

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG SR TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG SRB or EFRAG SR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG SRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

Log of draft explanations

Table of content

ID 148 – Scope of consolidation Non-EU and unconsolidated subsidiaries.....	2
ID 201 Oil spill – Chemical spill	3
ID 226 Substances of (very high) concern	5
ID 251 – Emission factors disclosure	7
ID 291 – Phase-in 750 employees and topical standards	8
ID 293 – Relationship of strategy and policy	9
ID 335 – Applicability of EU datapoints – Appendix B	10
ID 338 – Activities in high climate impact sectors	12
ID 401 – Include quantitative information in qualitative information.....	14
ID 408 – Categorisation of waste streams	15
ID 422 Disclosure of monetary amount.....	16
ID 440 Pollutants emissions - disaggregation	17

ID 148 – Scope of consolidation Non-EU and unconsolidated subsidiaries

Question asked

Does the (consolidated) sustainability statement of a parent company have to include all its subsidiaries even if some of them are located out-side of the EU and/or if some are not (financially/legally) consolidated?

ESRS reference

ESRS 1 paragraph 62;

Key terms: Subsidiaries outside the EU; non-consolidated subsidiaries

Background

[Note: The secretariat will address the question asked as being the following: “Does the (consolidated) sustainability statement of a parent company have to include all its subsidiaries even if some of them are located out-side of the EU and/or if some are not consolidated for financial statements purposes?”]

ESRS 1 paragraph 62 states: *“The sustainability statement shall be for the same reporting undertaking as the financial statements. For example, if the reporting undertaking is a parent company required to prepare consolidated financial statements, the sustainability statement will be for the group. ...”*.

ESRS 1 paragraph 102 states: *“When the undertaking is reporting as a consolidated level, it shall perform its assessment of material impacts, risks and opportunities for the entire consolidated group regardless of its group legal structure. ...”*.

The scope of consolidation for undertakings organised as a group is based on IFRS or national accounting law considering the requirements of the Accounting Directive (Directive 2013/34/EU, refer to Article 21). Article 23 (9) and (10) of the Accounting Directive has exemptions from consolidation of subsidiaries, so has for example paragraph 296 (2) of the German Commercial code (HGB).

In practice, subsidiaries are sometimes excluded from consolidation, based on qualitative and quantitative criteria (financial accounting materiality criteria) for practical considerations even though an obligation to consolidate them exists.

Answer

The starting point of the sustainability statements is the perimeter used for financial reporting.

The (consolidated) sustainability statement of a parent company has to include all its subsidiaries even if some of them are located out-side of the EU and/or if some are for practical reasons not consolidated in the financial statements on the basis of (financial) materiality considerations.

There is no exemption from consolidation if a subsidiary is located out-side of the EU.

ID 201 Oil spill – Chemical spill

Category

Environment

Question asked

Are oil/chemical spills to be reported under DR E2-4 paragraph 28 or elsewhere?

ESRS reference

Disclosure Requirement E2-4 paragraph 28; ESRS E4 Disclosure requirements IRO-1 paragraph AR 9 (b) i; ESRS S1 Disclosure Requirement SBM-3 paragraph 14 (b); ESRS S2 Disclosure Requirement SBM-3 paragraph 11 (c); ESRS S3 Disclosure Requirement SBM-3 paragraph 9 (b)

Key terms

Oil spill; chemical spill; pollution of air, water and soil; incident

Background

Disclosure Requirement E2-4 paragraph AR25 explicitly indicates Best Available Techniques Reference Documents (BREFs) as a reference source for disclosing pollution-related information. It states: *“Where the undertaking’s activities are subject to Directive 2010/75/EU [...] on industrial emissions (IED) and relevant Best Available Techniques Reference Documents (BREFs), [...], the undertaking may disclose [...]: (a) a list of installations operated by the undertaking that fall under the IED and EU- BAT Conclusions; (b) a list of any non-compliance incidents or enforcement [...]; (c) the actual performance, as specified in the EU-BAT conclusions for industrial installations, and comparison of the undertaking’s environmental performance against “emission levels associated with the best available techniques” the (BAT-AEL) as described in EU-BAT conclusions; (d) the actual performance of the undertaking against “environmental performance levels associated with the best available techniques” (BAT-AEPLs) [...]; and (e) a list of any compliance schedules or derogations granted by competent authorities [...] that are associated with the implementation of BAT-AELs”.*

The Best Available Techniques (BAT) Reference Document for the Refining of Mineral Oil and Gas provides further information on the techniques for the *“Prevention of spillages and leaks”*, including of *“oil spill debris”*, in *“refining of mineral oil and gas”* activities. In particular, it identifies the pollutants contaminating water through spillages and leakages, which are accidental in nature. It is important, therefore, to account for pollutants as well as incidents when reporting. Within the ESRS, pollutants are to be reported under Disclosure Requirement E2-4 paragraph 28 (a), which requires undertakings to *“disclose the amounts of [...] **each pollutant** listed in Annex II of Regulation (EC) No 166/2006 [...] **emitted to air, water and soil**, with the exception of emissions of GHGs which are disclosed in accordance with ESRS E1 Climate Change”*. To this end, the European Pollutant Release and Transfer Register (E-PRTR) Regulation mentions *“spilling”* as a particular type of pollutant *“release”* (Art.2(10)) and lists several chemicals which may be prone to spillage as a single pure substance (ammonia, hydrochloric acid, toluene, vinyl chloride, etc) as well as several that may be spilled as part of complex chemical substances such as crude oil gasoline or diesel (e.g. benzene, naphthalene, PAHs, phenols, etc.) (Annex II "Pollutants"). Likewise, Disclosure Requirement E2-1 paragraph 15 (c) refers to the implementation of policies related to *“incidents and emergency situations”*. *“Incidents”* and *“spills”* are also referred within the social standards: in ESRS S1 Disclosure Requirement SBM-3 paragraph 14 (b), ESRS S2 Disclosure Requirement SBM-3 paragraph 11 (c), and ESRS S3 Disclosure Requirement SBM-3 paragraph 9 (b). This indicates the further requirement to disclose on the social implications of spillages, in addition to the environmental ones in E2, in alignment with the principle that ESRS are mutually interacting with one another.

Based on the same principle, biodiversity loss (ESRS E4) is directly impacted by pollution (ESRS E2 paragraph 7(c)). To this extent, it is relevant to also take into consideration the “**Spills of polluting effluents**” referred to as an example of policy transition risk, in ESRS E4 Disclosure requirements IRO-1 paragraph AR9(b)i, suggested to be considered when carrying out the materiality assessment.

Each of the afore-mentioned ESRS includes an “**Interaction with other ESRS**” section. Within this context, ESRS E2 paragraph 7(c) indicates “*Pollution as a direct impact driver of biodiversity loss*” (ESRS E4). Moreover, ESRS E2 paragraph 8 states that “*Material negative impacts on affected communities from pollution-related impacts attributable to the undertaking are covered in ESRS S3 Affected communities*”. In turn, ESRS S3 “*shall be read in conjunction with [...] ESRS S1 Own workforce, ESRS S2 Workers in the value chain and ESRS S4 Consumers and end-users*” (ESRS S3 paragraph 5).

ESRS 2 paragraph 61 further expands on how to navigate the reporting of information under mutual interaction: “*The corresponding disclosures shall be located alongside disclosures prescribed by the relevant ESRS. When a single policy or same actions address several interconnected sustainability matters, the undertaking may disclose the required information in its reporting under one topical ESRS and cross reference to it in its reporting under other topical ESRS*”.

Reporting the impacts of spills under these several topics may require different metrics, for example: number, type, substance name and volumes of spills, for pollution; number of animals killed or area affected, for biodiversity; number of deaths or injuries, for own workforce; etc. Currently, there are no specific metrics concerning spills in the ESRS, nor there are requirements related to spillage of complex substances which may trigger pollution through different types of pollutants. For this purpose, when an undertaking includes a metric developed on entity-specific basis, it shall follow the requirements of ESRS 2 Metrics MDR-M.

Answer

If pollution originating from spills is a material sustainability matter, ESRS E2 Disclosure Requirement IRO-1 and E2-1 respectively provide the requirements to support the provision of disclosures about pollution-related materiality assessment and policies for preventing incidents.

Based on the identified material sustainability matters and the related topical standards to report on, the undertaking shall primarily disclose metrics on oil spills and chemical spills under ESRS E2-4, either reporting on chemical releases required under E-PRTR as prescribed by E2-4, or by developing entity-specific metrics on spills following the requirements of ESRS 2 Metrics MDR-M.

Additionally, undertakings shall report in accordance with relevant disclosures to be provided under ESRS E4 Disclosure Requirement IRO-1, as well as Disclosure Requirement SBM-3 in ESRS S1, S2 and S3, if material.

In terms of presentation of the disclosure provided following different topical standards, the undertaking could provide specific information within the scope of a certain topical standard, then cross-referencing to it under other interconnected topical standards for issues that address a variety of interdependent sustainability matters (see, for instance, ESRS 2 paragraph 61).

Supporting material

[Best Available Techniques \(BAT\) Reference Document for the Refining of Mineral Oil and Gas.](#)

[Regulation \(EC\) No 166/2006 of the European Parliament and of the Council of 18 January 2006 concerning the establishment of a European Pollutant Release and Transfer Register.](#)

ID 226 Substances of (very high) concern

Category

Environment

Question asked

What is the difference between "Substances of concern" (SoCs) and "Substances of very high concern" (SVHC) in disclosure Requirement E2-5?

ESRS Reference

Disclosure Requirement E2-5;

ESRS Annex II " *Substances of concern*" and "*Substances of Very High Concern (SVHCs)*"

Key terms

Substances of concern; substances of very high concern; SoC; SVHC

Background

ESRS Annex II defines SVHC as substances "that meet the criteria laid down in Article 57 of Regulation (EC) No 1907/2006 (REACH) and were identified in accordance with Article 59(1) of that Regulation".

ESRS Annex II defines SoC as a "substance that:

- 1) meets the criteria laid down in Article 57 and is identified in accordance with Article 59(1) of Regulation (EC) No 1907/2006 of the European Parliament and of the Council³⁵ – this is, are Substances of Very High Concern;
- 2) is classified in Part 3 (which lists hazardous substances for which harmonised classification and labelling have been established at Community level) of Annex VI (Harmonised classification and labelling for certain hazardous substances) to Regulation (EC) No 1272/2008 of the European Parliament and of the Council in one of the following hazard classes or hazard categories:
 - a) carcinogenicity categories 1 and 2;
 - b) germ cell mutagenicity categories 1 and 2;
 - c) reproductive toxicity categories 1 and 2;
 - d) endocrine disruption for human health;
 - e) endocrine disruption for the environment;
 - f) Persistent, Mobile and Toxic or Very Persistent, Very Mobile properties;
 - g) Persistent, Bioaccumulative and Toxic or Very Persistent, Very Bioaccumulative properties;
 - h) respiratory sensitisation category 1;
 - i) skin sensitisation category 1;
 - j) chronic hazard to the aquatic environment categories 1 to 4;

Log of explanations

- k) *hazardous to the ozone layer;*
- l) *specific target organ toxicity, repeated exposure categories 1 and 2;*
- m) *specific target organ toxicity, single exposure categories 1 and 2;*

3) *or negatively affects the re-use and recycling of materials in the product in which it is present, as defined in relevant Union product-specific ecodesign requirements.”*

While criteria 1) and 2) above are well defined within regulation, criterion 3) is still not yet fully regulated. However, both existing standard product specification from CEN/CENELEC, academic research or other sources could provide valuable guidance to assess the risks of use of certain substances in products that may potentially fall within criteria 3).

Answer

As per the ESRS Annex II definition, Substances of Concern is a wider group of substances which includes SVHC, the substances listed in Part 3, of Annex VI of the CLP regulation, as well as substances that negatively affect the re-use and recycling of materials in the product in which it is present, as defined in relevant EU product-specific ecodesign requirements.

Supporting material

[Regulation \(EC\) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals \(REACH\).](#)

[Regulation \(EC\) No 1272/2008 of the European Parliament and of the Council of 16 December 2008 on classification, labelling and packaging of substances and mixtures \(CLP\).](#)

ID 251 – Emission factors disclosure

Question asked

Does the disclosure of emission factors include the values in for example 500 gCO₂e/kWh or is the description of the emission factor related to the source of the emission factor sufficient? Is the reporting organisation obliged to make the calculation tools publicly accessible or is only the access for auditors and EU/national authorities mandatory?

ESRS reference

ESRS E1 paragraph 39(b)

Background

ESRS E1 paragraph AR 39(b) states that “the undertaking shall disclose the methodologies, significant assumptions and emissions factors used to calculate or measure GHG emissions accompanied by the reasons why they were chosen and provide a reference or link to any calculation tools used”.

Answer

Question to SR TEG members

The text of ESRS E1 AR 39 (b) literally asks to disclose emission factors and reference or link to calculation tools.

It can happen that emission factors are intellectual property under license from another entity from which the undertaking sources the emission factors values.

Omissions of information is not allowed, except under ESRS 1 section 7.7 *Classified and sensitive information, and information on intellectual property, know-how or results of innovation*. The EFRAG Secretariat notes that the emission factors do not qualify for the omission under section 7.7.

How should the requirements in AR 39 be applied in this case?

ID 291 – Phase-in 750 employees and topical standards

ESRS 1 Appendix C has for the topical standards of ESRS E4, S1, S2, S3 and S4 the following phased-in provision for **all disclosure requirements** of the respective ESRS:

“Undertakings or groups not exceeding on their balance sheet dates the average number of 750 employees during the financial year (on a consolidated basis where applicable) may omit the information specified in the disclosure requirements of ESRS (reference of the standard, see above) for the first 2 years (for ESRS S1 “first year”) of preparation of their sustainability statement.”

ESRS 2 paragraph 2

“ In the preparation of disclosures under this Standard, the undertaking shall apply the Disclosure Requirements (including their datapoints) set in topical ESRS, as listed in Appendix C of this Standard Disclosure/Application Requirements in topical ESRS that are applicable jointly with ESRS 2 General Disclosures. The undertaking shall apply the requirements listed in Appendix C: (a) in all instances for the requirements in topical standards related to Disclosure Requirement IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities; and (b) for all other requirements listed in appendix C, only if the sustainability topic is material based on the undertaking’s materiality assessment (see ESRS 1 chapter 3 Double materiality as the basis for sustainability disclosures).”

ESRS 2 paragraph 17

If an undertaking or group not exceeding on its balance sheet date the average number of 750 employees during the financial year decides to omit the information required by ESRS E4, ESRS S1, ESRS S2, ESRS S3 or ESRS S4 in accordance with Appendix C of ESRS 1, it shall nevertheless disclose whether the sustainability topics covered respectively by ESRS E4, ESRS S1, ESRS S2, ESRS S3 and ESRS S4 have been assessed to be material as a result of the undertaking’s materiality assessment. In addition, if one or more of these topics has been assessed to be material, the undertaking shall, for each material topic:

- (a) disclose the list of matters (i.e. topic, sub-topic or sub-sub-topic) in AR16 ESRS1 Appendix A that are assessed to be material and briefly describe how the undertaking’s **business model** and strategy take account of the impacts of the undertaking related to those matters. The undertaking may identify the matter at the level of topic, sub-topic or sub-sub-topic;*
- (b) briefly describe any time-bound **targets** it has set related to the matters in question, the progress it has made towards achieving those targets, and whether its targets related to **biodiversity** and **ecosystems** are based on conclusive scientific evidence;*
- (c) briefly describe its **policies** in relation to the matters in question;*
- (d) briefly describe **actions** it has taken to identify, monitor, prevent, mitigate, remediate or bring an end to actual or potential adverse impacts related to the matters in question, and the result of such actions; and;*
- (e) disclose **metrics** relevant to the matters in question.*

Answer

The provisions of ESRS 1 Appendix C in relation to phase-in are to be read in conjunction with ESRS 2 paragraph 17 which establishes minimum disclosures for the material topical standards that have been phased-in. The materiality analysis at topical level is needed to identify the topics subject to ESRS 2 paragraph 17.

ESRS 1 Appendix C states that the phase-in provisions relate to all disclosure requirements of the topical standards . The term “all disclosure requirements” also includes Disclosure Requirements in the respective chapter ESRS 2 *General disclosure* of the topical standards ESRS E4, S1, S2, S3 and S4.

ID 293 – Relationship of strategy and policy

Question asked

What is developed first the strategy, or the policy related to sustainability matters?

ESRS reference

Disclosure Requirement SBM-1 and MDR-P of ESRS 2; definition of policies in the Defined terms

Key terms: Setting strategy and defining policies

Background

ESRS 2 paragraph 38 states: *“The undertaking shall disclose the elements of its strategy that relate to or impact sustainability matters, its business model and its value chain.”*

ESRS 2 paragraph 63 states: *“The undertaking shall apply the minimum disclosure requirements defined in this provision when it discloses the policies it has in place with regard to each sustainability matter identified as material.”*

A policy according to the Defined Terms is: *“A set or framework of general objectives and management principles that the undertaking uses for decision-making. A policy implements the undertaking’s strategy or management decisions related to a material sustainability matter. ...”*

Answer

It depends on the entity's managerial approach. ESRS are setting Disclosure Requirements and therefore do not prescribe behaviour.

However, as a policy “implements the undertaking’s strategy or management decisions related to sustainability matter” (per Annex II of the delegated act), it is reasonable to say that the strategy is developed first. Nevertheless, it cannot be excluded that some undertakings may set a policy first and develop a strategy thereafter.

QUESTION TO SR TEG: Do you think that EFRAG should avoid replying to these type of questions as they pertain to ‘behaviours’?

ID 335 – Applicability of EU datapoints – Appendix B

Question asked

Are ESRS 2 Appendix B datapoints (other EU legislation) applicable for all undertakings or for financial institutions only?

ESRS reference

ESRS 2 Appendix B; ESRS 1 chapter 10.2, paragraphs 35 and 133;

Key terms; Appendix B (other EU legislation) datapoints; non-financial undertakings

Background

The question initially received by EFRAG from the submitter was referring to ESRS 1 chapter 10.2, paragraph 133 and read as follows:

“What is the rationale for making the exception to the transitional provision for datapoints that have their origin in certain EU-legislation (Appendix B of ESRS 2) applying to a very specific set of companies (e.g. financial institutions)? Why not make a separate list of datapoint exceptions with an explanation of why these datapoints are an exception?”

ESRS 1 paragraph 133 states:

“For the first 3 years of its sustainability reporting under the ESRS, in order to take account of the difficulties that undertakings may encounter in gathering information from actors throughout their value chain and in order to limit the burden for SMEs in the value chain:

...

(b) when disclosing metrics, the undertaking is not required to include upstream and downstream value chain information, except for datapoints derived from other EU legislation, as listed in ESRS 2 Appendix B.”

ESRS 2 Appendix 2 includes the List of datapoints in cross-cutting and topical standards that derive from other EU legislation. These datapoints provide information from all undertakings subject to ESRS for financial institutions to support them in financing the transition according to the “green deal”.

ESRS 1 paragraph 35 states: “If the undertaking omits the information prescribed by a datapoint that derives from other EU legislation listed in Appendix B of ESRS 2, it shall explicitly state that the information in question is “not material”.” As similar questions related to “Other EU legislation datapoints” have been received by EFRAG the question answered in this explanation was modified to be more generally applicable as stated above.

Answer

Appendix B datapoints (other EU legislation) are applicable for all undertakings in scope of the CSRD/ESRS.

ESRS 1 chapter 3.2 *Material matters and materiality of information* provides guidance on Disclosure Requirements and datapoints that must be provided irrespective of or subject to the outcome of the materiality assessment of the undertaking. Also, datapoints that derive from other EU legislation listed in Appendix B of ESRS 2 must be provided irrespective of the materiality assessment (if it relates to ESRS 2) or subject to the outcome of the materiality assessment for the topical standards.

Log of explanations

There is no provision in ESRS that datapoints listed in Appendix B of ESRS 2 are only applicable to undertakings in specific sectors as for example financial institutions. The reason for this is that these datapoints provide the information for financial institutions to fulfil their obligations under the SFDR and so support them in financing the transition according to the “green deal”.

ID 338 – Activities in high climate impact sectors

Question asked

How is "associated with activities in high climate impact sectors" to be understood - does it refer exclusively to the sectors in which the reporting undertaking itself is active?

ESRS reference

ESRS E1 paragraph 38

ESRS E1 paragraph 40

ESRS E1 paragraph AR36 c

Background

ESRS E1 paragraph 38 states that the undertaking with operations in high climate impact sectors shall further disaggregate their total energy consumption from fossil sources by:

- (a) fuel consumption from coal and coal products
- (b) fuel consumption from crude oil and petroleum products
- (c) fuel consumption from natural gas
- (d) fuel consumption from other fossil sources
- (e) consumption of purchased or acquired electricity, heat, steam, or cooling from fossil sources

ESRS E1 mentions the Commission Delegated Regulation (EU) 2022/1288 Annex I (9) when referring to the definition of "high climate sectors".

According to Commission Delegated Regulation (EU) 2022/1288 Annex I (9), "high impact climate sectors" means the sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council.

ESRS E1 paragraph 40 states that the undertaking shall provide information on the energy intensity (total energy consumption per net revenue) associated with activities in high climate impact sectors.

ESRS E1 paragraph AR 36 (a) provides the calculation formula in which total energy consumption from activities in high climate impact sectors is in numerator, while net revenue from activities in high climate impact sectors is in a denominator. Moreover, the point (c) of this AR clarifies that the numerator and denominator shall only consist of the proportion of the total final energy consumption (in the numerator) and net revenue (in the denominator) that are attributable to activities in high climate impact sectors. Finally, this point provides that in effect, there should be consistency in the scope of both the numerator and denominator.

Answer

According to Commission Delegated Regulation (EU) 2022/1288 Annex I (9), high climate impact sectors are those listed in NACE Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council.

Regarding ESRS E1 paragraph 40, the undertaking shall provide information on the energy intensity (total energy consumption per net revenue) associated **with activities** in high climate impact sectors. It means that if the undertaking has any activity listed in those listed in NACE Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council, it shall provide information on the energy intensity (total energy

Log of explanations

consumption per net revenue). It is important to note that the high climate impact sectors are determined at the activity level and not at the undertaking or sector level.

Supporting material

Commission Delegated Regulation (EU) 2022/1288 Annex I (9)

ID 401 – Include quantitative information in qualitative information

Category

Cross-cutting

Question asked

When completing the narrative response for "Description of the key products and materials that come out of the undertaking's production process" can the quantitative metrics that are also required to be disclosed be included (i.e., total waste generated in mass)? Additionally, can derivative metrics that are not required but provide additional detail such as total waste to revenue or total waste to enterprise value be included in the narrative response?

ESRS Reference

ESRS Disclosure Requirement E5-5

Key terms

Quantitative metrics

Background

ESRS E5-5 states that an undertaking shall disclose information on its resource inflows, including waste, related to its material impacts, risks and opportunities.

ESRS 1 paragraph 19 states that the undertaking shall apply the qualitative characteristics of quality (appendix B of ESRS 1).

ESRS 1 paragraph 11 requires to disclose additional entity-specific disclosures to enable users to understand the undertaking's sustainability-related impacts, risks or opportunities.

ESRS 2, paragraph 73 notes that the undertaking shall apply the requirements for the content of disclosures in this provision when it discloses on the metrics it has in place with regard to each material sustainability matter.

ESRS 2, paragraph 75 notes that the undertaking shall disclose any metrics that it uses to evaluate performance and effectiveness, in relation to a material impact, risk or opportunity.

Answer

Yes, it is allowed, or even required on an entity-specific basis following ESRS 1 paragraph 11, to include quantitative data in the description of resource inflows and to disclose additional non required metrics, when such quantitative data provide useful information. This approach is not only valid for the disclosures in E5-5, but in general for all the qualitative disclosures in ESRS.

Supporting material

n/a

ID 408 – Categorisation of waste streams

Category

Environmentals

Question asked

Could you clarify the categorisation of following waste streams (whether under 37.b.iii, 37.c.ii or 37.c.iii): composting of organic waste, fermentation of organic waste and incineration of waste that results in energy production (which then is used/sold)

ESRS Reference

ESRS E5-5

Key terms

Categorisation of waste streams

Background

ESRS E5-5 states that an undertaking shall disclose information on its resource outflows, including waste, related to its material impacts, risks and opportunities.

ESRS E5 paragraph 37(b) and (c) requires breakdown by certain waste management operations.

ESRS Glossary definition of Incineration: *“Incineration is the controlled burning of waste at high temperature with or without energy recovery.”*

Other relevant sources: [Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives](#) (Waste Directive).

Answer

Composting and fermentation of organic wastes are considered a form of recycling (see Waste Directive, Annex II, R3 Recycling/reclamation of organic substances which are not used as solvents (including composting and other biological transformation processes)) and a recovery operation for purposes of ESRS 5 paragraph 37(b)(ii)).

Incineration without energy recovery is considered a disposal operation (Waste Directive, Annex I, D10 Incineration on land) and classified under ESRS E5 paragraph 37(c)(i). Incineration with energy recovery, is considered disposal if not meeting the criteria to be classified under the R1 classification in Annex II of the Waste Directive. If classified as an R1 operation, incineration with energy recovery, can be considered as “other recovery operations” (ESRS E5, paragraph 37(b)(iii)).

Supporting material

n/a

ID 422 Disclosure of monetary amount

Category

Environment

Question asked

Is the disclosure of monetary amount and proportion of assets at risk over the short/medium/long-term meant to be broken down by the time horizon (short/medium/long) or a single aggregate number for assets at risk at any of those time horizons?

ESRS Reference

ESRS E1 paragraph 66, ESRS E1 paragraph 67

Background

ESRS E1 paragraph 66 states that the disclosure of anticipated financial effects from material physical risks required by paragraph 64 (a) shall include:

- A) the monetary amount and proportion (percentage) of assets at material physical risk over the short-, medium- and long-term before considering climate change adaptation actions; with the monetary amounts of these assets disaggregated by acute and chronic physical risk.

ESRS E1 paragraph 67 states that the disclosure of anticipated financial effects from material transition risks required by paragraph 64 (b) shall include:

- B) the monetary amount and proportion (percentage) of assets at material transition risk over the short-, medium- and long-term before considering climate mitigation actions.

As stated in both articles, the undertaking shall disclose the monetary amount and proportion of assets at risk broken down by time horizon (short-, medium- and long-term).

Answer

As stated in ESRS E1 paragraph 66 and 67, the disclosure of the monetary amount shall be broken down by each of the time horizon (medium, small and long).

ID 440 Pollutants emissions - disaggregation

Category

Environment

Question asked

The amount of each pollutant to air, water and soil shall be consolidated over the facilities. Does this mean one single/consolidated value for each pollutant into all categories? Or does this mean one value for emissions into air, one value for emissions into water, and one for emissions into soil?

ESRS reference

Disclosure Requirement E2-4 paragraph 28 (a); [Disclosure Requirement E2-4 paragraph 29](#); [Disclosure Requirement E2-4 paragraph AR 22](#)

Key terms

Pollution of air, water and soil; consolidation; disaggregation

Background

Disclosure Requirement E2-4 paragraph 28(a): *“The undertaking shall disclose the **amounts** of [...] **each pollutant listed in Annex II** of Regulation (EC) No 166/2006 of the European Parliament and of the Council (European Pollutant Release and Transfer Register “**E-PRTR Regulation**”) emitted to air, water and soil, with the exception of emissions of GHGs which are disclosed in accordance with ESRS E1 Climate Change”.*

Disclosure Requirement E2-4 paragraph 29: *“The amounts referred in paragraph 28 shall be **consolidated amounts** including the **emissions from those facilities** over which the undertaking has **financial control** and those over which it has **operational control**. The consolidation shall include only the emissions from facilities for which the applicable threshold value specified in Annex II of Regulation (EC) No 166/2006 is exceeded”.*

Disclosure Requirement E2-4 paragraph AR 22: *“The information required under this Disclosure Requirement shall be **provided at the level of the reporting undertaking**. However, the undertaking **may disclose additional breakdown** including information at site level or a breakdown of its emissions by **type of source**, by sector or by geographical area”.*

Regulation (EC) No 166/2006, Article 5(1)(a) on “**Reporting by operators**”: *“The operator of each facility that undertakes one or more of the activities specified in Annex I above the applicable capacity thresholds specified therein shall report the amounts annually to its competent authority, along with an indication of whether the information is based on measurement, calculation or estimation, of [...] **releases to air, water and land of any pollutant** specified in Annex II for which the **applicable threshold value specified in Annex II** is exceeded”.*

Answer

Undertakings are to disclose the amounts of pollutant emissions separately as releases to air, releases to water, and releases to soil. This disaggregation stems from the ESRS requirement to align with the thresholds provided in Annex II of the E-PRTR Regulation, which are divided into these three natural resources. If needed, undertakings are also allowed to apply a further optional breakdown by type of emission source. The consolidation refers to the aggregation of pollutants across the different assets the undertaking financially or operationally controls.

Supporting material

[Regulation \(EC\) No 166/2006 of the European Parliament and of the Council of 18 January 2006 concerning the establishment of a European Pollutant Release and Transfer Register.](#)