

## Environment: EFRAG SECRETARIAT ANALYSIS OF THE INDIVIDUAL DRs

### ESRS E3 – 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
E3-1	Policies implemented to manage water and marine resources	71 %	Value chain difficulties / PTAPR articulation to be clarified / Ensure 100% SFDR alignment / DR too prescriptive  Supported by ESG reporting initiative with a RAR of 96% Main opposition by Financial institution (Bank) with a RAR of 36%	CSRD Art.1 (7b) 2. (a) (iii) & Art. 1 (3) 2. (d)	With a RAR of 85%, the three main oppositions are; Financial institution (Insurance) (25%), ; Financial institution (Bank) (50%) and Other (50%)	With a RAR of 62%, the three 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 (46%) and Other (0%)  Yes. When undertaking do not have policies, they comply reporting this circumstance.	With a RAR of 66%, the six main oppositions are; Business Association (43%), Financial institution (Bank) (50%), NFCs with securities listed on EU regulated markets (25%), Financial institution (Insurance) (0%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (0%), and Other (50%)  GRI is the reference.	<u>Value chain</u> data may be difficult to obtain → <b>provide guidance on the fact that data per se is not necessarily needed in order to provide a quality policy</b> which has influence along the value chain according to for instance due diligences processes, suppliers requirements, terms of agreements, etc.  Operational burden; Too granular and too prescriptive; → should be lighter with proposed phase-in and clarification to focus only where material IROs	Depending on the sector, water IROs may fall in low materiality on own operations and/or in the value chain. However it is to be noted that Water is treated in SFDR, in the EU Taxonomy , by GRI and the CSRD- along with marine resources which is also a key asset in the TNFD draft framework.  When undertaking do not have policies, they comply reporting this circumstance.  <b>Hence, EFRAG Secretariat strongly recommends to keep PTAPR sections covering both water and marine resources.</b>	<b>Simplification: unnecessary required granularity will be moved to illustrative (non mandatory) guidance.</b>  <b>Efforts of clarification</b> of boundaries between the different standards in the draft will be made, in particular with ESRS E4 and ESRS E2.	Focus of performance measures is already the own operations for water – supply chain also for marine resources. <b>→ proposal to focus PTAPR in priority on own operations for year 1</b>  With a RAR of 57%, the five main oppositions are; Business Association (13%), Financial institution (Bank) (0%), Non-financial corporation with securities listed outside EU regulated markets (0%), NFCs with securities listed on EU regulated markets (15%) and National Standard Setter (25%)

								<p>have been identified with not prescriptive requirements</p> <p><b>→ PTAPR will be redrafted following the general harmonization proposals to avoid prescriptive wording and focus on material aspects.</b></p> <p><b>Missing definitions will be added.</b></p>			
E3-2	Measurable targets for water and marine resources	64 %	Supported by Academic / research institution and Trade unions or other workers representatives with a RAR of 100% Main opposition by Financial institution (Bank) with a RAR of 0%	CSRD Art.1 (7b) 2. (a) (iii) & Art. 1 (3) 2. (b)	With a RAR of 63%, the five main oppositions are; Business Association (31%), Financial institution (Bank) (0%), NFCs with securities listed on EU regulated markets (27%), Financial institution (Insurance) (25%) and NFCs with securities listed outside	With a RAR of 72%, the four main oppositions are; Business Association (53%), Financial institution (Bank) (0%), NFCs with securities listed on EU regulated markets (46%) and Other (50%)	With a RAR of 46%, the seven main oppositions are; Business Association (14%), Financial institution (Bank) (0%), NFCs with securities listed on EU regulated markets (0%), Non-financial corporation with securities listed outside EU regulated markets (0%), Financial institution (Insurance) (0%), Financial institution (Other financial Market	<p><u>Value chain</u> data may be difficult to obtain → <b>provide guidance on the fact that data per se is not necessarily needed in order to provide a quality policy</b> which has influence along the value chain according to for instance due diligences processes, suppliers requirements, terms of agreements, etc.</p>	Depending on the sector, water IROs may fall in low materiality on own operations and/or in the value chain. However it is to be noted that Water is treated in SFDR, in the EU Taxonomy , by GRI and the CSRD- along with marine resources which is also a key asset in the TNFD draft framework. Hence, EFRAG Secretariat strongly recommends to keep PTAPR sections covering both water and marine resources. They will be redrafted following the general harmonization proposals to avoid prescriptive wording and focus on material aspects.	Unnecessary required granularity will be transformed into illustrative guidance where relevant.	Focus of performance measures is already the own operations for water – supply chain also for marine resources. <b>→ proposal to focus PTAPR in priority on own operations for year 1</b>  With a RAR of 53%, the six main oppositions are; Business Association (6%), Financial institution (Bank) (0%), NFCs with securities listed on EU regulated markets (7%), Non-financial corporation with securities listed outside EU regulated

					EU regulated markets (0%)		Participant, including pension funds and other asset managers) (0%), and Unlisted non-financial corporations (0%)	Too granular and too prescriptive; → should be lighter with proposed phase-in and clarification to focus only where material IROs have been identified with not prescriptive requirements  → <b>PTAPR will be redrafted following the general harmonization proposals to avoid prescriptive wording and focus on material aspects (to be consistent with performance measurement whatever the option is)</b>	The importance of geographical area at water risk will be reminded when setting policies and targets and implementing action plans.  Unnecessary required granularity will be transformed into illustrative guidance where relevant.		markets (0%), Financial institution (Insurance) (0%) and NFCs with securities listed outside EU regulated markets (0%)
E3-3	Water and marine resources action plans and resources	65 %	Supported by Academic institution, ESG reporting initiative and NGOs with a RAR of 96-97% Main opposition by Financial institution	CSRD Art.1 (7b) 2. (a) (iii) & Art. 1 (3) 2. (a) (iii)	With a RAR of 78%, the three main oppositions are; Financial institution (Bank) (0%), NFCs with securities listed outside EU regulated markets (0%) and Financial institution	With a RAR of 71%, the three main oppositions are; Financial institution (Bank) (0%), Financial institution (Other financial Market Participant, including	With a RAR of 49%, the six main oppositions are; Other (0%), Financial institution (Bank) (0%), Non-financial corporation with securities listed outside EU regulated markets (0%), Financial	Too granular and too prescriptive; → should be lighter with proposed phase-in and clarification to focus only where material IROs have been identified with not prescriptive requirements	Depending on the sector, water IROs may fall in low materiality on own operations and/or in the value chain. However it is to be noted that Water is treated in SFDR, in the EU Taxonomy, by GRI and the CSRD- along with marine resources which is also a key asset in the TNFD draft framework. Hence, EFRAG Secretariat strongly	Unnecessary required granularity will be transformed into illustrative guidance where relevant.  <b>Flexibility should be brought on targets</b> and the need to set targets on material IROs and hence where they occur, i.e. targets related to areas with water risk inc. withdrawals /	Focus of performance measures is already the own operations for water – supply chain also for marine resources. → <b>proposal to focus PTAPR in priority on own operations for year 1</b>  With a RAR of 42%, the six main oppositions are; Other

			(Bank) with a RAR of 0%		(Insurance) (25%)	pension funds and other asset managers) (25%) and Trade unions or other workers representatives (50%)	institution (Insurance) (0%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (0%), and Unlisted non-financial corporations (0%)	→ <b>PTAPR will be redrafted following the general harmonization proposals to avoid prescriptive wording and focus on material aspects.</b>	recommends to keep PTAPR sections covering both water and marine resources. They will be redrafted following the general harmonization proposals to avoid prescriptive wording and focus on material aspects.  The importance of geographical area at water risk will be reminded when setting policies and targets and implementing action plans.  Unnecessary required granularity will be transformed into illustrative guidance where relevant.	discharges and consumptions in high water stress rather than at company level.	(0%), Financial institution (Bank) (0%), Non-financial corporation with securities listed outside EU regulated markets (0%), Financial institution (Insurance) (0%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (0%), and Unlisted non-financial corporations (25%)
E3-4	Water management performance	66 %	Some definitions missing  Focus on areas at water risk (water stress) needed  Prioritisation would be welcome  Granularity is high but some methodologies /	CSRD Art.1 (7b) 2. (a) (iii)	With a RAR of 66%, the six main oppositions are; Business Association (22%), Financial institution (Bank) (0%), Non-financial corporation with securities listed outside EU regulated markets (0%), Financial institution (Insurance) (25%), Non-	With a RAR of 75%, the three main oppositions are; Financial institution (Bank) (0%), Financial institution (Insurance) (25%) and NFCs with securities listed on EU regulated markets (0%)	With a RAR of 48%, the seven main oppositions are; Business Association (7%), Financial institution (Bank) (0%), Non-financial corporation with securities listed on EU regulated markets (22%), Non-financial corporation with securities listed outside EU regulated markets (0%), Financial	<b>Missing concepts/definitions High Granularity</b>  →Comments referring to operational complexity often refer to <u>value chain</u> data which is not required under the current E3-4.	Though the overall RAR support is high, some question that water withdrawals and discharges are sector-agnostic and propose to focus the standard on water consumption and SFDR, i.e #8 Table 1 Emissions to water and, #6 of Table 2 Water usage and recycling which comprises 1. Water consumption (per Turnover) and 2. Water recycled and reused  <b><u>Two options to consider:</u></b>	<b>Modifications:</b> <b>EFRAG Secretariat proposes to add, on top of Group information which is needed for comparability, more relevant information on breakdowns on geographical areas at water risk on the indicators that will remain, and upon materiality assessment (high water stress areas). Also, it would allow more alignment with GRI.</b>	t

		<p>guidance are missing.</p> <p>Questioning on cost-benefit.</p> <p>Supported by Trade unions or other workers representatives with a RAR of 100%</p> <p>Main opposition by Financial institution (Bank) with a RAR of 0%</p>	<p>financial corporation with securities listed on EU regulated markets (33%), and Unlisted non-financial corporations (50%)</p>	<p>institution (Insurance) (0%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (0%), and Unlisted non-financial corporations (0%)</p>		<p><b>Option 1: keep only water consumption + SFDR requirements and move water withdrawals and water discharges to sector-specific</b></p> <p><b>Option 2: keep water withdrawals and discharges (including suggested breakdown for GRI alignment) and count on materiality assessment for companies to use the rebuttable presumption where needed</b></p>	<p><b>EFRAG proposes to include breakdown by sources, freshwater for withdrawals/discharges and information on quality of effluent discharge in the case of option 2 to have a full view on water performance.</b></p> <p>This would follow the materiality assessment and be consistent with information disclosed under PTAPR.</p> <p><u>Value chain:</u> Performance measures on the value chain should be considered, however the use of quantitative data on water along the value chain still lacks maturity. The approach needs to be consistent with other Es and principles-based.</p> <p><b>EFRAG foresees two options:</b> <b>Option 1: add principles-based datapoints on performance measures in the value chain in line with ESRS E4 (where material) – considering phase-in option.</b></p> <p><b>Option 2: keep the focus on own</b></p>
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										operations and consider performance measure on the value chain in a second step of standards	
E3-5	Water intensity performance	61 %	<p>Lack of relevance and comparability of Turnover as a denominator</p> <p>Lack of focus on areas with high water stress</p> <p>Supported by NGOs (98%), Academic / research institution (96%) and ESG reporting initiative (94%). Main opposition by Financial institution (Bank) with a RAR of 7%</p>	<p>CSRD Art.1 (7b) 2. (a) (iii)</p>	<p>With a RAR of 59%, the six main oppositions are; Business Association (19%), Financial institution (Bank) (0%), Financial institution (Insurance) (25%), Non-financial corporation with securities listed on EU regulated markets (30%), Non-financial corporation with securities listed outside EU regulated markets (0%) and Unlisted non-financial corporations (25%)</p>	<p>With a RAR of 62%, the five main oppositions are; Business Association (41%), Financial institution (Bank) (0%), Non-financial corporation with securities listed on EU regulated markets (25%), Non-financial corporation with securities listed outside EU regulated markets (0%) and Unlisted non-financial corporations (25%)</p>	<p>With a RAR of 43%, the seven main oppositions are; Business Association (8%), 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 on EU regulated markets (0%), Non-financial corporation with securities listed outside EU regulated markets (0%) and Unlisted non-financial corporations (0%)</p>	<p>Operational burden (especially for first time adopters) → The burden does not come from this DR, the ratio is very straightforward, but rather from E3-4 which provides the underlying data.</p> <p>Other comments on the lack of relevance of Turnover denominator and note that the intensity would be more relevant compared to volumes / quantities of products. → <b>EFRAG Secretariat proposes to clarify in guidance that companies are welcome to provide other ratios that may be more relevant but does not</b></p>	<p><b>Should follow the same approach as E3-4 as regards the datapoints on withdrawals and discharges: if kept in E3-4, they should remain (no breakdown needed here though).</b></p> <p><b>Otherwise, they should follow the same option, i.e. be moved to sector-specific standards - noting that water consumption in m3 per net turnover is a SFDR PAI, Table 1, PAI #6, 1 which would become the only focus of E3-5.</b></p>	<p>See column "Always material?"</p>	<p><b>Should follow the same approach as E3-4:</b></p> <p><b>If option 1 is retained, no more phase-in would be needed.</b></p> <p><b>If option 2 is retained, phase-in of water withdrawals and discharges should be considered.</b></p> <p>With a RAR of 49%, the eight main oppositions are; Business Association (6%), Financial institution (Bank) (0%), National Standard Setter (25%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (20%), Non-financial corporation with securities listed on EU regulated markets (17%), Trade unions or other workers representatives (0%),</p>

								<b>wish to add new mandatory ratios at this stage given the general comments on granularity.</b>			Non-financial corporation with securities listed outside EU regulated markets (0%) and Unlisted non-financial corporations (25%)
E3-6	Marine resources-related performance	48 %	<p>Too much granularity in DRs</p> <p>New topic difficult to apply, lack of maturity</p> <p>Scope not well defined (i.e. no definition of “marine resources”);</p> <p>Marine resources is a sector specific topic;</p> <p>Overlaps with other E standards</p> <p>Supported Academic / research institution with a RAR of 100% Main opposition by Financial institution</p>	<p>CSRD Art.1 (7b) 2. (a) (iii) g</p> <p>With a RAR of 51%, the six main oppositions are; Business Association (19%), Financial institution (Bank) (0%), Financial institution (Insurance) (0%), Non-financial corporation with securities listed on EU regulated markets (25%), Non-financial corporation with securities listed outside EU regulated markets (0%) and Other (0%)</p>	<p>With a RAR of 48%, the five main oppositions are; Business Association (18%), Financial institution (Bank) (0%), Non-financial corporation with securities listed on EU regulated markets (9%), Non-financial corporation with securities listed outside EU regulated markets (0%) and Other (0%)</p>	<p>With a RAR of 37%, the eight main oppositions are; Business Association (0%), 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 on EU regulated markets (0%), Non-financial corporation with securities listed outside EU regulated markets (0%), Unlisted non-financial corporations (0%) and Other (0%)</p>	<p>Too much granularity in DRs and operational complexity due to the lack of maturity →</p>	<p>Comments received show that a very small majority of respondents consider that marine resources is not material across all sectors: views are very mixed.</p> <p>EFRAG Secretariat is of the view that marines resources, especially along the value chain, is a topic that is material for many sectors whether on own operations (e.g. construction with the use of gravels, sand or sea food, link with plastic waste) or in the value chain – retail, F&amp;B, hospitality, any company with assets and construction, etc.</p> <p><b>EFRAG Secretariat hence proposes different options for the TEG to consider:</b></p> <p><b>- Option 1: move the entire Disclosure Requirement to sector-specific.</b></p> <p><b>- Option 2: phase-in the the Disclosure Requirement while</b></p>	<p><b>On top of the three options:</b></p> <p><b>- Define “marine resources” to clarify the scope;</b></p> <p><b>- Provide relevant references to the other standards in order to ensure a complete view of the DR (to be explained in the overarching introductory explanatory note)</b></p>	<p>With a RAR of 29%, the nine main oppositions are; Business Association (0%), Financial institution (Bank) (0%), Financial institution (Insurance) (0%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (0%), National Standard Setter(0%), Non-financial corporation with securities listed on EU regulated markets (0%), Non-financial corporation with securities listed outside EU regulated markets (0%), Trade unions or other workers representatives (0%) and Other (0%)</p>	

			(Bank) and other with a RAR of 0%						<p>providing more guidance and flexibility on the data points in a principles-based approach similar to E4.</p> <p>- Option 3: keep the Disclosure Requirement while providing more guidance and flexibility on the data points in a principles-based approach similar to E4.</p>		
E3-7	Financial effects from water and marine resources related impacts, risks and opportunities	54 %	<p>- Lack of clear guidance on estimation approaches;</p> <p>- No consistency between the timelines in E3 and the time frames of the financial planning of companies</p> <p>Supported by NGOs (99%), Academic / research institution (93%) and ESG reporting initiative (96%).</p>	CSRD Art.1 (7b) 2. (a) (iii)	With a RAR of 54%, the six main oppositions are; Business Association (13%), Financial institution (Bank) (0%), Financial institution (Insurance) (25%), Non-financial corporation with securities listed on EU regulated markets (18%), Non-financial corporation with securities listed outside EU regulated markets (0%) and Unlisted non-financial	With a RAR of 56%, the six main oppositions are; Business Association (18%), Financial institution (Bank) (0%), Other (25%), Non-financial corporation with securities listed on EU regulated markets (17%), Non-financial corporation with securities listed outside EU regulated markets (0%) and Unlisted non-financial corporations (25%)	With a RAR of 43%, the seven main oppositions are; Business Association (8%), 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 on EU regulated markets (0%), Non-financial corporation with securities listed outside EU regulated markets (0%)	<p>See dedicated issue paper on Financial effects</p> <p><b>EFRAG Secretariat proposes two options:</b></p> <p>- Option 1: move to sector-specific</p> <p>- Option 2: phase-in and bring in qualitative information</p>	<p>See dedicated issue paper on Financial effects</p> <p><b>EFRAG Secretariat proposes two options:</b></p> <p>- Option 1: move to sector-specific</p> <p>- Option 2: phase-in and bring in qualitative information</p>	<p>See dedicated issue paper on Financial effects</p> <p><b>EFRAG Secretariat proposes two options:</b></p> <p>- Option 1: move to sector-specific</p> <p>- Option 2: phase-in and bring in qualitative information</p>	With a RAR of 31%, the seven 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 on EU regulated markets (0%), Non-financial corporation with securities listed outside EU regulated markets (0%) and Trade unions or other workers representatives (0%)



			Main opposition by Financial institution (Bank) and other with a RAR of 0%		corporations (25%)		and Unlisted non-financial corporations (0%)				
Other general											<p>Several comments underline the lack of maturity of water, and all the more marine resources, hence EFRAG Secretariat proposes – to the extent possible:</p> <ul style="list-style-type: none"> <li>- Adding illustrative guidance in IRO section to help undertakings in their materiality assessment, in particular by adding some missing concepts on physical modifications to water bodies,</li> <li>- Clarifying some definitions and concepts (dependencies, marine resources)</li> <li>- Ensuring more consistency with other E standards and in particular ESRS E4 on biodiversity and ecosystems and ESRS E2 on Pollution.</li> </ul>