



## **COMPARISON: EFRAG DRAFT ESRS AND EUROPEAN COMMISSION'S DRAFT DELEGATED ACT (DA) – ESRS E3 WATER AND MARINE RESOURCES**

**16 JUNE 2023**

DISCLAIMER

This paper below contains the EFRAG draft **ESRS E3 Water and Marine resources** 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.

## WATER AND MARINE RESOURCES

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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 water and **marine resources**, 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 material actual or potential negative impacts ~~and~~, to protect water and marine resources, also with reference to reduction of **water consumption**, ~~and to address risks and opportunities~~;
  - (c) whether, how and to what extent the undertaking ~~is contributing~~**contributes** to the European Green Deal's ambitions for fresh air, clean water, a healthy **soil** and biodiversity, as well as to ~~ensuring~~ the sustainability of the **blue economy** and fisheries sectors. ~~Other initiatives include, taking account of the following:~~ the EU ~~water framework directive~~**Water Framework Directive**, the EU ~~marine strategy framework~~**Marine Strategy Framework Directive**, the EU ~~maritime spatial planning directive~~, ~~the SDGs~~**Maritime Spatial Planning Directive**, the **Sustainable Development Goals (in particular SDG 6 Clean water and sanitation and 14 Life below water)**, and respect of global environmental limits (e.g. the biosphere integrity, ocean acidification, **freshwater** use, and biogeochemical flows **planetary boundaries**) in line with the vision for 2050 of "living well within the ecological limits of our planet" set out in the 7th Environmental Action Programme, and in the proposal for a decision of the European Parliament and the Council on the 8th Environmental Action Programme;
  - (d) the plans and capacity of the undertaking to adapt its strategy and business model(s) in line with the ~~preservation~~**promotion of sustainable water use based on long-term protection of available water resources; protection of aquatic ecosystems** and restoration of ~~water~~**freshwater** and marine ~~resources~~**globally**~~habitats~~;
  - (e) the nature, type and extent of the undertaking's material risks and opportunities arising from the undertaking's impacts and **dependencies** on water and marine resources, and how the undertaking manages them; and
  - (f) the **financial effects** on the undertaking over the short-, medium- and long-term ~~time horizons~~ of material risks and opportunities arising from ~~(i.e., those related to the undertaking's impacts and dependencies on water and marine resources)~~.
2. This ~~[draft]~~ Standard sets out Disclosure Requirements related to water and **marine resources**. ~~The sustainability matter "With regard to "water" covers the undertaking's relationship with water in its own operations, upstream and downstream value chain, in terms of impacts, risks and opportunities and how it effectively addresses these issues. Water", this standard covers surface water, groundwater and produced water. This covers where and how much water is consumed for it includes disclosure requirements on water consumption in the undertaking's activities, products and services and what are the water, as well as related impacts caused or contributed to by the undertaking. It also covers how the undertaking is exposed to water-related risks information on water withdrawals and water discharges.~~
  1. ~~The sustainability matter "marine resources" covers the undertaking's relationship with marine resources in its own operations, upstream and downstream value chain, in terms of impacts, risks and opportunities and how it effectively addresses these issues. These cover the use of ocean-based resources, discharges and emissions to the environment which end up in the oceans, or activities located in maritime (naval matters) areas.~~
  3. ~~With regard to "marine resources", this standard covers the extraction and use of such resources, and associated economic activities.~~

## Interaction with other ESRS

- 3.4. The topic of water and **marine resources** is closely connected to other environmental sub-topics such as climate change, **pollution**, **biodiversity** and circular economy. Thus, to provide a comprehensive overview of what could be material to water and marine

resources, relevant Disclosure Requirements are covered in other ~~[draft]~~ environmental ESRS as follows:

- (a) ~~[draft]~~ ESRS E1 *Climate change*, which addresses, in particular, acute and chronic **physical risks** which arise from water and ocean-related hazards, ~~including caused or exacerbated by climate change, including increasing water temperature,~~ changing precipitation patterns and types (rain, hail, snow/ice), precipitation or hydrological variability, ocean acidification, saline intrusion, sea level rise, drought, high water stress, heavy precipitation, flood and glacial lake outbursts;
  - (b) ~~[draft]~~ ESRS E2 *Pollution*, which addresses, in particular, the **emissions to water**, which includes emissions to oceans, and the use and generation of microplastics;
  - (c) ~~[draft]~~ ESRS E4 *Biodiversity and ecosystems*, which addresses, in particular, the conservation and sustainable use of and impact on freshwater aquatic ecosystems as well as the oceans and seas; and
  - ~~(a) [draft] ESRS E5 Resource use and circular economy which addresses in particular the waste management including plastic, and the transition away from towards the extraction of non-renewable resources and the waste management, including of wastewater, reduced use of plastic.~~
  - ~~(d) This [draft] Standard covers an environmental matter, however as people benefit from water; and marine resources, the the recycling of wastewater.~~
5. The undertaking's impacts on water and **marine resources** affect people and communities. Material negative impacts on **affected communities** from water and **marine resources**-related impacts attributable to the undertaking are covered in ~~[draft]~~ ESRS S3 *Affected communities*.
- 4.6. This ~~[draft]~~ Standard should be read in conjunction with ~~[draft]~~ ESRS 1 *General requirements* and ~~[draft]~~ ESRS 2-*General disclosures*.

## Disclosure requirements

### ESRS 2 General disclosures

- 5.7. 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 water and marine resources-related impacts, risks and opportunities

- 6.8. 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 assets and activities in order to identify its actual and potential water and **marine resources**-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<sup>47</sup>~~ **communities<sup>47</sup>**.

### Impact, risk and opportunity management

#### Disclosure Requirement E3-1 – Policies related to water and marine resources

- 7.9. The undertaking shall ~~disclose~~ **describe** its policies ~~implemented to manage that~~ **address the management of** its material impacts, risks and opportunities related to

**water and marine resources<sup>48</sup>.**

<sup>47</sup> Source: IFC Performance Standard 6, 2012.

<sup>48</sup> 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 #7 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (~~respectively~~ “Investments in companies without water management policies”).

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- 8-10. 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 its material water and **marine resources**-related **impacts, risks** and **opportunities**.
- 9-11. ~~The summarised description of the policy~~The disclosure required by paragraph 9 shall contain the information ~~required on the policies the undertaking has in [draft]place to manage its material impacts, risks and opportunities related to water and marine resources in accordance with~~ ESRS 2 ~~DCMDR~~-P *Policies adopted to manage material sustainability matters*.
- 10-12. ~~In the summary, the~~The undertaking shall indicate whether and how its **policies** address the following matters where material:
- water management including the use and sourcing of water and **marine resources** in own operations ~~as well as water treatment as step in its more sustainable sourcing of water (including the use of reclaimed water) as well as the prevention and abatement of water pollution resulting from its activities;~~
  - product and service design in view of addressing water-related issues and the preservation of marine resources; and
  - commitment to reduce material **water consumption** in **areas at water risk** in its own operations and along the upstream and downstream **value chain**.
- 11-13. If at least one of the **sites** of the undertaking is located in an area of high-water stress and it is not covered by a **policy**, the undertaking shall state this to be the case and provide reasons for not having adopted policies. The undertaking may disclose a timeframe in which it aims to adopt ~~it~~<sup>3</sup>~~such a policy~~.<sup>49</sup>
- 12-14. The undertaking shall specify whether it has adopted **policies** or practices related to sustainable oceans and seas<sup>50</sup>.

## Disclosure Requirement E3-2 – Actions and resources related to water and marine resources

- 13-15. The undertaking shall disclose its water and marine resources-~~related~~ actions and the resources allocated to their implementation.
- 14-16. The objective of this Disclosure Requirement is to enable an understanding of the key **actions** taken and planned to achieve the water and **marine resources**-related **policy** objectives and **targets**.
- 15-17. The description of the **actions** and resources shall follow the principles defined in ~~[draft]~~ ESRS 2 ~~DCMDR~~-A *Actions and resources in relation to material sustainability matters*.
- 16-18. In addition to ~~[draft]~~ ESRS 2 ~~DCMDR~~-A, the undertaking ~~shall~~may specify to which layer in the mitigation hierarchy an action and resources can be allocated to:
- avoid the use of water and **marine resources**;
  - reduce the use of water and marine resources; ~~and such as through efficiency measures;~~
  - ~~restore, regenerate~~reclaiming and ~~transform marine ecosystems~~reuse of water; or
  - ~~(e)~~(d) ~~restoration~~ and ~~basins~~**regeneration of aquatic ecosystem and water bodies**
- 17-19. The undertaking shall specify **actions** and resources in relation to **areas at water risk**, including **areas of high-water stress**.

<sup>49</sup> 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 #8 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ( "Exposure to areas of high water stress").

<sup>50</sup> 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 #12 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ( "Investments in companies without sustainable oceans/seas practices").

## Metrics and targets

### Disclosure Requirement E3-3 – Targets related to water and marine resources

~~18-20.~~ The undertaking shall disclose the water and marine resources-related targets it has set.

~~19-21.~~ The objective of this Disclosure Requirement is to enable an understanding of the **targets** the undertaking has adopted to support its water and **marine resources**-related **policies** and address its material water and marine resources-related **impacts, risks** and **opportunities**.

~~20-22.~~ The description of the **targets** shall contain the information requirements defined in ~~[draft]~~ESRS 2 ~~DCMDR~~-T *Tracking effectiveness of policies and actions through targets*.

~~21-23.~~ The disclosure required by paragraph ~~19-20~~ shall indicate whether and how its **targets** relate to:

- (a) the management of material **impacts, risks** and **opportunities** related to **areas at water risk**, including improvement of the water quality;
- (b) the responsible management of **marine resources** impacts, risks and opportunities including the nature and quantity of marine resources-related commodities (such as gravels, deep-sea minerals, seafood) used by the undertaking; and
- (c) the reduction of **water consumption**, including an explanation of how those targets relate to areas at water risk, including areas of high water-stress.

~~22-24.~~ In addition to ~~[draft]~~ESRS 2 ~~DCMDR~~-T, the undertaking ~~shall~~may specify whether **ecological thresholds** 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.

~~23-25.~~ The undertaking shall specify as part of the contextual information, whether the **targets** it has ~~adopted~~set and presented are mandatory (based on legislation) or voluntary ~~and if and how such legal requirements were taken into account when considering ecological thresholds~~.

### Disclosure Requirement E3-4 – Water consumption

~~24-26.~~ The undertaking shall disclose information on its water consumption performance related to its material impacts, risks and opportunities.

~~25-27.~~ The objective of this Disclosure Requirement is to provide an understanding of the undertaking's water ~~cycle at its level~~consumption and any progress by the undertaking in relation to its **targets**.

~~26-28.~~ The disclosure required by paragraph ~~25-26~~ relates to own operations and shall include:

- (a) total **water consumption** in m<sup>3</sup>;
- (b) total water consumption in m<sup>3</sup> in areas at ~~material~~-water risk, including **areas of high-water stress**;
- ~~(c)~~ any contextual information necessary regarding the ~~local~~water basins' water quality and quantity, how the data have been compiled, such as any standards, methodologies, and assumptions used, including whether the information is calculated, estimated, modelled, or sourced from direct measurements, and the approach taken for this, such as the use of any sector-specific factors. ~~The undertaking shall also include:~~<sup>25</sup>

~~(d)~~(c) total water recycled and reused in m<sup>3</sup>; <sup>51</sup>

<sup>51</sup> 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 #6.2 in Table 2 of Annex 1 of the related Delegated Regulation regarding disclosure rules on sustainable investments (respectively "Water usage and recycling", 2.

~~(e)~~(d) total water stored and changes in storage in m<sup>3</sup>; and

~~(f)~~(e) contextual information related to points (a) and (b).

~~27-29.~~ The undertaking shall provide information on its **water intensity**: total **water consumption** in m<sup>3</sup> per net revenue on own operations<sup>52</sup>.

### **Disclosure Requirement E3-5 – ~~Potential~~**Anticipated** financial effects from **material** water and marine resources-related impacts, risks and opportunities**

~~28-30.~~ The undertaking shall disclose ~~its potential~~**the anticipated** financial effects of **material risks and opportunities arising from water and marine resources-related impacts risks and opportunities**.

~~31.~~ The information required by paragraph 30 is in addition to the information on current financial effects on the entity's financial position, financial performance and cash flows for the reporting period required under ESRS 2 SBM-3 para 48 (d).

~~29-32.~~ The objective of this Disclosure Requirement is to provide an understanding of:

- (a) ~~potential~~**anticipated financial effects** due to material risks arising from water and **marine resources**-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
- (b) ~~potential~~**anticipated financial effects** due to material opportunities arising from related to water and marine resources-related material impacts and dependencies and how the undertaking may financially benefit from material water and marine resources-related opportunities.

~~30-33.~~ The disclosure shall include:

- (a) a quantification of the ~~potential~~**anticipated financial effects** in monetary terms before considering water and marine resources-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*);
- (b) a description of the effects considered, the related impacts and dependencies to which they relate, and the time horizons in which they are likely to materialise; and
- (c) the critical assumptions used into quantify the ~~estimate~~**anticipated financial effects**, as well as the sources and level of uncertainty attached to of those assumptions.



## Appendix A: Application Requirements

This appendix is an integral part of the ESRS E3. It supports the application of the disclosure requirements set out in this standard and has the same authority as the other parts of the Standard.

### ESRS 2 General disclosures

#### Impact, risk and opportunity management

#### **Disclosure Requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities**

- AR 1. When conducting a **materiality** assessment on environmental subtopics, the undertaking shall assess the materiality of water and marine resources 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 (TNFD):~~
- Phase 1: locate where in ~~the~~its own operations and along the **value chain** the interface with nature ~~occurs at the priority location~~takes place;
  - Phase 2: evaluate the ~~water and marine resources-related~~ **dependencies** and **impacts**;
  - Phase 3: assess the material **risks** and **opportunities**; and
  - Phase 4: prepare and report the results of the materiality assessment.
- AR 2. The **materiality** assessment for ~~[draft]~~ ESRS E3 corresponds to the first three phases of this LEAP approach, 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 processes to assess the **materiality** of **impacts**, **risks** and **opportunities** shall ~~consider~~ the~~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 related to water and marine resources covered by the **materiality** assessment ~~under [draft] ESRS~~ may include:
- ~~(a) —~~ water, which encompasses the ~~contribution to direct impact drivers as defined by IPBES:~~
    - ~~water and sea use change, including for instance a desiccation~~consumption of a river or a depletion of a source, from which the undertaking withdrew water in its process; and
    - ~~ii.~~ surface water use, groundwater and ~~replenishment~~;
  - (a) ~~dependencies on ecosystem services related to~~produced water and marine resources and in particular water supply (including freshwater), water purification and/or water flow regulation/maintenance, as well as, regarding marine resources, ~~the rarefaction of some species of fish or other underwater marine living organisms which would be sold as products by the undertaking.~~ withdrawals and discharges of water; and
  - (b) marine resources, which encompasses the extraction and use of such resources and associated economic activities.

<sup>52</sup> 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 #6.1 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively “Water usage and recycling”, 1. Average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenue of investee companies).

AR 5. ~~Under paragraph AR 1(a),~~ the undertaking shall consider ~~first~~ locating where there are areas at water ~~or risk, and areas where there is an interface with~~ **marine resources-related risks that could lead to material impacts and dependencies**, in its own operations and along the value chain. To identify these priority locations, the undertaking shall consider:

- (a) the locations of direct assets and operations and related upstream and downstream activities across the **value chain**;
- (b) the **sites** located in **areas at water risk**, including areas ~~at~~ of high-water stress ;and
- (c) the sectors or business units ~~that~~ are interfacing with water or marine resources in these priority locations.

AR 6. The undertaking shall consider river basins as the relevant level for assessment of locations and combine that approach with an operational risk assessment of its facilities and the facilities of **suppliers** with material impacts and risks ~~and/or the facilities of key suppliers~~.

AR 7.— The undertaking shall consider the criteria for defining the status of ~~river basins~~ **water bodies** according to ~~the relevant annexes of the Water Framework Directive as well as~~ the guidance documents provided for implementation of the Water Framework Directive. The list of guidance documents can be accessed under the European Commission's Environment home page.

AR 8. ~~Under paragraph AR 1(b),~~ In phase 2, the undertaking shall consider evaluating impacts and **dependencies** for each ~~area at water or marine resources-related risks~~ priority location identified under AR 5, through the following process:

- (a) identifying business processes and activities ~~as well as that lead to~~ impacts and dependencies on environmental assets and **ecosystem services**;
- (b) identifying water and **marine resources**-related impacts and dependencies across the undertaking value chain; and
- (c) assessing the severity and likelihood of the positive and negative impacts ~~on~~ water and marine resources.

AR 9. For the identification of water and **marine resources**-related **dependencies**, the undertaking ~~shall consider the common international classification of ecosystem services for integrated environmental and economic accounting available, hosted by the European Environment Agency may rely on international classifications such as the Common International Classification of Ecosystem Services (CICES).~~

AR 10. When identifying its **marine resources**-related **dependencies**, the undertaking shall consider if it depends upon key marine resources-related commodities, including but ~~not limited to deep-sea minerals, not limited to~~ gravels and seafood products.

AR 11. **Marine resources** are defined according to their use by human societies and must be considered in relation to the pressure they are subject to. Some of the pressure indicators are presented in other ~~[draft]~~ ESRS, namely **microplastics and emissions to water** and ~~microplastics in [draft]~~ ESRS E2 and ~~waste~~ plastic **waste** in ~~[draft]~~ ESRS E5.

AR 12. Examples of **marine resources dependencies** which may be considered by the undertaking are:

- ~~(a) dependencies on exploited fish and shellfish along in its supply own operations and its value chain, consumption and production. Indeed, commercially exploited fish; and shellfish are living marine resources targeted for economic purposes (bony fishes, sharks and rays), and crustaceans such as lobsters and shrimps and molluscs (including bivalves, cuttlefish and squid)~~
- ~~(a)(b) fishing activity that involves mobile bottom trawling, which can also have become an issue for global food security; and negative impacts on the seabed.~~
- ~~(a) dependencies on raw materials from deep-sea mining: integrity of seabed (physical, chemical and biological status) defines the functioning of marine ecosystems and is in particular relevant for species and communities living on the seabed. The destruction of the seabed is mainly caused by the extractive activity of minerals and sediments.~~

AR 13. ~~Based~~In Phase 3, based on the results of ~~Phase~~Phases 1 and 2, the undertaking shall finally consider assessing ~~under paragraph AR 1(c)~~ 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<sup>9</sup>:~~  
value chain by the categories of:
  - i. **policy** and legal: e.g., introduction of regulation or policy (e.g., changes such as increased water protection, increased quality of water regulations, regulation of flows of water supply), ineffective ~~biodiversity~~ governance of water bodies or marine resources, in ~~an area, particular~~ across boundaries (e.g., transboundary governance) and cooperation resulting in water or oceans **degradation** exposure to sanctions and litigation (e.g., permits or allocations; negligence towards or killing of threatened marine species), enhanced reporting obligations on marine ecosystems and related services; ~~or killing of threatened marine species~~, enhanced reporting obligations on marine ecosystems and related services;
  - ii. technology: e.g., substitution of products or services with a lower impact on water and marine resources, transition to more efficient and cleaner technologies (i.e., with lower impacts on oceans and water), new monitoring technologies (e.g., satellite), water purification, flood protection;
  - iii. market: e.g., shifting supply, demand and financing, volatility or increased costs of water or marine resources;
  - iv. reputation: e.g., changing societal, customer or community perceptions as a result of an organisation's role in impact on water and marine resources; and
  - v. contribution to **systemic risks** ~~by categories~~ via its own operations and its upstream and downstream value chain, including the risks that a marine ecosystem collapses or the risks that a critical natural system no longer functions (e.g., tipping points are reached, summing physical risks);
- (b) identifying physical risk including water quantity (**water scarcity**, water stress, ~~flooding~~), water quality, infrastructure decay or unavailability of some marine resources- related commodities (e.g. the rarefaction of some species of fish or other underwater marine living organisms sold as products by the undertaking) leading for instance to the impossibility ~~of running of running~~ operations in certain geographical areas;
- (c) identifying opportunities categorised ~~by<sup>10,11</sup>~~by:
  - i. resource efficiency: e.g., transition to more efficient services and processes requiring less water and marine resources;
  - ii. markets: e.g., development of less resource-intense products and services, nature-based solutions, diversification of business activities;
  - iii. financing: e.g., access to green funds, bonds or loans;  
resilience: e.g., diversification of marine or water resources and business activities (e.g., starting a new business unit on **ecosystem restoration**), investing in green infrastructures, nature-based solutions, adopting **recycling** and circularity mechanisms that reduce the **dependencies** on ~~water or marine resources~~; and water or marine resources; and
  - iv. reputation: positive **stakeholder engagement** as a result of a proactive stance on managing nature-related risks (e.g., leading to preferred partner status).

<sup>9</sup> Source: TNFD, 2022, p.37

AR 14. The undertaking may rely on primary, secondary or modelled data collection or other relevant approaches to assess material impacts, **dependencies**, risks and opportunities ~~such as:~~

~~(a) information provided by the WWF Water Risk Filter that is a web-based tool integrating spatially explicit data at the global, regional and local level. It enables firms to understand risks and opportunities, prioritise areas of action and develop tailored response plans;~~

~~(b)(a) information provided by the World Resources Institute's (WRI) Water Risk Atlas tool Aqueduct; information provided by the, including EU Recommendation 2021/2279 on the use of the Environmental Footprint methods to measure and communicate the life cycle environmental performance of products and organisations (Annex I – Product Environmental Footprint; Annex III – Organisation Environmental Footprint); and).~~

~~(c) information provided by the Water Footprint Network that includes the Water Footprint Assessment Tool.~~

AR 15. When providing information on the outcome of the **materiality** assessment, the undertaking shall consider:

- (a) a list of geographical areas where water is a material issue for the undertaking's operations and value chain;
- (b) a list of **marine resources**-related commodities used by the undertaking which are material to the good environmental status of marine waters as well as for the protection of marine resources; and
- (c) a list of sectors or segments associated ~~with~~ water and marine resources material impacts, risks and opportunities.

## Impact, risk and opportunity management

### Disclosure Requirement E3-1 – Policies related to water and marine resources

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AR 16. The **policies** described under this Disclosure Requirement may be integrated in broader environmental or sustainability policies covering different subtopics.

AR 17. When disclosing information under paragraph ~~8.8~~, the undertaking may ~~report if it has adopted policies which disclose whether its policies :~~

- (a) prevent further deterioration and ~~protects~~**protect** and ~~enhances~~**enhance** the status of water bodies and aquatic **ecosystems**;
- (b) promote sustainable water use based on a long-term protection of available water resources;
- (c) aim at enhanced protection and improvement of the aquatic environment;
- (d) promote a good environmental status of marine water; and
- (e) promote reduction of **water withdrawals** and **water**

**discharges.** AR 18. The undertaking may also ~~consider~~**disclose information about policies in order to which:**

- (a) ~~ensure~~**contribute to** good ecological and chemical quality of **surface water** bodies and good chemical quality and quantity of groundwater bodies, in order to ~~protect human~~**protect human** health, water supply, natural **ecosystems** and biodiversity, the good environmental status of marine waters and the protection of the resource base upon which marine related activities depend;
- (b) minimise material **impacts** and **risks** and implement mitigation measures

that aim to maintain the value and functionality of priority services and to increase resource efficiency on own operations; and

- (c) avoid impacts on **affected communities**.

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<sup>10</sup> Source: TNFD, 2022, p.37

<sup>11</sup> Source: CDSB Biodiversity Application Guidance 2021

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## Disclosure Requirement E3-2 – Actions and resources related to water and marine resources policies

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- AR 19. When disclosing information required under paragraph ~~14-15~~, the undertaking shall consider the **actions**, or action plans, contributing to address the material impacts, risks and opportunities identified. Useful guidance is provided by the Alliance for Water Stewardship (AWS).
- AR 20. Considering that water and **marine resources** are shared resources which may require collective **actions**, or action plans, involving other **stakeholders**, the undertaking may provide information on those specific collective actions, including information on other parties (competitors, **suppliers**, retailers, customers, other business partners, local communities and authorities, government agencies...) and specific information on the project, its specific contribution, its sponsors and other participants.
- AR 21. When providing information on capital expenditures, the undertaking may consider expenditures related, for example, to stormwater drain rehabilitation, pipelines, or machinery used to manufacture new low water-use products.

### Metrics and targets

## Disclosure Requirement E3-3 – Targets related to water and marine resources

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- AR 22. ~~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) ~~in its interim guidance (Initial Guidance for Business, September 2020)~~. It may also refer to any other guidance with a scientifically acknowledged methodology that enables the setting of science-based targets by identifying ecological thresholds and, if applicable, organisation-specific allocations. Ecological thresholds can be local, national and/or global.
- AR 23. The undertaking may provide **targets** relating to:
- the reduction of **water withdrawals**; and
  - the reduction of **water discharges**.
- AR 24. If the undertaking provides **targets** on withdrawals, it may include **water withdrawal** from polluted **soils** and aquifers, and water withdrawn and treated for **remediation** purposes.
- AR 25. If the undertaking provides **targets** on **discharges**, it may include **water discharges** to **groundwater** such as reinjection to aquifers, or water returning to a groundwater source via a soakaway or a swale.
- AR 26. The **targets** may cover its own operations and/or the value chain.

## Disclosure Requirement E3-4 – Water consumption

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- ~~AR 27.~~ AR 27. The undertaking may operate in various **areas at water risk**. When disclosing information under paragraph 28 (b), the undertaking shall include such information only for those areas that have been identified as material in accordance with ESRS2 IRO-1 and ESRS2 SBM-3.
- AR 28. When disclosing contextual information on water management performance required by paragraph ~~25,26~~, the undertaking shall explain the calculation methodologies and more specifically the share of the measure obtained from direct measurement, from sampling and extrapolation, or from best estimates.
- AR ~~2829~~. The undertaking may provide information on other breakdowns (i.e., per sector or segments).
- AR ~~2930~~. When disclosing information required by paragraph ~~29, 29~~ the undertaking may provide additional intensity ratios based on other denominators.
- AR 31. The undertaking may also provide information on its **water withdrawals** and **water discharges**.

## Disclosure Requirement E3-5 – **Potential Anticipated** financial effects from material water and marine sources-related impacts, risks and

## opportunities

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AR 32. 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 ~~31~~33. The quantification of the ~~potential material~~ **anticipated financial effects** in monetary terms under paragraph ~~32(a)~~ 32(a) may be a single amount or a range.

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