



CSRD directive and ESRS E3 standard and how it is linked to the other ESRS themes

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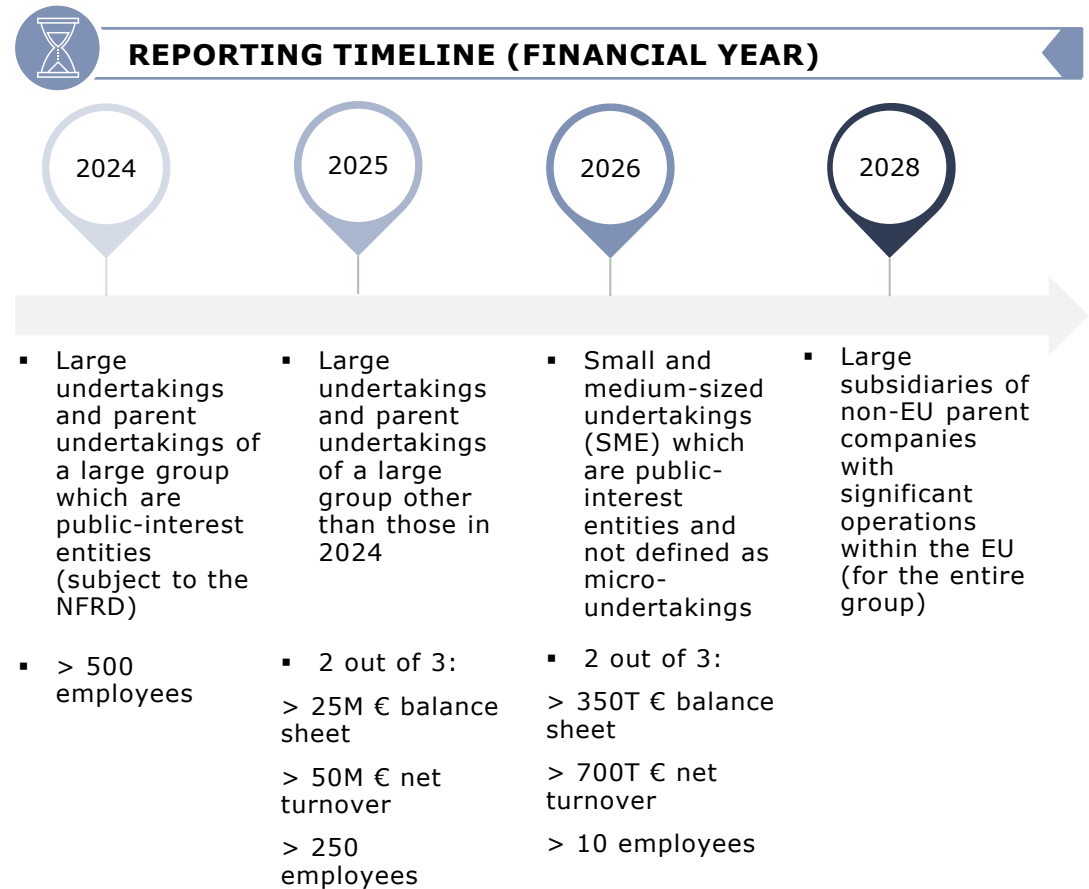
Water reporting is part of topical standards. Water reporting is material for many sectors for which also sector specific standards are being developed

EU Green Deal

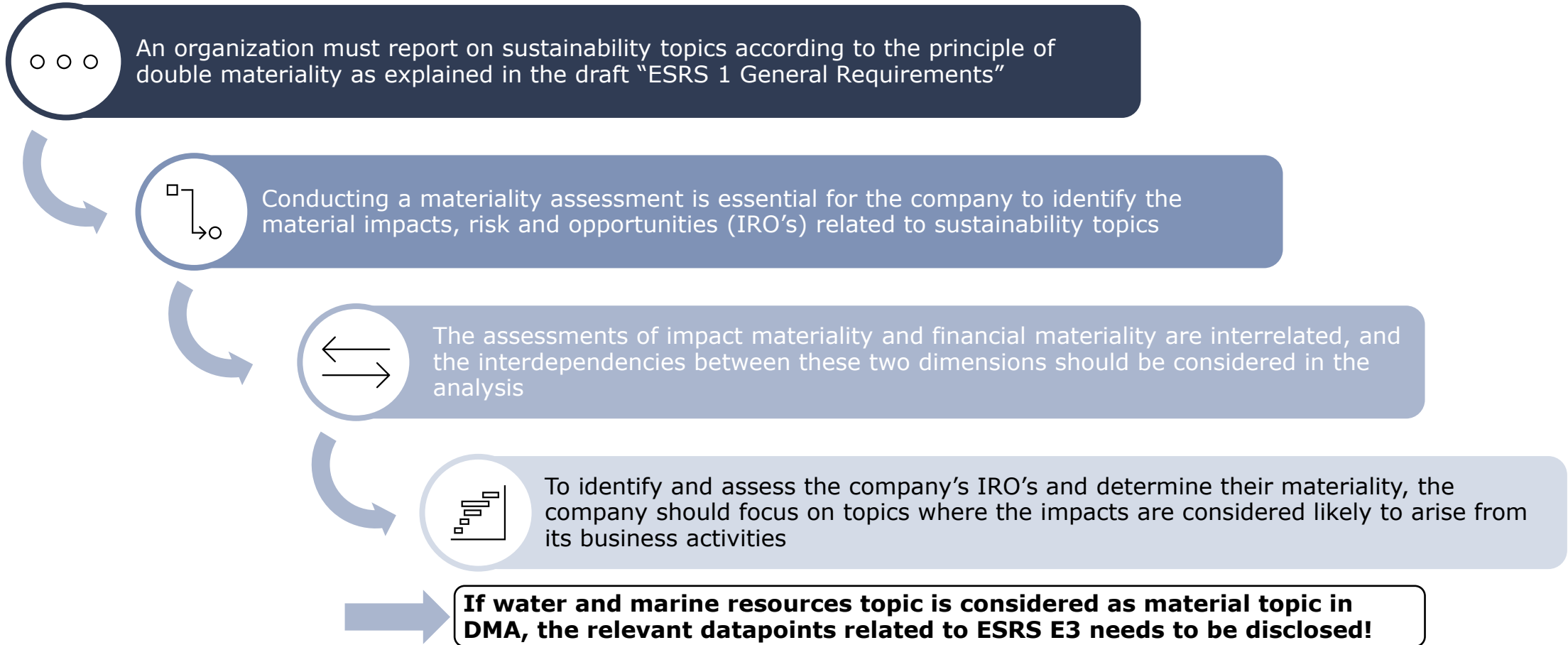
CSRD – The Corporate Sustainability Reporting Directive

ESRS – European Sustainability Reporting Standards

| <u>Cross cutting standards</u> | <u>Topical standards</u> | <u>Sector Specific Standards</u> |
|--|---|---|
| <p>General</p> <p>ESRS 1 – General requirements</p> <p>ESRS 2 – General disclosures</p> | <p>Environmental</p> <p>ESRS E1 – Climate change</p> <p>ESRS E2 – Pollution</p> <p>ESRS E3 – Water and marine resources</p> <p>ESRS E4 – Biodiversity and ecosystems</p> <p>ESRS E5 – Resource use and circular economy</p> <p>Social</p> <p>ESRS S1 – Own workforce</p> <p>ESRS S2 – Workers in the value chain</p> <p>ESRS S3 – Affected communities</p> <p>ESRS S4 – Consumers and end-users</p> <p>Governance</p> <p>ESRS G1 – Business conduct</p> | <p>To be released in 2026</p> <ul style="list-style-type: none"> – Oil and gas – Mining, quarrying and coal mining – Road transport – Textiles, accessorie, footwear, jewellery – Financial institutions – Agriculture, farming and fishing – Motor vehicles – Energy production and utilities – Food and beverages |



Double materiality analysis is the key for companies to identify material topics for disclosure



CSRD requires companies to consider and disclose water related issues in their business in a very comprehensive way

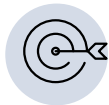
CSRD requires companies to have a comprehensive approach for all material topics, not just reporting of few key KPI's. ESRS E3 standard points out key elements which companies are required to consider and disclose:



- How **company affects on water** and/or marine ecosystems



- What **actions** are taken or considered related to the water and marine topic? how water related issues are considered in company's **strategy, policies and business model**? What **targets** have been set and how they are **measured** (various kpi's)?



- How the **strategy and policies** relate to the legislation and frameworks (e.g. EU Green deal ambitions, sustainability of the blue economy and fisheries sectors as well as respect of global environmental limits)



- What are the undertaking's main **material risks and opportunities** for "water and marine resources" topic and how risks and impacts are managed?



- What are the **financial effects** on the undertaking over the short-, medium- and long-term

Few highlights related to ESRS E3 reporting

- ESRS E3 does not strictly define how the water use related KPI's needs to be obtained. However, it requires to disclose detailed information how the presented values are obtained e.g. calculation methodologies and more specifically the share of the measure obtained from direct measurement, from sampling and extrapolation, or from best estimates.
- Datapoint amount for disclosure varies between companies (ESRS E3 total 48 datapoints of which 30 mandatory and 18 voluntary). The DMA determines material topics for disclosure, but the DP list needs to be revised to identify possible non-applicable datapoints (e.g. water storage related datapoints, if company does not have water storage related activities, even though water have been identified as material topic for the company)
- Disclosure of financial effects are omittable (no need to disclose in first year)



Water standard ESRS E3 is linked to all other environmental ESRS, making it somehow an important topic for all companies



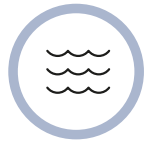
ESRS E1:
Climate Change

Standard addresses acute and **chronic physical risks** arising from water and ocean-related hazards 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



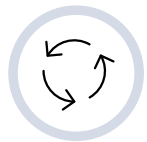
ESRS E2:
Pollution

Standard addresses **emissions to water**, which includes emissions to oceans, and the use and generation of microplastics;



ESRS E4:
Biodiversity

Standard addresses the **impacts and dependencies** of the company on surrounding ecosystems, including **freshwater aquatic ecosystems** as well as the oceans and seas



ESRS E5:
Circular Economy

Standard addresses extraction of **non-renewable resources of wastewater**; **reduced use of plastic**; and the **recycling of wastewater**

All of the ESRS E3 water related disclosure requirements (DRs) were partly covered already in GRI but new data points exist for all DRs



IRO-1

- Disclosure of results of materiality assessment (water and marine resources) (narrative)



E3-1 Policies

- More comprehensive requirements, compared to GRI, to disclose about company's water management, water use and sourcing, water treatment, water pollution mitigation actions, commitments to reduce water consumption in water risk and high-water stress areas.



E3-2 Actions and resources

- Disclosure of actions and resources in relation to areas at water risk (narrative)



E3-3 Targets related to water and marine resources

- Relation of set targets to IRO's
- Disclosure if the set targets (related to water) are mandatory based on legislation



E3-4 Water consumption

- Total water recycled and reused (volume); total water stored (volume); Water intensity ratio (%)
- Water consumption – sectors/segments, table (volume, voluntary DP)



E3-5 Financial effects from water and marine resources –related impacts, risks and opportunities

- Disclosure of quantitative and qualitative information about potential financial effects of material risks and opportunities arising from water and marine resources (monetary, narrative)
- Description of effects considered and related impacts (water and marine resources) (narrative)
- Disclosure of critical assumptions used in estimates (narrative)

Key takeaways of ESRS E3 requirements for the companies

| Key takeaways | |
|----------------------------|--|
| Who it concerns | <ul style="list-style-type: none">– All companies who are required to report according to CSRD are most likely affected water topic through different ESRS standards, even if E3 “water and marine resources” topic is not considered as material for the company |
| What is needed | <ul style="list-style-type: none">– Materiality of water topic is determined through double materiality analysis (DMA). Preparation (e.g. DMA analysis and identification of necessary data collection) for the CSRD reporting is recommended to do well in advance before reporting. Applicable datapoints for disclosure are determined through DMA. |
| What changes? | <ul style="list-style-type: none">– ESRS E3 requires more comprehensive approach for water management e.g. compared to GRI. New datapoints, especially financial effects of water related risks and opportunities, are added. |
| When it is required | <ul style="list-style-type: none">– First disclosures from 2025 onwards (based on FY 2024 data). Reporting schedule depends on company size. Preparations for disclosure should be started well in advance! |

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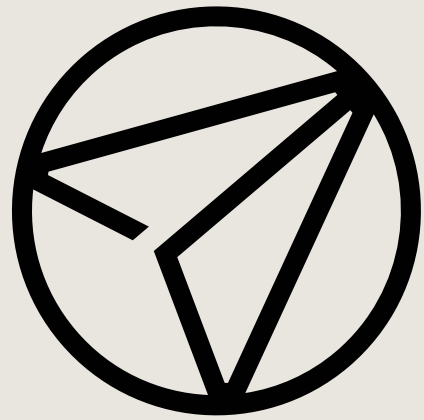
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