Cover Note

ESRS E4 – list of comments and changes to the draft

Background

1   EFRAG ran a public consultation on 13 ESRS Exposure Drafts (EDs) from the end of April 2022 to the 8 of August 2022.

2   The comments received are available at the following link:

News - EFRAG.

3   EFRAG run a number of outreach events with different stakeholders from different countries in June and July 2022.

4   The consultation was structured in two different Surveys:

(a) Survey 1 covers the general approach to the standards, contents of ESRS 1 and prioritisation/phasing-in and it also includes one question per each of the other 12 ESRS EDs;

(b) Survey 2 covers the detailed content of 12 ESRS EDs (excluding ESRS 1), with a number of sub-questions covering different aspects per each disclosure requirement.

5   EFRAG SRB received a presentation of the comments received in a joint meeting with the EFRAG SR TEG on 8 September. The document used for this presentation can be found at the link below:

https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FMeeting%20Documents%2F2208191316296134%2F02-01%20-%20Survey%201%20results.pdf

6   EFRAG has outsourced the analysis of comments received in the public consultation to an external consultant. Their report will be made publicly available in due course. A draft of the report for Survey 1 has been made available the EFRAG Secretariat to allow to progress in the subsequent analysis.

Purpose of this session

7   To discuss and approve the proposed detailed course of action approved by SR TEG to address the comments from the public consultation. To approve the specific changes to the standard.

EFRAG Secretariat assessment and recommended course of actions per each question in Survey 1 and Survey 2

8   The EFRAG Secretariat has conducted an assessment of the comments received in the public consultation. **Agenda Paper 07-02 and 07-03** presents the outcome of this assessment. Per each comment the papers document the proposed course of action, with the following wording conventions:

(a) No action: the EFRAG Secretariat acknowledges the comment, however does not consider necessary or appropriate to propose a change to the standards in order to accommodate the comment/reservation/suggestion. The reasons for this are explained in the column 'EFRAG Secretariat comments'.

(b) To be discussed: the EFRAG Secretariat considers that, due to different views that exist between different categories of stakeholders or due to the low support rate of

this question in the statistics from the consultation or due to the complexity of the topic, a dedicated technical discussion is needed before a change to the draft standards can be defined in detail and agreed upon. In this case the column 'Issue paper needed?' shows in which Issue paper the topic will be covered. The issue papers will be presented at future SR TEG/SRB meetings (some of them have been already discussed in SR TEG/SRB at this stage).

(c) To be aligned: the EFRAG Secretariat proposes to modify the text of the standard as illustrated in the column 'EFRAG Secretariat comments'.

(d) To be considered: the EFRAG Secretariat proposes to consider this suggestion when finalizing the standard (differently from 'to be aligned', here the comment doesn't allow to immediately identify the change but further consideration is needed, without triggering a SRB discussion as the point is not as complex or controversial as it would be for the 'To be discussed').

(e) Ongoing: the assessment/change to the standards is in progress.

9   Agenda Paper from 0x-0x presents the outcome of the EFRAG Secretariat assessment.

EFRAG Secretariat assessment and recommended course of actions per each disclosure requirement

10   The EFRAG Secretariat has conducted an assessment of the individual disclosure requirements for each standard based on the feedback received to date, including the results of the public consultation. **Agenda Paper 0x-0x** presents the outcome of this assessment together with recommendations on the categorisation of the disclosure requirements for aspects such as sector-specificity and phase- in together with possible recommendations or operational complexity. The template includes a column 'Always material'. This is a preliminary assessment of whether the DR could be considered eligible (and on which basis) for a list of mandatory items, should the SRB finally decide that the materiality approach should include a list of mandatory items per each standard.

Agenda Papers

11   **Agenda Paper 0x-0x** which covers the respective questions in Survey 1 (only questions where open comments were provided).

12   **Agenda Paper 0x-0x** is provided for background purposes only and presents the general structure of the survey.

Questions to SR Board members and observers

13   Per question 43 on ESRS E4 (Biodiversity and ecosystems) Survey 1, do you agree with the proposed course of actions proposed in the papers (no action, to be aligned, to be discussed, ongoing, to be considered)? If for a specific item you disagree, please explain.

14   Per questions 54-63 in Survey 2 related to the disclosure requirements E4-1, E4-2, E4-3, E4-5, E4-6, E4-7, E4-8, E4-9 and E4-10, do you agree with the course of actions proposed? In addition to the items identified in the papers as deserving discussion in an issue paper, do you consider that there are other items that should be covered in an issue paper? Please specify.

15   Do you agree to strengthen language in ESRS 2 SBM 1 35 (c) or SBM 3 44 by adding a formulation on transition plans for all environmental standards (CSRD refers to transition to sustainable business models in general)? And make E4-1 mandatory for high impact sectors only specified in the CBD Post-2020 Agreement?

16   For E4-2: do you agree with proposals of 1/ simplification of text, 2/ narrow value chain and 3/ add definitions?

17   For E4-3 and E4-4 changes relate to TNFD alignment. Such as the elaboration of the concept of interactions across environmental standards from E-2 to E-5, and alignment of definitions in line with international frameworks. Do you agree?

18   Do you agree to merge the disclosure requirements E4-5 on Pressure metrics and E4-6 Impact metrics? And to add SFDR-related metric on sensitive locations in own operations and value chain as a separate disclosure requirement as well as an metric on land-use that is easy to aggregate?

19   E4-7: Do you agree to delete the DR and add sentences on monitoring progress against targets across E4-2 to E-4-4 by reinforcing what is already embedded in ESRS 1 (i.e., reporting against progress on implementing what is disclosed in E4-2 to E4-4)?

20   E4-8: Do you agree to delete DR? Do you agree with SR TEG suggestion to delete? Few TEG members propose that the disclosure on biodiversity friendly products and in general green or sustainable products could be introduced under ESRS 2 on strategy with a specification that when an undertaking has products that it considers green or sustainable.

21   E4-9 to delete. Do you agree to delete this DR from E4 and use same approach as climate offsets?

22   E4-10: decision depends on the final decisions that will be taken on financial effects across all environmental standards.

23   The mitigation hierarchy is a well-known concept and would lend itself well to easily categorizing PTAPR as per their level of potential impact in terms of addressing material impacts, dependencies, risks and opportunities. Would you agree to SR TEG decision to add it for classifications purposes across all E (environmental) standards?

24   Targets and local thresholds were taken into consideration (E4-2 to E4-4). SR TEG decided that defining thresholds at local level should be kept as a methodological guideline for identifying relevance, i. e. biodiversity sensitive area. The thresholds could be set for the purpose of materiality assessment to be added in application guidelines and methodology but not part of the DR (avoid target by target reporting for multi-sites company).

25   Do you have any other comments on this assessment?