adding application guidance would be appreciated, it does not seem reasonable in the given time frame.	Draft to be amended. Application guidance if time allows.	No. PTAPR issue paper.

	actions, materiality threshold, on "key" action plans Add explanation/examples for para. 29 <i>(this para is a principle not a datapoint)</i>					
2	Move DR to sector specific	Sector-specific	Yes	The Secretariat would like to recall that PTAPR shall be subject to materiality assessment and should focus on material IROs only – which seems very important. Wording ensures flexibility in targets implemented. PTAPR harmonization should reinforce.		No. PTAPR issue paper.
3	Establish a time limit for the actions plans	Time horizon	No			No. PTAPR issue paper.
4	- Disclosure of allocated resources for the action plans (E2-3) is not necessarily relevant	Complexity	No			No. PTAPR issue paper.
5	Granularity	Granularity	Yes	Option: remove detail of para 31 (a) on top of harmonisation	Draft to be amended.	No. Template 2

EFRAG SECRETARIAT ANALYSIS OF THE COMMENTS

Q43: Please share any comment and suggestion for improvement of DR E2-4 – Pollution of air, water and soil?

n.	Comment	Type	Already in TEG survey/ISSB alignment/GRI alignment	EFRAG Secretariat comments	EFRAG Secretariat conclusion (*)	Issue paper needed ?
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1	<p>Par.38 activities outside the EU are not subject to the IED, maybe change paragraph?</p> <p>Move DR to sector specific</p>	Sector-specific / Geography	No	<p>The current wording provides the right flexibility to be subject or not to EID.</p> <p>However see Template 2, as the Secretariat would propose to:</p> <ul style="list-style-type: none"> - move para 37 to application guidance (illustrative) - move para 38 to sector-specific standards. <p>Part of the application guidance should also be reworded in order to actually be guidance.</p>	Draft to be amended.	No. Template 2
2	value chain considerations / boundaries / this requirement would better fit in a sectoral standard	Structure	No	<p>For the first three years of the application of the CSRD, in the event that not all the necessary information regarding the value chain is available, the undertaking shall explain the efforts made to obtain the information about its value chain, the reasons why this information could not be obtained, and the plans of the undertaking to obtain such information in the future.</p> <p>The current wording is not clear on what is expected: Para 32: "The undertaking shall disclose the list of pollutants that are <u>generated</u> or <u>used</u> during production processes <u>or that are</u></p>	Draft to be amended.	No. Template 2

				<p><u>procured, and that leave its facilities as emissions, as products, or as part of products or services”.</u></p> <p>And in particular, para 35 refers to life-cycle-assessment and along the value chain.</p> <p>The Secretariat propose to phase-in and clarify wording:</p> <ul style="list-style-type: none"> - start in year 1 with own operations - required value chain information (and hence LCA) in a phase-in approach 		
3	<p>The list of pollutants is not specific enough to describe the types of pollutants selected in a rigorous scientific manner. Align with existing frameworks</p> <p>Soil pollutants definition inaccurate</p> <p>Adding a time-period for disclosure E2-4</p>	Missing	No	<p>Definition of soil pollutants to be reconsidered.</p> <p>Draft to be amended: volumes and other metrics should be over reporting period (A year).</p>	Draft to be amended.	No.
4	<p>Disclose pollution emissions on a local level rather than on global/group level</p>	Scope	Yes	<p>Management report would require to have information at Group Level.</p> <p>Aggregation at group level seems necessary on a sector-agnostic level. Proposal to include a breakdown by site at a sector-specific level.</p>	No action.	No.

5	Too granular and extensive Irrelevance of contextualisation of emissions in relation to local air quality	Granularity	Yes	<p>However see Template 2, the Secretariat would propose to:</p> <ul style="list-style-type: none"> - move para 37 to application guidance (illustrative) - move para 38 to sector-specific standards. <p>Part of the application guidance should also be reworded in order to actually be guidance.</p>	Draft to be amended.	No. Template 2
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EFRAG SECRETARIAT ANALYSIS OF THE COMMENTS

Q44: Please share any comment and suggestion for improvement of DR E2-5 – Substances of concern and most harmful substances?

n.	Comment	Type	Already in TEG survey/ISSB alignment/GRI alignment	EFRAG Secretariat comments	EFRAG Secretariat conclusion (*)	Issue paper needed ?
1	Confidentiality should be ensured for sensitive information about the market size of products/services at risk due to pollution-related issues	Confidentiality	No	<p>See CCS regarding the possibility not to disclose information if sensitive. However, as volume have to be published and is deemed material, the cost and revenue may not be so confidential (given market prices are generally known). Besides, this is very material information from a financial materiality perspective.</p>	Draft to be amended for phase-in.	No. See template 2.

				Proposal to phase-in and start with qualitative information.		
2	<p>Check feasibility Par. 41(b) and 41(c) on net turnover and share of total turnover, absolute raw material cost and share of total raw material cost</p> <p>Too granular and complex</p> <p>Increased burden, cost, Challenging data collection on the whole value chain</p>	Feasibility	Yes	<p>Regarding net turnover, given the previous DR, there should not be a difficulty to trace products containing the pollutants.</p> <p>Regarding 41 (c) on raw materials, we would propose phase-in to leave sufficient time to companies to gather and trace the right data and prepare for transparency.</p>	Draft to be amended.	No. See template 2.
3	Move some DR to sector specific	Sector-specific	No	<p>The Secretariat acknowledge that not all sectors will use / emit substances of concern, hence:</p> <ul style="list-style-type: none"> - Option 1 is indeed to move this DR to sector-specific information, however the relevance across sectors is 53% RAR approval. - Option 2 (preferred) is to retain volumes and skip financial consequences on turnover and expenditures. - Option 3 is to retain and phase-in, considering that the rebuttable presumption is sufficient 	Draft to be amended.	No. See template 2.
8	Substances of concern disclosed separately and not split into main classes / keep focus on SVHC substances of very high concern	Structure	No	The [Draft] EU Taxonomy Regulation delegated act singles out substances of concern and Most harmful substances and the latter are described in the Chemicals Strategy	No action.	No.

				for sustainability, hence it was deemed relevant that undertakings disclose separately the subset of Most Harmful Substances.		
9	For coherence put table in AG 23 as an example The metrics used should be tons, Kg and cubic meters	Missing – other miscellaneous	No	Agreed. Isolated comment.	Draft to be amended. No action.	No. No.
10	Sustainability and hazardous substances are not mutually exclusive (e.g. enzymes). Especially the functionality or reactivity of chemical substances required for certain uses and processes is often inextricably linked to their hazardous properties. It is important to strengthen the safe and sustainable use of classified substances and at the same time identify and exclude specific, unacceptable risks. An assessment of the sustainable use of chemicals must therefore take into account their entire life cycle and, in addition to their impact on humans and the environment, the benefits and economic viability of their use.	Value chain	No	Given the numerous comments on granularity and since this standard is sector-agnostic, the Secretariat propose to add granularity at sector-specific level.	No action.	No.

EFRAG SECRETARIAT ANALYSIS OF THE COMMENTS

Q45: Please share any comment and suggestion for improvement of DR E2-6 – Pollution-related incidents and deposit impacts and risks, and financial exposure to the undertaking?

n.	Comment	Type	Already in TEG survey/ISSB	EFRAG Secretariat comments	EFRAG Secretariat conclusion (*)	Issue paper needed ?
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			alignment/GRI alignment			
1	<p>Disclose environmental liabilities rather than incident outcomes</p> <p>Par.47 double reporting shall be avoided and therefore the standard shall incorporate reporting done by companies suffering of material financial impact due to pollution-related incidents</p>	Content	Yes	<p>It is important to understand, that this is not only about time horizon and the level of uncertainty when disclosing information which is relevant for sustainability statements but not relevant for financial statements: it may also be a matter of material "impact" which is not financially material. Materiality assessment under IFRS (i.e. only material amounts are presented) may lead to different disclosures for sustainability statements: If there is a leak of substances of concern, it shall be disclosed, even if the financial amount is not material from an IFRS perspective.</p> <p>Proposal light rewording to ensure that there is no duplication with financial statements.</p>	Draft to be amended.	No, see template 2.
2	Merge DR E2-6 with DR E2-7	Structure	No	A dedicated issue paper was provided to propose a way forward.	Draft to be amended	Yes, Financial effects paper.
3	Par. 48 / 49 are unclear: define "major" and it can be challenging to separate out precisely what sort of investment or costs have solely been done in the context of a major incident	Content	No	The Secretariat propose further clarification of the term deposit. Major to be replaced by material.	Draft to be amended	No.

	<ul style="list-style-type: none"> - Unclear terminology, Definitions - There are no, or only weak, existing common methodologies 					
4	<ul style="list-style-type: none"> - Clarify: time frame in paragraph 47 is in contrast with paragraph 46 (“past reporting year” vs “potential future financial effects”) - Additional guidelines for implementation needed - Strong reservations on verifiability and assurance 	Clarification/guidance	No	<p>Additional guidelines for implementation of the disclosure requirements should be implemented, though it may come in a future set of standards due to time constraints.</p> <p>Phase-in may be an option to propose, by starting with qualitative information.</p>	No action.	No.
5	Move some DR to sector specific	Sector-specific		<p>The Secretariat acknowledge that not all sectors will use / emit substances of concern, hence:</p> <ul style="list-style-type: none"> - Option 1 is indeed to move this DR to sector-specific information, however the relevance across sectors is 57% RAR approval. - Option 2 (preferred) is to retain qualitative information and skip financial connectivity in a sector-agnostic standard. - Option 3 is to retain and phase-in, considering that 	No action.	No.

				the rebuttable presumption is sufficient		
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EFRAG SECRETARIAT ANALYSIS OF THE COMMENTS

Q46: Please share any comment and suggestion for improvement of DR E2-7 – Financial effects from pollution-related impacts, risks and opportunities?

n.	Comment	Type	Already in TEG survey/ISSB alignment/GRI alignment	EFRAG Secretariat comments	EFRAG Secretariat conclusion (*)	Issue paper needed ?
1	<p>Strong reservations on evaluation, implementation, verifiability and assurance</p> <p>Increased burden and or costs for undertakings</p> <p>Replace market size of products at risk by the turnover based on products at risk</p> <p>Methodologies and data on pollution are still very weak</p>	Feasibility / Relevance of financial effects + lack of application guidance	Yes	<p>Scenario analysis and assessing markets size indeed are delicate elements which indeed need more guidance to be developed.</p> <p>A dedicated issue paper was provided to propose a way forward.</p>	Draft to be amended	Yes, Financial effects paper.