

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	Secretariat proposals	TEG decision
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 → provide guidance on the fact that data per se is not necessarily needed in order to provide a quality policy 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. Hence, EFRAG Secretariat strongly recommends to keep PTAPR sections covering both water and marine resources.	Simplification : unnecessary required granularity will be moved to illustrative (non mandatory) guidance. Efforts of clarification of boundaries between the different standards in the draft will be made, in particular with ESRS E4 and ESRS E2.	<ol style="list-style-type: none"> 1. Keep PTAPR sections covering both water and marine resources; 2. PTAPR will be redrafted following the general harmonization proposals to avoid prescriptive wording and focus on material aspects. 3. Unnecessary required granularity will be moved to illustrative (non mandatory) guidance; 4. Efforts of clarification of boundaries between the different standards in the draft will be 	<ol style="list-style-type: none"> 1. No Phase-in 2. Additional requirements on water consumption in areas at water risk, including high water stress.

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								<p>have been identified with not prescriptive requirements</p> <p>→ PTAPR will be redrafted following the general harmonization proposals to avoid prescriptive wording and focus on material aspects.</p> <p>Missing definitions will be added.</p>			made, in particular with ESRS E4 and ESRS E2	
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	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	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	<u>Value chain</u> data may be difficult to obtain → provide guidance on the fact that data per se is not necessarily needed in order to provide a quality policy which has influence along the value chain according to for instance due diligences processes, suppliers	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	Unnecessary required granularity will be transformed into illustrative guidance where relevant. Flexibility should be brought on targets and the need to set targets on material IROs and hence	<ol style="list-style-type: none"> 1. 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) 2. The importance of geographical area at water risk will 	<ol style="list-style-type: none"> 1. No phase-in 2. Additional requirements on water consumption in areas at water risk, including high water stress.

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			a RAR of 0%		markets (27%), Financial institution (Insurance) (25%) and NFCs with securities listed outside EU regulated markets (0%)		institution (Insurance) (0%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (0%), and Unlisted non-financial corporations (0%)	<p>requirements, terms of agreements, etc.</p> <p>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</p> <p>→ 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)</p>	<p>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.</p> <p>The importance of geographical area at water risk will be reminded when setting policies and targets and implementing action plans.</p> <p>Unnecessary required granularity will be transformed into illustrative guidance where relevant.</p>	<p>where they occur, i.e. targets related to areas with water risk inc. withdrawals / discharges and consumptions in high water stress rather than at company level.</p>	<p>be reminded when setting policies and targets and implementing action plans</p> <p>3. Unnecessary required granularity will be transformed into illustrative guidance where relevant.</p>	
E3-3	Water and marine resources	65%	Supported by Academic / research institution, ESG	CSRD Art.1 (7b) 2. (a) (iii) &	With a RAR of 78%, the three main opposition	With a RAR of 71%, the three main oppositions are; Financial institution (Bank)	With a RAR of 49%, the six main oppositions are; Other (0%), Financial	<p>Too granular and too prescriptive; → should be lighter with proposed phase-in</p>	Depending on the sector, water IROs may fall in low materiality on own operations and/or in	Unnecessary required granularity will be transformed	<p>1. PTAPR will be redrafted following the general harmonization</p>	<p>1. No Phase-in</p> <p>2. Additional requirements on water</p>

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	action plans and resources		reporting initiative and NGOs with a RAR of 96-97% Main opposition by Financial institution (Bank) with a RAR of 0%	Art. 1 (3) 2. (a) (iii)	s are; Financial institution (Bank) (0%), NFCs with securities listed outside EU regulated markets (0%) and Financial institution (Insurance) (25%)	(0%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (25%) and Trade unions or other workers representatives (50%)	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 (0%)	and clarification to focus only where material IROs have been identified with not prescriptive requirements → PTAPR will be redrafted following the general harmonization proposals to avoid prescriptive wording and focus on material aspects.	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. 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.	into illustrative guidance where relevant. Flexibility should be brought on targets 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 / discharges and consumptions in high water stress rather than at company level.	proposals to avoid prescriptive wording and focus on material aspects (to be consistent with performance measurement whatever the option is) 2. The importance of geographical area at water risk will be reminded when setting policies and targets and implementing action plans 3. Unnecessary required granularity will be transformed into illustrative guidance where relevant.	consumption in areas at water risk, including high water stress.

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E3-4	Water management performance	66%	<p>Some definitions missing</p> <p>Focus on areas at water risk (water stress) needed</p> <p>Prioritisation would be welcome</p> <p>Granularity is high but some methodologies / 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>	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 on EU regulated markets (0%), Financial institution (Bank) (0%), Non-financial corporation with securities listed outside EU regulated markets (0%), Financial institution (Insurance) (25%), Non-financial corporation with securities listed on EU regulated markets (33%),	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 institution (Insurance) (0%), Financial institution (Other financial Market Participant, including pension funds and other asset managers) (0%), and Unlisted non-financial corporations (0%)	<p>Missing concepts/definitions</p> <p>High Granularity</p> <p>→Comments referring to operational complexity often refer to <u>value chain</u> data which is not required under the current E3-4.</p>	<p>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</p> <p>Two options to consider:</p> <p>Option 1: keep only water consumption + SFDR requirements and move water withdrawals and water discharges to sector-specific</p> <p>Option 2: keep water withdrawals and discharges (including suggested breakdown for GRI alignment) and count on materiality assessment for</p>	<p><u>Modifications:</u></p> <p>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).</p> <p>Also, it would allow more alignment with GRI.</p> <p>EFRAG proposes to include breakdown by sources,</p>	<ul style="list-style-type: none"> - Missing concepts/ definitions - Add 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). - Allow more alignment with GRI. 	<ul style="list-style-type: none"> - Move (par. 28 a), c) and d) to sector-specific [information on water withdrawals along with the breakdowns and information regarding water discharges along with the breakdowns]; - keep par. 28 b) [water consumption] at sector-agnostic level (adding DR on consumption in areas of high-water stress - keep information required by par. 29 (as SFDR KPI) - shift AG24 to E2 (emissions to water)

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			Main opposition by Financial institution (Bank) with a RAR of 0%		and Unlisted non-financial corporations (50%)				companies to use the rebuttable presumption where needed	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. This would follow the materiality assessment and be consistent with information disclosed under PTAPR. <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		

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										<p>approach needs to be consistent with other Es and principles-based.</p> <p>EFRAG foresees two options: Option 1: add principles-based datapoints on performance measures in the value chain in line with ESRS E4 (where material) – considering phase-in option.</p> <p>Option 2: keep the focus on own operations and consider performance measure on the value chain in a second step of standards</p>		

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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>	CSRD Art.1 (7b) 2. (a) (iii)	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	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%)	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>Operational burden (especially for first time adopters)</p> <p>→ 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.</p> <p>→ EFRAG Secretariat proposes to clarify in guidance that companies are welcome to provide other ratios that may be more relevant but does not wish to add new</p>	<p>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).</p> <p>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.</p>	See column "Always material?"	<p>- Clarify in guidance that companies are welcome to provide other ratios that may be more relevant but does not wish to add new mandatory ratios at this stage given the general comments on granularity.</p>	<p>- Keep par. 32 (b) - indicator on water consumption;</p> <p>- Remove par. 32 (a) and (c) – indicator on withdrawals and discharges and shift these indicators to the sector-specific standards</p> <p>- Qualitative information on value chain which is currently missing will be added</p>

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					Unlisted non-financial corporations (25%)			mandatory ratios at this stage given the general comments on granularity.				
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%</p>	CSRD Art.1 (7b) 2. (a) (iii) g	With a RAR of 51%, the six main oppositions are; Business Association (19%), Financial institution (Bank) (0%), Non-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%)	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%)	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	Too much granularity in DRs and operational complexity due to the lack of maturity →	<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&B, hospitality, any company with assets and construction, etc.</p> <p>EFRAG Secretariat hence proposes different options for the TEG to consider:</p>	<p>On top of the three options:</p> <p>- Define “marine resources” to clarify the scope;</p> <p>- 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)</p>	<p>- Define “marine resources” to clarify the scope</p> <p>- 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)</p>	<p>- Remove DR E3-6</p> <p>- Keep the definition of marine resources and materiality assessment on marine resources at sector-agnostic level</p>

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			Main opposition by Financial institution (Bank) and other with a RAR of 0%		listed outside EU regulated markets (0%) and Other (0%)		(0%) and Other (0%)					
E3-7	Financial effects from water and marine resources related impact	54%	- Lack of clear guidance on estimation approaches; - No consistency between the timelines in E3 and the	CSRD Art.1 (7b) 2. (a) (iii)	With a RAR of 54%, the six main oppositions are; Business Association (13%), Financial institution (13%), Financial institution	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	With a RAR of 43%, the seven main oppositions are; Business Association (8%), Financial institution (Bank) (0%), Financial institution (Insurance) (0%), Financial	See dedicated issue paper on Financial effects EFRAG Secretariat proposes two options: - Option 1: move to sector-specific	See dedicated issue paper on Financial effects EFRAG Secretariat proposes two options: - Option 1: move to sector-specific - Option 2: phase-in and bring in	See dedicated issue paper on Financial effects EFRAG Secretariat proposes two options:		Follow the general approach on financial materiality Qualitative information will be required. Phase-in of quantitative

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	s, risks and opportunities		time frames of the financial planning of companies Supported by NGOs (99%), Academic / research institution (93%) and ESG reporting initiative (96%). Main opposition by Financial institution (Bank) and other with a RAR of 0%		(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 corporations (25%)	EU regulated markets (17%), Non-financial corporation with securities listed outside EU regulated markets (0%) and Unlisted non-financial corporations (25%)	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%)	- Option 2: phase-in and bring in qualitative information	qualitative information	- Option 1: move to sector-specific - Option 2: phase-in and bring in qualitative information		information by 3 years
Other general										Several comments underline the lack of maturity of water, and all	Adding illustrative guidance in IRO section to help undertakings in their materiality assessment, in	

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										<p>the more marine resources, hence EFRAG Secretariat proposes – to the extent possible:</p> <ul style="list-style-type: none"> - 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, - Clarifying some definitions and concepts (dependencies, marine resources) - Ensuring more consistency with other E standards and in particular ESRS E4 on biodiversity and ecosystems and ESRS E2 on Pollution 		

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										standards and in particular ESRS E4 on biodiversity and ecosystems and ESRS E2 on Pollution.		