Biodiversity and ecosystems

This text is part of the series of brief articles that HållbarTillväxt AB has created to explain, simplify and explore the various steps that are currently most relevant in the area of sustainability; ***CSRD*** *and* ***ESRS****. The ESRS consists of a total of 12 separate documents, 2 of which relate to general and comprehensive information (ESRS 1 and 2). The remaining 10, so-called topical standards, deal with various sustainability issues divided into* ***environment****,* ***social responsibility*** *and* ***corporate governance*** *– in English Environment, Social and Governance, abbreviated* ***ESG****. Fulfilment of the new requirements in CSRD and reporting according to ESRS is based on the involvement of all functions in a business, including the board and management. The board is ultimately responsible for sustainability reporting just as it is for financial reporting. Like the financial report, the sustainability report must now also be reviewed by an external auditor.*

1 General information

ESRS 1 General requirements

ESRS 2 General disclosures

3 Social responsibility information

ESRS S1 Own workforce

ESRS S2 Workers in the value chain

ESRS S3 Affected communities

ESRS S4 Consumers and end-users

2 Environmental information

ESRS E1 Climate change

ESRS E2 Pollution

ESRS E3 Water & marine resources

ESRS E4 Biodiversity & ecosystems

ESRS E5 Resource use & circular economy

4 Corporate governance information

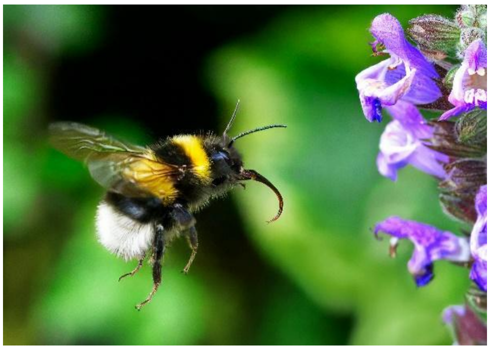
ESRS G1 Business conduct

Biodiversity, which refers to the variety of life in all its forms and levels, from genes to species and ecosystems, plays a critical role in maintaining the Earth's life support system. In the topical standard ESRS E4, companies are expected to account for their impact on biodiversity and ecosystems through their own operations as well as upstream and downstream activities along the value chain. This work includes reporting on its significant, positive or negative, actual or potential impacts, risks and opportunities for and to what extent the company contributes to the loss and deterioration of biological diversity and ecosystems. Companies must also report which governance, measures and goals they have or plan to introduce to prevent, counteract and remedy its impact on biological diversity and ecosystems. By extension, the company must also clarify how, through its impact on biological diversity and ecosystems, it affects people and communities, as well as how it can have a financial impact on the company, directly or indirectly. The reporting shall include quantitative and qualitative information on the company's measures to protect and promote biodiversity, including the conservation of endangered species, the restoration of damaged ecosystems and the sustainable management of natural resources. The key aspects of reporting according to ESRS E4 are presented in this article.

Key concepts

- **Biodiversity:** The variability among living organisms from all sources including terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part. This includes variation in genetic, phenotypic, phylogenetic, and functional attributes, as well as changes in abundance and distribution over time and space within and among species, biological communities and ecosystems.
- **Ecosystem:** A dynamic complex of plant, animal and micro-organism communities and their non-living environment interacting as a functional unit.
- **Ecosystem services:** The benefits people derive from ecosystems that contribute to human well-being and quality of life, including subsistence services (such as food, water and energy), regulatory services (such as air purification, climate regulation and pollination), cultural services (such as experiences, knowledge and inspiration) and supporting services (such as nutrient cycling, natural cycles and soil formation).

- **Ecological Threshold:** 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.



Reporting according to ESRS E4

Large companies, companies with more than 750 employees, will report according to ESRS E4 when the area is deemed material. Companies with fewer than 750 employees, however, have the option of delaying this reporting during the first two years of the preparation of the sustainability statement. In regards to assessments and calculations of expected financial effects, even large companies have phasing-in opportunities during 1 year for these disclosure requirements. In the impact analysis and the double materiality analysis carried out according to ESRS E4, companies must consider how they contribute to direct impact drivers that lead to the loss of biodiversity. This can occur, for example, through climate change, changed land and sea use, direct exploitation, spread of invasive alien species, pollution or other direct impact drivers. They must also investigate the consequences (impacts) that the business and the value chain create for the condition and population size of species and ecosystems. Companies must report their governing documents relating to biological diversity and ecosystems. These should cover aspects such as raw material management, certifications, adaptation to the global sustainability goals 2, 6, 14 and 15, management of social consequences related to biodiversity and the contribution of policies to avoid, reduce, restore and mitigate negative consequences for biodiversity and ecosystems. For example, companies can report on policies that restrict purchases from suppliers who are unable to demonstrate their contribution to significant transformation in critical areas of biological diversity or ensure that raw materials used in the business come from ecosystems that are managed to maintain or enhance conditions for biological diversity.

A key component of the report involves addressing the company's impact on and dependencies on ecosystem services. This concerns how the company's activities damage or affect ecosystems and their ability to deliver services, as well as how the business depends on the services that ecosystems provide in order to function. For example, many industries are dependent on access to clean water or raw materials and can themselves affect these ecosystem services through the release of pollutants or the unsustainable extraction of natural resources. Furthermore, companies must report on the measures and resources that are directed to the management of its impact on biological diversity and ecosystems, as well as which metrics and targets are used to evaluate the work. For example, companies can report capital and operating expenses required to implement, adopted or planned, action plans and what type of targets have been introduced according to the mitigation hierarchy to improve conditions for biodiversity and ecosystems. The goals may include reversing the decline of pollinators, reducing the use of chemical pesticides, practising more organic farming, planting trees or restoring watercourses. Companies must also draw up a list of the places where the company comes into contact with areas of sensitive biological diversity. For more information, visit the IPBES platform for biological diversity, IPBES is the biological diversity equivalent of the UN Climate Panel, IPCC.

Advice for companies before reporting ESRS E4

1. **Conduct a comprehensive biodiversity assessment:** Start by conducting a thorough assessment of where and how the company's operations affect biodiversity and ecosystems in different parts of the value chain. This includes mapping direct and indirect impacts as well as identifying critical areas and species. Also identify how a company's activities across the value chain can contribute positively to biodiversity and which actor would benefit from it.
2. **Develop clear goals and action plans:** Set specific, time-bound goals to reduce negative impacts on biodiversity and improve ecosystem services. Develop and implement action plans that support these goals and ensure they are integrated into the company's overall business strategy.
3. **Build capacity and awareness:** Educate and engage company employees and stakeholders on the importance of biodiversity and ecosystems. Create internal working groups or committees to monitor progress and ensure that biodiversity is integrated into company decisions and processes.