

COMPARISON: EFRAG DRAFT ESRS AND EUROPEAN COMMISSION'S DRAFT DELEGATED ACT (DA) – ESRS E2 POLLUTION

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DISCLAIMER

This paper below contains the EFRAG draft **ESRS E2 Pollution** which has been modified in track changes to match the version the EC proposed in the DA.

This document does not represent Accountancy Europe's views or analysis of these changes. It is a comparison run automatically by IT tools (including WordCompare) available to us. It is an Accountancy Europe's working document in view of preparing our feedback to their EC draft delegated act with the first set of European Sustainability Reporting Standards (ESRS).

Accountancy Europe makes this document available to help other stakeholders understand the detailed changes of the standards and help them in their own feedbacks to the European Commission.

ESRS E2 POLLUTION

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Objective

1. The objective of this ~~[draft]~~ Standard is to specify Disclosure Requirements which will enable users of the **sustainability statements statement** to understand:
 - (a) how the undertaking affects **pollution** of air, water and **soil**, in terms of material positive and negative actual or potential **impacts**;
 - (b) any **actions** taken, and the result of such actions, to prevent or mitigate actual or potential ~~material~~ negative impacts, and to address **risks and opportunities**;
 - (c) the plans and capacity of the undertaking to adapt its **strategy** and **business model(s)** in line with the transition to a sustainable economy ~~concurring and~~ with the ~~needs for prevention~~ need to prevent, control and ~~elimination of~~ eliminate pollution. This is to create a toxic-free environment with zero pollution also in support of the EU Action Plan “Towards a Zero Pollution for Air, Water and Soil”;
 - (d) the nature, type and extent of the undertaking’s material risks and opportunities related to the undertaking’s pollution-related impacts and **dependencies**, as well as the prevention, control, elimination or reduction of pollution ~~(including where this results from the application of regulations)~~, and how the undertaking manages this; and
 - (e) the **financial effects** on the undertaking over the short-, medium- and long-term time horizons of material risks and opportunities arising from the undertaking’s pollution-related impacts and dependencies.
2. This ~~[draft]~~ Standard sets out Disclosure Requirements related to the following **sustainability matters: pollution** of air, water, **soil**, **substances of concern**, including **substances of very high concern**.
3. ~~The sustainability matter “pollution of air” covers information related~~ **“Pollution of air” refers** to the undertaking’s **emissions** into air (both indoor and outdoor), and prevention, control and reduction of ~~such emissions and thus pollution~~ such emissions.
4. ~~The sustainability matter “pollution of water” covers information related~~ **“Pollution of water” refers** to the undertaking’s **emissions** to water, and prevention, control and reduction of such emissions ~~and thereby pollution~~.
5. ~~The sustainability matter “pollution of soil” covers information related~~ **“Pollution of soil” refers** to the undertaking’s **emissions** into soil and the prevention, control and reduction of such emissions ~~and thereby pollution~~.
6. ~~The sustainability matter~~ With regard to “substances of concern” cover information related to”, this standard covers the undertaking’s production, use and/or distribution and commercialisation of substances of concern, including **substances of very high concern**. ~~Such Disclosure Requirements on substances of concern aim at providing users with an understanding of actual or potential impacts from their use and/or distribution and commercialisation in a context related to such substances, also taking account of possible restrictions towards their use on their use and/or distribution and commercialisation.~~

Interaction with other ESRS

7. The topic of **pollution** is closely connected to other environmental sub-topics such as climate change, water and **marine resources**, **biodiversity** and **circular economy**. Thus, to provide a comprehensive overview of what could be material to pollution, relevant Disclosure Requirements are covered in other environmental ~~[draft]~~ Standards as follows:
 - (a) ~~[draft]~~ ESRS E1 *Climate change* which addresses the following seven **greenhouse gases** connected to air pollution: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PCFs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃).

- (b) ~~[draft]~~ ESRS E3 *Water and marine resources* which addresses **water consumption**, in particular in **areas at water risk**, water **recycling** and storage. This also includes the responsible management of marine resources, including the nature and quantity of marine resources-related commodities (such as gravels, deep-sea minerals, seafood) used by the undertaking. This ~~[draft]~~ Standard covers the negative impacts, in terms of pollution of water and marine resources, including microplastics, generated by such activities.
 - (c) ~~[draft]~~ ESRS E4 *Biodiversity and ecosystems* which addresses **ecosystems** and species. Pollution as a direct impact driver ~~on~~ **biodiversity loss** is addressed by this ~~[draft]~~ Standard.
 - (d) ~~[draft]~~ ESRS E5 *Resource use and circular economy* which addresses, in particular, the transition away from extraction of non-renewable resources and the implementation of practices that prevent **waste** generation, including pollution generated by waste.
8. ~~This [draft] Standard covers an environmental topic, however the~~ The undertaking's **pollution-related** impacts ~~on the environment~~ may also affect **people and** communities. Material negative impacts on **affected communities** from pollution-related impacts attributable to the undertaking are covered in ~~[draft]~~ ESRS S3 *Affected communities*. ~~This [draft] Standard should be read in conjunction with [draft] ESRS 1 General requirements and [draft] ESRS 2 General disclosures.~~
9. ~~This Standard should be read in conjunction with ESRS 1 General requirements and ESRS 2 General disclosures.~~

Disclosure Requirements

ESRS 2 General disclosures

- 9.10. The requirements of this section should be read in conjunction with and reported alongside the disclosures required by ~~[draft]~~ ESRS 2 chapter 4 *Impact, risk and opportunity management*.

Impact, risk and opportunity management

Disclosure Requirement related to ~~[draft]~~ ESRS 2 IRO-1 – Description of the processes to identify and assess material pollution-related impacts, risks and opportunities

11. The undertaking shall describe the process to identify material **impacts, risks** and **opportunities** and shall provide information on:
- (a) the methodologies, assumptions and tools used to screen its **site** locations and business activities in order to identify its actual and potential **pollution-related physical and transition impacts, risks and opportunities** in its own operations and **value chain**;
 - (b) the interconnection between risks and opportunities arising from impacts and **dependencies**; and
 - (c) the process for conducting consultations ~~and~~, in particular with affected communities.

Impact, risk and opportunity management

Disclosure Requirement E2-1 – Policies related to pollution

- 10.12. The undertaking shall ~~disclosed~~ **describe** its policies ~~implemented to manage~~ **that**

address the management of its material impacts, risks and opportunities related to pollution prevention and control.

~~41.13.~~ The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has **policies** that address the identification, assessment, management and/or **remediation** of material pollution-related **impacts, risks** and **opportunities**.

~~42.14.~~ The ~~summarised description of the policies disclosure required by paragraph 12~~ shall contain the information ~~required on the policies the undertaking has in [draft]place to manage its material impacts, risks and opportunities related to pollution in accordance with~~ ESRS 2 ~~DCMDR~~-P *Policies adopted to manage material sustainability matters*.

~~43.15.~~ The undertaking shall indicate, ~~in the summary with regard to its own operations and its value chain~~, whether and how its **policies** address the following ~~areas~~ where material, ~~on its own operations and throughout the upstream and downstream value chain~~:

- (a) mitigating negative **impacts** related to **pollution** of air, water and **soil** including prevention and control;
- (b) ~~minimising and substituting~~ ~~and minimising the use of~~ **substances of concern**, and phasing out **substances of very high concern**, in particular for non-essential societal use and in **consumer** products; and
- (c) avoiding **incidents** and emergency situations, and if and when they occur, controlling and limiting their impact on **people and** the environment ~~and/or civil society~~.

Disclosure Requirement E2-2 – Actions and resources related to pollution

~~44.16.~~ The undertaking shall disclose its pollution-related actions and the resources allocated to their implementation.

~~45.17.~~ The objective of this Disclosure Requirement is to enable an understanding of the key **actions** taken and planned to achieve the **pollution**-related **policy** objectives and **targets**.

~~46.18.~~ The description of the **pollution**-related action plans and resources shall ~~follow~~ **contain** the ~~principles defined information prescribed~~ in ~~[draft]~~ ESRS 2 ~~DCMDR~~-A *Actions and resources in relation to material sustainability matters*.

~~47.19.~~ In addition to ~~[draft]~~ ESRS 2 ~~DCMDR~~-A, the undertaking ~~shall~~ **may** specify to which layer in the ~~following~~ mitigation hierarchy ~~below~~, an action and resources can be allocated ~~to~~:

- (a) avoid **pollution** including any phase out of materials or compounds that have a ~~material~~ negative impact (prevention of pollution at source);
- (b) reduce pollution, including: any phase-out of materials or compounds ~~and by~~; meeting enforcement requirements such as **Best Available Techniques (BAT)** requirements; or ~~meeting~~ the ~~address of~~ **Do No Significant Harm** criteria for pollution prevention and control according to the EU Taxonomy Regulation and its Delegated Acts (minimisation of pollution); and
- (c) restore, regenerate and transform **ecosystems** where pollution has occurred (control of the impacts both from regular activities and **incidents**).

Metrics and targets

Disclosure Requirement E2-3 – Targets related to pollution

~~48.20.~~ The undertaking shall disclose the pollution-related targets it has ~~adopted~~ **set**.

~~19.21.~~ The objective of this Disclosure Requirement is to enable an understanding of the **targets** the undertaking has ~~adopted~~~~set~~ to support its **pollution**-related **policies** and to address its material pollution-related **impacts, risks** and **opportunities**.

~~20.22.~~ The description of **targets** shall contain the information requirements defined in ~~[draft]~~ ESRS 2 ~~DCMDR~~-T *Tracking effectiveness of policies and actions through targets*.

23. The disclosure required by paragraph ~~19-20~~ shall indicate whether and how its **targets** relate to the prevention and control of:

- (a) air pollutants and respective **specific loads**;
- (b) **emissions** to water and respective specific loads;
- (c) **pollution** to **soil** and respective specific loads; and
- (d) **substances of concern** and **substances of very high concern**.

~~4.~~ In addition to ~~[draft]~~ ESRS 2 ~~DCMDR~~-T, the undertaking ~~shall~~~~may~~ specify whether ~~(local)~~ **ecological thresholds** (e.g., the **biosphere integrity**, stratospheric ozone-depletion, atmospheric

~~21.24.~~ aerosol loading, **soil depletion**, ocean acidification) and entity-specific allocations were taken into consideration when setting targets. If so, the undertaking ~~shall~~~~may~~ specify:

- (a) the **ecological thresholds** identified, and the methodology used to identify such thresholds;
- (b) whether or not the thresholds are entity-specific and if so, how they were determined; and
- (c) how responsibility for respecting identified ecological thresholds is allocated in the undertaking.

25. The undertaking shall specify as part of the contextual information, whether the **targets** ~~that it has adopted and presented are mandatory (based on legislation) or voluntary and if and how such legal requirements were taken into account when considering ecological thresholds. that it has set and presented are mandatory (based on legislation) or voluntary.~~

Disclosure Requirement E2-4 – Pollution of air, water and soil

~~22.26.~~ The undertaking shall disclose the pollutants that ~~are generated or used during production processes or that are procured, and that leave its facilities it emits through its own operations, as emissions, well as products, or as part of products or services~~ **the microplastics it generates or uses**.

27. The objective of this Disclosure Requirement is to provide an understanding of the **emissions** that the undertaking generates ~~in the~~~~to~~ air, water and **soil** in its own operation and of its generation and use of microplastics.

28. The undertaking shall ~~provided~~~~disclose~~ the ~~following separate disclosures on its own operations for~~~~consolidated amount of~~:

(a) ~~each pollutant listed in Annex II of the reporting period: E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil⁴⁵;~~

~~(a) emissions of air pollutants generated by the undertaking¹;~~

~~(b) emissions to water generated by the undertaking²;~~

~~(c) emissions of inorganic pollutants generated by the undertaking³;~~

~~(d) emissions of ozone-depleting substances generated by the undertaking⁴;~~

(b) microplastics generated or used by the undertaking.

29. The consolidated emissions amount shall include in the basis for calculation both the

assets or sites on which the undertaking has financial control and those on which the undertaking has operational control. The consolidation shall include only the asset emissions which reach the thresholds for release indicated in Annex II of the E-PRTR Regulation.

23.30. The undertaking shall put its disclosure into context and describe:

- (a) the changes over time,
- (b) the measurement methodologies; and
- (c) ~~the process(es) to collect data for~~ **pollution**-related accounting and reporting, including the type of data needed and the information sources.

24.31. When an inferior methodology compared to direct measurement of **emissions** is chosen to quantify emissions, the reasons for choosing this inferior methodology shall be outlined by the undertaking. If the undertaking uses estimates, it shall disclose the standard, sectoral study or sources which form the basis of its estimates, as well as the possible degree of uncertainty and the range of estimates reflecting the measurement uncertainty.

¹~~This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #2 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively "Emissions of air pollutants").~~

²~~This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an indicator related to principal adverse impacts as set out by indicator #8 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively "Emissions to water").~~

³~~This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #1 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively "Emissions of inorganic pollutants").~~

⁴~~This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #3 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively "Emissions of ozone-depleting substances").~~

⁴⁵ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting: (a) an additional indicator related to principal adverse impacts as set out by indicator #2 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Emissions of air pollutants"); (b) indicator #8 in Table 1 of Annex 1 ("Emissions to water"); (c) indicator #1 in Table 2 of Annex 1 ("Emissions of inorganic pollutants"); and (d) indicator #3 in Table 2 of Annex 1 ("Emissions of ozone-depleting substances").

Disclosure Requirement E2-5 – Substances of concern and substances of very high concern

- ~~25-32.~~ The undertaking shall disclose information on the production, use, distribution, commercialisation and import/export of substances of concern and substances of very high concern, on their own, in mixtures or in articles.
- ~~26-33.~~ The objective of this Disclosure Requirement is to enable an understanding of the impact of the undertaking on health and the environment through **substances of concern** and through substances of very high concern on their own. It is also to enable an understanding of the undertaking's material risks and **opportunities**, including exposure ~~towards~~ those substances and risks arising from changes in regulations.
- ~~27-34.~~ The disclosure required by paragraph ~~30-32~~ shall include the total amounts of **substances of concern** that are generated or used during the production or that are procured, and the total amounts of substances of concern that leave its facilities as emissions, as products, or as part of products or services split into main hazard classes of substances of concern.
- ~~28-35.~~ The undertaking shall present separately the information ~~related to~~ **substances of very high concern**.

Disclosure Requirement E2-6 – ~~Potential~~Anticipated financial effects from material pollution-related impacts, risks and opportunities

- ~~29-36.~~ The undertaking shall disclose ~~its potential~~the anticipated financial effects of material pollution-related risks and opportunities ~~arising from pollution-related impacts~~.
- ~~37.~~ The information required by paragraph 36 is in addition to the information on current financial effects on the undertaking's, financial position, financial performance and cashflows for the reporting period required under ESRS 2 SBM-3 para 48 (d).
- ~~30-38.~~ The objective of this Disclosure Requirement is to provide an understanding of:
- ~~potential~~anticipated **financial effects** due to material risks arising from **pollution**-related impacts and dependencies and how these risks have (or could reasonably be expected to have) a material influence ~~(or are likely to have a material influence)~~ on the undertaking's financial position, financial performance and cash flows, performance, position, development, cost of capital or access to finance over the short-, medium- and long-term ~~time horizons; and~~
 - ~~potential~~anticipated **financial effects** due to material pollution-related opportunities and ~~how the undertaking may financially benefit from material pollution-related opportunities related to~~ pollution prevention and control.
- ~~31-39.~~ The disclosure shall include:
- a quantification of the ~~potential~~anticipated **financial effects** in monetary terms before considering pollution-related actions, or where ~~impracticable~~not possible without undue cost or effort, qualitative information. For **financial effects** arising from **opportunities**, a quantification is not required if it would result in disclosure that does not meet the qualitative characteristics of information (see ~~[draft]~~ ESRS 1 Appendix C *Qualitative characteristics of information*);
 - a description of the effects considered, the related impacts and the time horizons in which they are likely to materialise; and
 - the critical assumptions used into quantify the ~~estimate~~anticipated financial effects, as well as the sources and level of uncertainty ~~attached to~~ those assumptions.

~~2. In the context of this Disclosure Requirement, potential financial effects include financial effects that do not meet the recognition criteria for inclusion in the financial statement line items and notes to the financial statements.~~

~~32.40.~~ The information provided under paragraph ~~36(a)-38(a)~~ shall include:

- (a) the share of net revenue made with products and services that are or that contain **substances of concern**, and the share of net revenue made with products and services that are or that contain **substances of very high concern** separately;
- (b) the operating and capital expenditures ~~occurred~~incurred in the reporting period in conjunction with major **incidents** and **deposits**;
- (c) the provisions for environmental protection and **remediation** costs, e.g., for rehabilitating contaminated **sites**, recultivating landfills, removal of environmental contamination at existing production or storage sites and similar measures.

~~The information provided under paragraph 36(e) shall include~~

~~33.41.~~ The undertaking shall disclose any relevant contextual information including a description of material **incidents** and **deposits** whereby **pollution** had negative ~~effects~~impacts on the environment and/or had or is expected to have negative effects on the undertaking's financial cash flows, financial position ~~or~~and financial performance with short-, medium- and long-term time horizons.

Appendix A: **Defined terms**

This Appendix is an integral part of the [draft] ESRS E2 and has the same authority as the other parts of the [draft] Standard.

Air pollutants	Direct emissions of sulphur dioxides (SO ₂), nitrogen oxides (NO _x), non-methane volatile organic compounds (NMVOC), and fine particulate matter (PM _{2,5}) as defined in Article 3, points (5) to (8), of Directive (EU) 2016/2284 of the European Parliament and of the Council (15), ammonia (NH ₃) as referred to in that Directive and heavy metals (HM) as referred to in Annex I to that Directive.
Article	An object which during production is given a special shape, surface or design which determines its function to a greater degree than its chemical composition. (REACH Regulation Article 3 (3))
Best Available Techniques (BAT)	According to Article 3 point 10 of Directive 2010/75/EU “Best Available Techniques (BAT)” means the most effective and advanced stage in the development of activities and their methods of operation which indicates the practical suitability of particular techniques for providing the basis for emission limit values and other permit conditions designed to prevent and, where that is not practicable, to reduce emissions and the impact on the environment as a whole: <ul style="list-style-type: none"> i. “techniques” includes both the technology used and the way in which the installation is designed, built, maintained, operated and decommissioned; ii. “available techniques” means those developed on a scale which allows implementation in the relevant industrial sector, under economically and technically viable conditions, taking into consideration the costs and advantages, whether or not the techniques are used or produced inside the Member State in question, as long as they are reasonably accessible to the operator; and iii. “best” means most effective in achieving a high general level of protection of the environment as a whole.
BAT Conclusions	A document containing the parts of a BAT reference document laying down the conclusions on best available techniques, their description, information to assess their applicability, the emission levels associated with the best available techniques, associated monitoring, associated consumption levels and, where appropriate, relevant site remediation measures. ⁵
BAT-AEL	“Best Available Technique-Associated Emission Level” means the range of emission levels obtained under normal operating conditions using a best available technique or a combination of best available techniques, as described in BAT conclusions, expressed as an average over a given period of time, under specified reference conditions., i.e., the emission level that is associated with a BAT.
BAT-AEPL	Best Available Technique-Associated Environmental Performance Level. For each individual BAT, a BAT-AEPL can be indicated. A BAT-AEPL is an environmental performance levels associated with the “best available techniques”. It means the range of emission levels obtained under normal operating conditions using a best available technique or a combination of best available techniques, as described in BAT conclusions, expressed

⁵ Source: Industrial Emissions Directive (IED), Article 3

	as an average over a given period of time, under specified reference conditions. ⁶
BREF or EU Best available techniques reference documents	A document, drawn up for defined activities and describing, in particular, applied techniques, present emissions and consumption levels, techniques considered for determining the best available techniques as well as BAT conclusions and any emerging techniques. ⁷
Deposit	An amount of a substance that has accumulated in the environment, either in water or in soil, and either as a consequence of regular activities or from incidents or from disposals of undertakings, independent of whether that accumulation occurs at the production site of an undertaking or outside.
Ecological (or socio-ecological) threshold (or breakpoint)	The point at which a relatively small change in external conditions causes a rapid change in an ecosystem. When an ecological threshold has been passed, the ecosystem may no longer be able to return to its state by means of its inherent resilience.
Emission	The direct or indirect release of substances, vibrations, heat or noise from individual or diffuse sources [...] into air, water or soil. ⁸
Emissions to water	Direct emissions of priority substances, as defined by Annex I to Directive 2013/39/EU, that replaces Annex X of the Directive 2000/60/EC of the European Parliament and of the Council, and direct emissions of nitrates, phosphates and pesticides (plant protection products and biocides).
Inorganic pollutants	Inorganic pollutants mean emissions within or lower than the emission levels associated with the best available techniques (BAT-AEL) as defined in Article 3, point (13) of Directive 2010/75/EU of the European Parliament and of the Council, for the Large Volume Inorganic Chemicals-Solids and Others industry.
Installation	A stationary technical unit within which one or more activities are carried out which could have an effect on emissions and pollution.
Ozone-depleting substances	Substances listed in the Montreal Protocol on Substances that Deplete the Ozone Layer.
Pollutant	A substance, vibration, heat, noise, light or other contaminant present in air, water or soil which may be harmful to human health and/or the environment, which may result in damage to material property, or which may impair or interfere with amenities and other legitimate uses of the environment. ⁹
Pollution	The direct or indirect introduction, as a result of human activity, of pollutants into air, water or soil which may be harmful to human health and/or the environment, which may result in damage to material property, or which may impair or interfere with amenities and other legitimate uses of the environment. ¹⁰
Pollution of soil	The introduction into soil – independent of whether that introduction occurs at the production site of an undertaking or outside or through the use of the undertaking’s products and/or services – as a result of human activity, of substances, vibrations, heat or noise which may be harmful to

⁶ Source: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32012D0110&from=EN>

⁷ Source: Industrial Emissions Directive (IED), Article 3

⁸ Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on Industrial Emissions (integrated pollution prevention and control), at Article 3(4)

⁹ REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, at Article

2(10)

~~⁴⁰ Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on Industrial Emissions (integrated pollution prevention and control), at Article 3(2).~~

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	human health or the environment, result in damage to material property, or impair or interfere with amenities and other legitimate uses of the environment ¹¹ . Soil pollutants include inorganic pollutants, persistent organic pollutants (POPs), pesticides, nitrogen and phosphorus compounds, etc.
Site	Means a single location, in which, if there is more than one manufacturer of (a) substance(s), certain infrastructure and facilities are shared ¹² .
Soil	The top layer of the Earth's crust situated between the bedrock and the surface. The soil is composed of mineral particles, organic matter, water, air and living organisms. ¹³
Specific loads	Mass of pollutant released per mass of product manufactured. Specific loads allow for the comparison of the environmental performance of installations irrespective of their different production volumes and are not influenced by mixing or dilution. ¹⁴
Substances of concern	Substances of concern means a substance that: <ul style="list-style-type: none"> a. meets the criteria laid down in Article 57 and is identified in accordance with Article 59(1) of Regulation (EC) No 1907/2006; b. is classified in Part 3 of Annex VI to Regulation (EC) in one of the following hazard classes or hazard categories: <ul style="list-style-type: none"> — No 1272/2008 — carcinogenicity categories 1 and 2, — germ cell mutagenicity categories 1 and 2, — reproductive toxicity categories 1 and 2, [to be added in the course of the legislative procedure once Regulation (EC) No 1272/2008 contains these hazard classes: Persistent, Bioaccumulative, Toxic (PBTs), very Persistent very Bioaccumulative (vPvBs); Persistent, Mobile and Toxic (PMT), very Persistent very Mobile (vPvM); Endocrine disruption]; — respiratory sensitisation category 1, — skin sensitisation category 1, — chronic hazard to the aquatic environment categories 1 to 4, — hazardous to the ozone layer, — specific target organ toxicity — repeated exposure categories 1 and 2, — specific target organ toxicity — single exposure categories 1 and 2; or c. any other substance that are set out in applicable EU legislation¹⁵.
Substances of Very High Concern (SVHCs)	Substances that meet the criteria laid down in Article 57 of Regulation (EC) 1907/2006 (REACH) and were identified in accordance with Article 59(1) of that Regulation.

¹¹ Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on Industrial Emissions (integrated pollution prevention and control), at Article 3(2)

¹² 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) at Article 3 (16)

¹³ Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on Industrial Emissions (integrated pollution prevention and control), at Article 3(21).

¹⁴ COMMISSION IMPLEMENTING DECISION of 10 February 2012 laying down rules concerning guidance on the collection of data and on the drawing up of BAT reference documents and on their quality, assurance referred to in Directive 2010/75/EU of the European Parliament and of the Council on industrial emissions, page 36.

¹⁵ In that regard, legislation in the wake of the EU Chemicals Strategy for Sustainability will be of particular importance.

Appendix B: Application Requirements

This Appendix is an integral part of the proposed ~~[draft]~~ ESRS E2. It supports the application of the disclosure requirements set ~~for out~~ in ~~paragraphs 1–39~~this standard and has the same authority as the other parts of the ~~[draft]~~ Standard.

ESRS 2 General disclosures

Impact, risk and opportunity management

Disclosure Requirement related to ~~[draft]~~ ESRS 2 IRO-1 – Description of the processes to identify and assess material pollution-related impacts, risks and opportunities

AR 1. When conducting a **materiality** assessment on environmental subtopics, the undertaking shall assess the materiality of pollution in its own operations and its value chain, and may consider the four phases below, also known as the LEAP approach, proposed by the Taskforce on Nature-Related Financial Disclosures:

- (a) Phase 1: locate where in its own operations and its value chain the ~~own operations and along the value chain the interface~~ with interface with nature takes place;
- (b) Phase 2: evaluate the **pollution**-related **dependencies** and impacts;
- (c) Phase 3: assess the material **risks** and **opportunities**; and
- (d) Phase 4: prepare and report the results of the materiality assessment.

AR 2. The **materiality** assessment for ~~[draft]~~ ESRS E2 corresponds to the first three phases of this LEAP approach, ~~the~~ The fourth phase addresses the outcome of the process. ~~Further guidance and materials about this approach can be found in TNFD Nature-Related Risk & Opportunity Management and Disclosure Framework.~~

AR 3. The process to assess the **materiality** of **impacts**, **dependencies**, **risks** and **opportunities** shall consider the provisions in ~~[draft]~~ ESRS 2 IRO-1 *Description of the processes to identify and assess material impacts, risks and opportunities*, and IRO-2 *Disclosure Requirements in ESRS covered by the undertaking's sustainability statements* statement.

AR 4. ~~The~~ sub-topics covered by the **materiality** assessment under ~~[draft]~~ ESRS E2 shall include:

- (a) ~~the contribution to direct impact drivers on pollution, including non-GHG of air pollutants, soil pollutants, water pollutants (and soil (excluding GHG emissions and waste is covered in [draft] ESRS E5);), microplastics, and substances of concern;~~
- (b) **dependencies** on **ecosystem services** that help to mitigate pollution-related to specific substances described in this [draft] Standard impacts.

~~AR 5. Under paragraph AR 1(a), AR 5. In Phase 1,~~ the undertaking shall first consider location including:

- (a) the **site** locations of direct assets and operations and related upstream and downstream activities across the value chain;
- (b) the site locations where **emissions** of water, **soil** and air pollutants occur; and
- (c) the sectors or business units related to those emissions or ~~with~~ to the

production, use, distribution, commercialisation and import/export of microplastics, **substances of concern**, and **substances of very high concern**, on their own, in mixtures or in **articles**.

~~AR 6. Under paragraph AR 1(b), AR 6. In Phase 2,~~ the undertaking shall then consider evaluating impacts and **dependencies** for each material **site** or sector/business unit including by assessing the severity and likelihood of impacts on the environment and human health.

AR 7. ~~Based on the results of~~ In Phase ~~1 and 2~~3, the undertaking shall ~~finally~~ consider assessing material **risks** and **opportunities** by:

- (a) identifying **transition risks** and **opportunities** in its own operations and its upstream and downstream **value chain** by the categories ~~of~~^{of}:
 - i. **policy** and legal: e.g., introduction of regulation, exposure to sanctions and litigation (e.g., negligence towards **ecosystems**), enhanced reporting obligations;
 - ii. technology: e.g., substitution of products or services by products or services with a lower impact, transition ~~to other not harmful~~away from substances of concern;
 - iii. market: e.g., shifting supply, demand and financing, volatility or increased costs of some substances; and
 - iv. reputation: e.g., changing societal, customer or community perceptions as a result of an organisation's role in **pollution** prevention and control;
- (b) identifying physical risks, e.g., sudden interruption of access to clean water, acid rain, or ~~other pollution~~other pollution **incidents** that are likely to lead to or that have led to pollution with subsequent effects on the environment and society;
- (c) identifying opportunities related to pollution prevention and control categorised ~~by~~^{by}~~47.48~~by:
 - i. resource efficiency: decrease quantities of substances used or improve efficiency of production process to minimise impacts;
 - ii. markets: e.g., diversification of business activities;
 - iii. financing: e.g., access to green funds, bonds or loans;
 - iv. resilience: e.g., diversification of substances used and control of emissions through innovation or technology; and
 - v. reputation: positive **stakeholder** relations as a result of a proactive stance on managing risks.

AR 8. In order to assess **materiality**, the undertaking may consider the Commission Recommendation (EU) 2021/2279 of 15th December 2021 on the use of the Environmental Footprint methods to measure and communicate the life cycle environmental performance of products and organisations.

AR 9. When providing information on the outcome of its **materiality** assessment, the undertaking shall consider:

- (a) a list of **site** locations where **pollution** is a material issue for the undertaking's operations and its value chain; and
- (b) a list of business activities associated ~~to~~with pollution material impacts, risks and opportunities.

Impact, risk and opportunity management

Disclosure Requirement E2-1 – Policies related to pollution

- AR 10. The **policies** described under this Disclosure Requirement may be integrated in broader environmental or sustainability policies covering different subtopics.
- AR 11. The description of the **policies** shall include information on the **pollutant(s)** or **substance(s)** covered.
- AR 12. When disclosing information under paragraph 11, the undertaking may include contextual information on the relations between its policies implemented and how they may contribute to the EU Action Plan “Towards a Zero Pollution for Air, Water and Soil” with for instance elements on:
- (a) how it is or may be affected by the **targets** and measures of the EU Action Plan and the revision of existing directives (e.g., the Industrial Emissions Directive);
 - (b) how it intends to reduce its **pollution** footprint to contribute to these targets.

Disclosure Requirement E2-2 – Actions and resources related to pollution

- AR 13. Where **actions** extend to upstream or downstream **value chain** engagements, the undertaking shall provide information on the types of actions reflecting these engagements.
- AR 14. When considering resources, examples of operational expenditures could be investments in research and development to innovate and develop safe and sustainable alternatives to the use of substances of concern or to decrease **emissions** in a ~~production process~~ production process.
- AR 15. Where relevant to achieve its **pollution**-related **policy** objectives and **targets**, the undertaking may provide information on the site-level action plans ~~that have been implemented at the level of the site location~~.

Metrics and targets

Disclosure Requirement E2-3 – Targets related to pollution

- AR 16. ~~When determining (local) If the undertaking refers to ecological thresholds to set when setting targets, the undertaking it may refer to the guidance provided by TNFD on the use of the methods by the Science-Based Targets Initiative for Nature (SBTN), the relevant work outlined in the Sustainable Development Performance Indicator (SDPI) online platform, its interim guidance (Initial Guidance for Business, September 2020), or any other guidance with a scientifically acknowledged methodology that allows setting of science-based targets by identifying ecological thresholds and, if applicable, entity-specific allocations. Ecological thresholds can be local, national and/or global.~~
- AR 17. When providing contextual information on **targets**, the undertaking may specify whether the target addresses shortcomings related to the Do No Significant Harm (DNSH) criteria for Pollution Prevention and Control while assessing the Substantial Contribution to one of the other environmental objectives of the Taxonomy Regulation- (Regulation EU 2020/852).
- AR 18. Where relevant to support the **policies** it has adopted, the undertaking may provide information on the ~~policies that have been implemented at the level of the site location~~ targets set at site level.
- AR 19. The **targets** may cover the undertaking’s own operations and/or the value chain.

¹⁶ Source: TNFD, 2022, p.37

¹⁷ Source: TNFD, 2022, p.37

¹⁸ Source: CDSB Biodiversity Application Guidance 2024

Disclosure Requirement E2-4 – Pollution of air, water and soil

List of pollutants to be considered

~~AR 20. When providing information under paragraph 27, the undertaking shall follow the below definitions, with those in Appendix A:~~

~~AR 21. Air pollutants means direct emissions of:~~

- ~~(a) sulphur dioxides (SO₂)~~
- ~~(b) nitrogen oxides (NO_x)~~
- ~~(c) non-methane volatile organic compounds (NMVOC), and~~
- ~~(d) fine particulate matter (PM_{2,5}) as defined in Article 3, points (5) to (8), of Directive (EU) 2016/2284 of the European Parliament and of the Council;~~
- ~~(e) ammonia (NH₃) as referred to in that Directive; and~~
- ~~(f) heavy metals (HM) as referred to in Annex I to that Directive.~~

~~22. Emissions to water means direct emissions of:~~

- ~~(a) priority substances as defined as defined by Annex I to Directive 2013/39/EU, that replaces Annex X of the Directive 2000/60/EC of the European Parliament and of the Council; and~~
- ~~(b) nitrates, phosphates and pesticides (plant protection products and biocides).~~

~~AR 23. Inorganic pollutants are defined as emissions within or lower than the emission levels associated with the best available techniques (BAT-AEL) as defined in Article 3, point (13) of Directive 2010/75/EU of the European Parliament and of the Council, for the Large Volume Inorganic Chemicals Solids and Others industry.~~

~~AR 24. Ozone-depleting substances means substances listed in the Montreal Protocol on Substances that Deplete the Ozone Layer.~~

AR 25. The information to be provided on microplastics under paragraph ~~27(e)~~**28(b)** shall include microplastics that have been generated or used during production processes or that are procured, and that leave ~~at~~**the undertaking's** facilities as emissions, as products, or as part of products ~~or services or services~~. Microplastics may be unintentionally produced when larger pieces of plastics like car ~~tyres~~**tires** or synthetic textiles wear and tear or may be deliberately manufactured and added to products for specific purposes (e.g., exfoliating beads in facial or body scrubs).

AR 26. The volume of **pollutants** shall be presented in appropriate mass units, for example tonnes or kilogrammes.

AR 27. 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.

AR 28. When providing contextual information on the emissions, the undertaking may consider:

- (a) the local air quality indices (AQI) for the area where the undertaking's air **pollution** occurs;
- (b) the degree of urbanisation (DEGURBA)⁴⁶ for the area where air pollution occurs; and
- (c) the undertaking's percentage of the total **emissions of pollutants** to water and **soil** occurring in areas at water risk, including areas of high-water stress;
- (d)

AR 29. The information provided under this Disclosure Requirement may refer to information the undertaking is already required to report under other existing legislation (i.e., IED, E-PRTR, etc.).

AR 30. Where the undertaking's activities are subject to the Industrial Emission Directive (IED) and relevant Best Available Techniques Reference Documents (**BREFs**), irrespective of whether the activity takes place within the European Union or not, the undertaking may disclose the following additional information:

- (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 **actions** necessary to ensure compliance in case of breaches of permit conditions;
- (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**) provided that they are applicable to the sector and **installation**; and
- (e) a list of any compliance schedules or derogations granted by competent authorities according to Art. 15(4) IED that are associated with the implementation of **BAT-AELs**.

Methodologies

AR 31. When providing information on **pollutants**, the undertaking shall consider approaches for quantification in the following order of priority:

- (a) direct measurement of emissions, effluents or other **pollution** through the use of recognised continuous monitoring systems (e.g., AMS Automated Measuring Systems);
- (b) periodic measurements;
- (c) calculation based on **site-specific** data;
- (d) calculation based on published pollution factors; and
- (e) estimation.

AR 32. Regarding the disclosure of methodologies required by paragraph 28, the undertaking shall consider:

- (a) whether its monitoring is carried out in accordance with EU **BREF** Standards or another relevant reference benchmark; and
- (b) whether and how the calibration tests of the AMS were undertaken and the verification of periodic measurement by independent labs were ensured.

⁴⁶ According to Eurostat, the Degree of urbanisation (DEGURBA) is a classification that indicates the character of an area. Based on the share of local population living in urban clusters and in urban centres, it classifies Local Administrative Units (LAU or communes) into three types of area: i) Cities (densely populated areas), ii) Towns and suburbs (intermediate density areas), and iii) Rural areas (thinly populated areas)

Disclosure Requirement E2-5 – Substances of concern and substances of very high concern

List of substances to be considered

AR 33. In order for the information to be complete, **substances** in the undertaking's own operations and those procured shall be included (e.g., embedded in ingredients, semi-finished products, or the final product).

AR 34. The volume of **pollutants** shall be presented in mass units, for example tonnes or kilogrammes or other mass units appropriate for the volumes and type of pollutants being released.

Contextual information

AR 35. The information provided under this Disclosure Requirement may refer to information the undertaking is already required to report under other existing legislation (i.e., IED, E- PRTR...). ~~If the undertaking incorporates the information by reference, it shall follow the provisions in [draft] ESRS 1.~~

Disclosure Requirement E2-6 – **Potential Anticipated** financial effects from **material** pollution-related impacts, risks and opportunities

AR ~~37~~³⁶. The operating and capital expenditures related to **incidents** and **deposits** may include for instance:

- (a) cost for eliminating and remediating the respective **pollution** of air, water and **soil** including environmental protection;
- (b) damage compensation costs including payment of fines and penalties imposed by regulators or government authorities.

~~AR 37.~~ ~~AR 38.~~ **Incidents** may include for instance interruptions of production, whether arising from the **supply chain** and/or from own operations, which resulted in **pollution**.

~~AR 39.~~ ~~AR 38.~~ The undertaking may include an assessment of its related products and services at risk over the short-, medium- and long-term **time horizons**, explaining how these are defined, how financial amounts are estimated, and which critical assumptions are made.

AR ~~40~~³⁹. The quantification of the ~~potential material~~ **anticipated financial effects** in monetary terms under paragraph ~~36(a)-38(a)~~ may be a single amount or a range.

²⁰ EU Best Available Techniques reference documents (BREFs) are a series of reference documents covering, as far as is practicable, the industrial activities listed in Annex 1 to the EU's IPPC Directive. They provide descriptions of a range of industrial processes and for example, their respective operating conditions and emission rates. Member States are required to take these documents into account when determining best available techniques generally or in specific cases under the Directive.