

Environment: EFRAG SECRETARIAT ANALYSIS OF THE INDIVIDUAL DRs

ESRS E2 – SUMMARY

| DR | DR Name | Avg RAR | Key outcome of the consultation | CSRD ref. | DR including AGs - fair representation incl. characteristics of quality? | Relevant across sectors? | Alignment with international standards? | Operational complexity? | Always material? | Possible simplification | Phase in of recommendation |
|------|---|---------|--|---|--|---|---|--|---|--|---|
| E2-1 | Policies implemented to prevent and control pollution | 63% | <p>This standard is commented to be sector-specific by many, though it is not obvious in RAR.</p> <p>Availability of upstream/downstream data would also be an issue. Progressivity should be ensured. → <i>No data per se is required in this DR</i></p> <p>Disclose information on a local/installation level rather than on global/group level. → <i>Rather have it at sector-specific level</i></p> <p>Some key concepts and PTAPR needs harmonisation across environmental standards 4.</p> <p>The information required on policies is very detailed - High granularity and too extensive.</p> <p>Supported by Public authority/regulator/supervisor or with a RAR of 100% Main opposition by Financial institution (Other financial Market Participant, including pension) with a RAR of 27%</p> | <p>Article 19a 2(a)(iii) and (v)</p> <p>Article 19a 2(d)</p> <p>Article 19b 2(a)(v)</p> | <p>Yes</p> <p>With a RAR of 79%, the three main oppositions are; Financial institution (Other financial Market Participant, including pension funds and other asset managers) (25%), Financial institution (Bank) (20%), and Trade unions or other workers representatives (50%)</p> | <p>Yes.</p> <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</p> <p>With a RAR of 62%, the four main oppositions are; Financial institution (Other financial Market Participant, including pension funds and other asset managers) (0%), NFCs with securities listed on EU regulated markets (33%), Financial institution (Insurance) (20%), and Other (33%)</p> | <p>Yes</p> <p>With a RAR of 75%, the six main oppositions are; Business Association (50%), Financial institution (Bank) (50%), NFCs with securities listed on EU regulated markets (56%), Financial institution (Insurance) (0%), Rating agency and analysts (50%), and Other (50%)</p> | <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>PTAPR will be redrafted following the general harmonisation proposals to avoid prescriptive wording and focus on material aspects.</p> <p>The DR is not so granular, the wording currently leaves great flexibility – it is more about classification of policies than disclosing all sorts of policies.</p> | <p>Pollution IROs may fall in low materiality on own operations and/or in the value chain. However it is to be noted that Pollution is treated in SFDR, in the EU Taxonomy, by GRI and the CSRD- and is one of the 5 main drivers of nature change according to IPBES and TNFD draft framework with particularly devastating direct effects on freshwater and marine habitats.</p> <p>Hence, EFRAG Secretariat strongly recommends to keep PTAPR sections covering pollution – the level of granularity on disclosure will depend on the materiality assessment. Value chain should be considered with policies which will be adapted to the level of control in the value chain.</p> | <p>Efforts of clarification of boundaries between the different standards in the draft will be made, in particular with ESRS E4 and ESRS E3.</p> | <p>Option to consider: postponement of policies in the value chain requirements by 1 year.</p> <p>With a RAR of 49%, the six main oppositions are; Business Association (14%), Financial institution (Bank) (33%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (0%), NFCs with securities listed on EU regulated markets (15%), Financial institution (Insurance) (25%) and Trade unions or other workers representatives (0%)</p> |

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| E2-2 | Measurable targets for pollution | 59% | <p>DR would better fit in a sectoral standard. (RAR 47%), the reporting obligations are too broad.</p> <p>High granularity and too extensive / lack of comparability</p> <p>Details on material cost is a sensitive information → confidentiality issues to be addressed in CCS, though seems material and very relevant information from a financial materiality perspective</p> <p>Value-chain boundaries to be covered.</p> <p>Supported by Academic / research institution and Public authority/regulator/supervisor or with a RAR of 100% Main opposition by Non-financial corporation with securities listed outside EU regulated markets with a RAR of 22%</p> | <p>Article 19a 2(a)(v) Article 19a 2(b) Article 19a 2(g) Article 19a 3 Article 19b 2(a)(v)</p> | <p>Yes</p> <p>With a RAR of 66%, the six main oppositions are; Business Association (17%), Financial institution (Bank) (50%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (20%), Unlisted non-financial corporations (50%), Non-financial corporation with securities listed outside EU regulated markets (0%) and Trade unions or other workers representatives (50%)</p> | <p>Yes.</p> <p>The Secretariat strongly believe that targets should be defined at a sector-agnostic level</p> <p>With a RAR of 47%, the four main oppositions are; Business Association (17%), Non-financial corporation with securities listed outside EU regulated markets (0%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (0%) and Financial institution (Insurance) (0%)</p> | <p>Yes</p> <p>With a RAR of 59%, the six main oppositions are; Business Association (21%), Non-governmental organisation (33%), Non-financial corporation with securities listed on EU regulated markets (42%), Unlisted non-financial corporations (0%), Non-financial corporation with securities listed outside EU regulated markets (0%) and Financial institution (Insurance) (0%)</p> | <p>The current flexibility left in the current wording on targets (<i>only those that have been adopted – on material IROs - shall be disclosed</i>) + proposed simplification + phase-in approach on value chain should address the concerns regarding granularity.</p> <p>→ PTAPR will be redrafted following the general harmonization proposals to avoid prescriptive wording and focus on material aspects.</p> | <p>Pollution IROs may fall in low materiality on own operations and/or in the value chain. However it is to be noted that Pollution is treated in SFDR, in the EU Taxonomy, by GRI and the CSRD- and is one of the 5 main drivers of nature change according to IPBES and TNFD draft framework with particularly devastating direct effects on freshwater and marine habitats.</p> <p>Hence, the Secretariat strongly recommend to keep PTAPR sections covering pollution – the level of granularity on disclosure will depend on the materiality assessment.</p> <p>Regarding value chain, targets could be qualitative first in a phase-in approach with possible illustrative guidance on policies which are more relevant for value chain.</p> | <p>In order to address the points on granularity, main body and AG could be simplified.</p> <p>The Secretariat propose: - to delete para 27 from the sector-agnostic standard - to delete para 26 (d) i, ii, iii (the breakdown) - to delete para 26 (e) I, ii, iii (the breakdown) At the same time, and following PTAPR harmonization, ensure that the wording allows flexibility and is not prescriptive.</p> | <p>Proposal to focus PTAPR in priority on own operations for year 1</p> <p>With a RAR of 51%, the seven main oppositions are; Business Association (12%), Financial institution (Bank) (33%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (0%), NFCs with securities listed on EU regulated markets (29%), Non-financial corporation with securities listed outside EU regulated markets (0%), Financial institution (Insurance) (0%) and Trade unions or other workers representatives (0%)</p> |
| E2-3 | Pollution action plans and resources | 60% | <p>Action plans against pollution are most of the time set up at local level and not at global level</p> | <p>Article 19a 2(a)(iii) and (v)</p> | <p>Yes</p> <p>With a RAR of 77%, the five main oppositions are; Business Association</p> | <p>Yes</p> <p>The Secretariat strongly recommend to keep PTAPR</p> | <p>Yes</p> <p>With a RAR of 76%, the three main oppositions are; Business Association (33%), Financial institution</p> | <p>Currently, granularity is quite low given the flexibility in wording and that mostly derives</p> | <p>Pollution IROs may fall in low materiality on own operations and/or in the value chain. However it is to</p> | <p>The Secretariat propose to remove mandatory classification under para 31 (a), but rather keep it as guidance on ways to</p> | <p>With a RAR of 50%, the seven main oppositions are; Business Association (13%), Financial institution (Bank) (33%), Financial institution</p> |

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| | | | <p>Disclosure of allocated resources for the action plans (E2-3) is not necessarily relevant. // Actions plans should require to report on actions that explicitly go beyond legal compliance.</p> <p>Sector-specificity: pollution action plans and resources are relevant for companies in high-polluting sectors but are not relevant for other sectors.</p> <p>Supported by Academic / research institution and Public authority/regulator/supervis or with a RAR of 100% Main opposition by Business association with a RAR of 23%</p> | <p>Article 19a 2(e)(iii) Article 19b 2(a)(v)</p> | <p>Association (41%), Financial institution (Bank) (50%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (20%), NFCs with securities listed on EU regulated markets (50%) and Trade unions or other workers representatives (50%)</p> | <p>sections covering pollution With a RAR of 44%, the six main oppositions are; Business Association (29%), Financial institution (Bank) (0%), Financial institution (Insurance) (0%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (0%), Non-financial corporation with securities listed outside EU regulated markets (0%) and Unlisted non-financial corporations (25%)</p> | <p>(Bank) (50%) and Financial institution (Insurance) (0%)</p> | <p>(being repetitive) from CCS. → PTAPR will be redrafted following the general harmonization proposals to avoid prescriptive wording and focus on material aspects.</p> | <p>be noted that Pollution is treated in SFDR, in the EU Taxonomy , by GRI and the CSRD- and is one of the 5 main drivers of nature change according to IPBES and TNFD draft framework with particularly devastating direct effects on freshwater and marine habitats.</p> <p>Hence, the Secretariat strongly recommend to keep PTAPR sections covering pollution – the level of granularity on disclosure will depend on the materiality assessment.</p> | <p>implement meaningful action plans.</p> <p><u>Other Recommendations</u> Proposal to stick to general action plans at company level for this sector-agnostic disclosure requirement, though clarifying in application guidance that if an action plan ad local/site level responds to a material IRO, it should also be provided for.</p> | <p>(Other financial Market Participant, including pension funds and other asset managers) (0%), NFCs with securities listed on EU regulated markets (14%), Non-financial corporation with securities listed outside EU regulated markets (0%), Other (33%) and Trade unions or other workers representatives (0%)</p> |
| E2-4 | Pollution of air, water and soil: | 68% | <p>High operational burden (massive amount of data required) /High granularity and too extensive along the value chain</p> <p>Lack of comparability (no clear methodologies) and clarity</p> <p>Value chain data</p> <p>Technical changes to be addressed on a case by case (inc. reference to E-PRTR Regulation Annex II in light of the current revision of this regulation.)</p> <p>Supported by Academic / research institution and</p> | <p>Article 19a 2.and 2.(g) Article 19a 3 Article 19b 2(a)(v)</p> | <p>Yes With a RAR of 67%, the four main oppositions are; Business Association (19%), NFCs with securities listed on EU regulated markets (17%), Non-financial corporation with securities listed outside EU regulated markets (0%) and Other (33%)</p> | <p>Yes but with some adjustments (see Options) With a RAR of 60%, the four main oppositions are; Financial institution (Other financial Market Participant, including pension funds and other asset managers) (0%), NFCs with securities listed on EU regulated markets (29%), Non-financial corporation with securities listed outside EU regulated markets</p> | <p>With a RAR of 72%, the five main oppositions are; Business Association (43%), Financial institution (Bank) (50%), Financial institution (Insurance) (0%), NFCs with securities listed on EU regulated markets (36%) and Rating agency and analysts (50%)</p> | <p>Clarification: redraft to well define expectations and separate clearly own operations and value chain (to be phased-in)</p> <p>Part of the application guidance should be reworded in order to actually be guidance (e.g. AG18), reference to targets in para 36 (d) does not seem necessary, ect.</p> | <p>The Secretariat would propose:</p> <p><u>Option 1:</u> - move para 37 to application guidance (illustrative) - move para 38 to sector-specific standards.</p> <p>Hence the DR would focus on group level and own operations which seems to be the minimum for sector-agnostic and is anyway subject to rebuttable presumption / could be zero in several cases.</p> | <p>In terms of granularity if option 1 is retained: 1. Keeps the information at the aggregated level for this sector-agnostic standard – installation/site level to be developed in a sector-specific standard</p> <p><u>Value chain</u> Phase in approach, see dedicated column</p> | <p>The Secretariat propose to phase-in and clarify wording on value chain: - start in year 1 with own operations - require value chain information (and LCA) in a phase-in approach</p> <p>With a RAR of 47%, the seven main oppositions are; Business Association (12%), Financial institution (Bank) (25%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (25%), NFCs with securities listed on EU regulated markets (14%), Non-financial corporation with</p> |

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| | | | Public authority/regulator/supervis or with a RAR of 100% Main opposition by Non-financial corporation with securities listed on EU regulated markets with a RAR of 26% | | | (0%), Other (33%) and Financial institution (Insurance) (0%) | | | | Option 2: move the whole DR to sector-specific and focus this sector-agnostic standard on materiality assessment, PTAPR and SFDR requirements | securities listed outside EU regulated markets (0%), National Standard Setter (25%) and Trade unions or other workers representatives (0%) |
| E2-5 | Substances of concern and most harmful substances | 63% | Confidentiality should be ensured for sensitive information about the market size of products/services at risk due to pollution-related issues High granularity and too extensive: DR too granular and complex Lack of comparability (Not applicable across sectors) Value chain: challenging data collection on the whole value chain Supported by Public authority/regulator/supervis or with a RAR of 100% Main opposition by Financial institution (Insurance) with a RAR of 25% | Article 19a 2 and 2(g) Article 19a 3 Article 19b 2(a)(v) | Yes With a RAR of 71%, the six main oppositions are; Business Association (24%), Financial institution (Bank) (50%), Unlisted non-financial corporations (50%), NFCs with securities listed on EU regulated markets (46%), Non-financial corporation with securities listed outside EU regulated markets (0%) and Other (50%) | Propose alternative options taking into account RAR With a RAR of 53%, the five main oppositions are; Business Association (35%), Financial institution (Insurance) (0%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (17%), NFCs with securities listed on EU regulated markets (21%) and National Standard Setter (20%) | With a RAR of 61%, the five main oppositions are; Business Association (38%), Financial institution (Insurance) (0%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (0%), NFCs with securities listed on EU regulated markets (36%) and Trade unions or other workers representatives (0%) | The Secretariat acknowledges that this DR may not be relevant across many sectors, at least on own operations and that information along the value chain proves to be challenging, hence options proposed in the next column to ease the burden and focus on relevant information. | In order to address concerns on sector-specific, monetary information and value chain, the Secretariat would propose 3 options below, with a preference for Options 1 and 3. Option 1: - Retain DR in full (subject to rebuttable presumption) but phase-in monetary information and value chain information Option 2: retain only para 41 (a) on volumes and drop monetary information which would be moved to sector-specific information, while phase-in value chain information Option 3: move the whole DR to sector-specific information. Qualitative information on value chain would still be | <u>On top of the three main options other possible simplifications which have not been considered a priority so far.</u> Retain share of turnover information, but remove costs which is more challenging information (option 2b) Value chain Phase in approach proposed in options 1 and 2 | With a RAR of 36%, the six main oppositions are; Business Association (0%), Financial institution (Insurance) (0%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (17%), NFCs with securities listed on EU regulated markets (14%), NFCs with securities listed outside EU regulated markets (0%) and Trade unions or other workers representatives (0%) |

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| E2-6 | Pollution-related incidents and deposit impacts and risks, and financial exposure to the undertaking | 61% | <p>Confidentiality issue</p> <p>Risk of double reporting</p> <p>Sector-specific: include this DR in the sector-specific standards and limit the sector-agnostic disclosure requirements to the description of strategy, impacts, risks and opportunities as well as action plans.</p> <p>Architecture: some overlaps between 2.6 and 2.7</p> <p>Application guidance needed: lack of clarity and methodology / Strong reservations on verifiability and assurance</p> <p>Supported by Rating agency and analysts with a RAR of 100%</p> <p>Main opposition by Financial institution (Other financial Market Participant, including pension) with a RAR of 20%</p> | <p>Article 19a 2 and 2(g)</p> <p>Article 19a 3</p> <p>Article 19b 2(a)(v)</p> | <p>With a RAR of 59%, the five main oppositions are; Business Association (18%), Other (0%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (0%), NFCs with securities listed on EU regulated markets (27%) and Non-financial corporation with securities listed outside EU regulated markets (0%)</p> | <p>Propose alternative options taking into account RAR</p> <p>With a RAR of 57%, the five main oppositions are; Other (0%), Financial institution (Insurance) (0%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (0%), NFCs with securities listed on EU regulated markets (25%) and National Standard Setter (40%)</p> | <p>With a RAR of 55%, the five main oppositions are; Audit firm, assurance provider and/or accounting firm (20%), Financial institution (Insurance) (0%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (0%), Other (0%) and Trade unions or other workers representatives (0%)</p> | <p>Double reporting proposal light rewording to ensure that there is no duplication with financial statements. The objective here is to capture financial amounts related to material impacts that may not be disclosed based on financial materiality in the financial statements. AG 25 is questionable and could be discarded for this SR standard.</p> | <p>presented in IROs. (not much in line with approval RAR of 53%)</p> <p>Majority of respondents with views approved sector-agnostic characteristic in RAR of this standard.</p> <p>EFRAG Secretariat proposes the following options acknowledging that not all sectors will use / emit substances of concern:</p> <p><u>Option 1</u> is to retain and phase-in quantitative information and value chain information, considering that the rebuttable presumption is sufficient</p> <p><u>Option 2</u> is to retain qualitative information (including on value chain information with phase-in) and move financial connectivity with quantitative information to sector-specific standard.</p> <p><u>Option 3</u> is indeed to move this DR to sector-specific information, though</p> | <p>Merge DR2-6 and 2-7: see dedicated issue paper</p> <p>Clarifying value chain considerations – not mentioned in a very explicit manner.</p> | <p>EFRAG Secretariat to phase-in:</p> <p>- quantitative information and start in year 1 with contextual and qualitative information on incidents and deposits</p> <p>- value chain information</p> <p><u>If DR kept at sector-agnostic level.</u></p> <p>With a RAR of 61%, the six main oppositions are; Business Association (13%), Financial institution (Insurance) (0%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (0%), NFCs with securities listed on EU regulated markets (15%), NFCs with securities listed outside EU regulated markets (0%) and Trade unions or other workers representatives (0%)</p> |

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| | | | | | | | | | <i>the relevance across sectors is 57% RAR approval.</i> | | |
| E2-7 | Financial effects from pollution-related impacts, risks and opportunities | 52% | <p>Strong reservations on evaluation, implementation, verifiability and assurance</p> <p>Align time horizon for information with the one for the financial planning</p> <p>Details disclosed are sensitive information</p> <p>The lack of link with the financial planning, which follows a preparatory and approval process by the company, could jeopardize the quality of financial information provided over different time horizons.</p> <p>Supported by Rating agency and analysts with a RAR of 100% Main opposition by Financial institution (Other financial Market Participant, including pension) with a RAR of 7%</p> | <p>Article 19a 2 and 2(g)</p> <p>Article 19a 3</p> <p>Article 19b 2(a)(v)</p> | <p>Yes</p> <p>With a RAR of 62%, the six main oppositions are; Business Association (18%), Unlisted non-financial corporations (25%), Financial institution (0%), (Other financial Market Participant, including pension funds and other asset managers) (0%), NFCs with securities listed on EU regulated markets (33%), NFCs with securities listed outside EU regulated markets (0%) and Trade unions or other workers representatives (0%)</p> | <p>Propose alternative options taking into account RAR.</p> <p>With a RAR of 62%, the five main oppositions are; Business Association (47%), Financial institution (Insurance) (0%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (0%), Non-financial corporation with securities listed outside EU regulated markets (0%), Trade unions or other workers representatives (0%), Other (0%) and Unlisted non-financial corporations (25%)</p> | <p>With a RAR of 37%, the eight main oppositions are; Business Association (7%), Financial institution (Bank) (0%), Financial institution (Insurance) (0%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (0%), Non-financial corporation with securities listed outside EU regulated markets (0%), Trade unions or other workers representatives (0%), Other (0%) and Unlisted non-financial corporations (25%)</p> | <p>See dedicated issue paper on Financial effects</p> <p>The Secretariat propose two options:</p> <ul style="list-style-type: none"> - Option 1: move to sector-specific - Option 2: phase-in and bring in qualitative information | <p>See dedicated issue paper on Financial effects</p> <p>The Secretariat propose two options:</p> <ul style="list-style-type: none"> - Option 1: move to sector-specific - Option 2: phase-in and bring in qualitative information | <p>See dedicated issue paper on Financial effects</p> <p>The Secretariat propose two options:</p> <ul style="list-style-type: none"> - Option 1: move to sector-specific - Option 2: phase-in and bring in qualitative information | <p>With a RAR of 31%, the eight main oppositions are; Business Association (12%), Financial institution (Bank) (0%), Financial institution (Insurance) (0%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (0%), Non-financial corporation with securities listed outside EU regulated markets (0%), Trade unions or other workers representatives (0%), Other (0%) and Non-financial corporation with securities listed on EU regulated markets (0%)</p> |