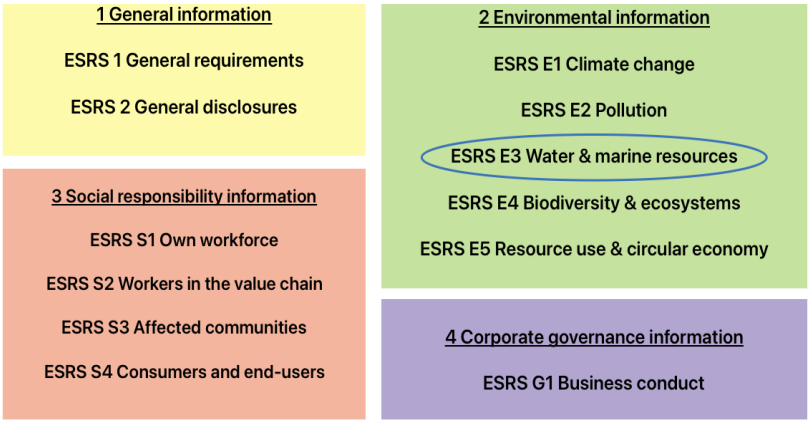
Water and marine resources

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.*



The topical standard E3 - ***Water and marine resources*** is part of the European Sustainability Reporting Standards (ESRS) and is designed to instruct companies on how to report their **impact on water and oceans**. Under the CSRD directive, reporting on this will be crucial for many companies across various industries. This work ultimately contributes to the achievement of goal 14 of the UN's global goals for sustainable development; *Life below water*. E3 covers several important areas within the business. Including water consumption, water abstraction and the use of marine resources as well as the identification and management of risks such as areas of water stress and high water risk. These concepts involve certain ambiguities that can cause significant confusion for companies now required to report on this aspect of their business. Many Swedish companies are often unfamiliar with the practice of reflecting on and monitoring their impact on aspects like groundwater or regions facing high water risk and water stress.

E3 is largely based on understanding the company's impact on areas with high water risk and water stress in its own operations as well as upstream and downstream across the value chain. This should not be confused with the sustainability question *pollution of water* in ESRS E2 which deals with specific parts of the company's emissions into seas and lakes. To effectively address the challenges linked to working with E3, it is crucial to possess a thorough understanding of the definitions of different sustainability issues and know what aspects of the business need to be measured, controlled, and reported in accordance with ESRS.

Defined terms

When considering the company's operations and value chain, certain risk areas warrant (extra) attention. According to the ESRS, **high water stress** means that an area faces significant challenges with water supply, for example due to drought, overuse of water resources or poor water quality. **Water risk** means that the demand for water exceeds the available amount or that the water quality is such that it cannot be used without extensive treatment. Both of these risk areas endanger everything from clean drinking water to diverse animal and plant life, making them integral components of reporting in ESRS E3.

Water withdrawal is all water that the company uses in its operations, for example in production, cooling, sanitation, process water and in water and sewage systems. Water withdrawal thus refers to the sum of all water drawn into the boundaries of the undertaking from all sources for any use over the course of the reporting period. Large withdrawals of groundwater can cause nearby wells and watercourses that rely on this groundwater to dry up, as well as lead to the drying up of wetlands and reservoirs. Additionally,

depending on soil layer conditions, this can result in subsidence in buildings. Currently, no quantitative data on the company's water withdrawals is required in ESRS, however, the company can set goals and guidelines for managing and limiting its water withdrawals.

Water consumption refers to the amount of water drawn into the boundaries of the company (or facility) and *not* discharged back to the water environment or a third party over the course of the reporting period. The term specifically refers to water that disappears by, for example, being bound or mixed into products and thus not being discharged back into the water environment again. It is important to distinguish between water consumption and water withdrawal in the business as specific requirements are placed on the reporting of water consumption in particular where quantitative data is required. High water consumption can lead to a lack of water and reduced groundwater levels, which in turn can contribute to negative impacts for humans, animals and the environment on site and/or in nearby areas. It is therefore important to monitor your water consumption and identify significant impacts, risks and opportunities that the business has in water risk areas.

Water discharge means the sum of effluents and other water leaving the boundaries of the organisation and released to surface water, groundwater, or third parties over the course of the reporting period. For some companies that, for example, conduct coastal operations, it may be relevant to report on the information requirements that apply specifically to **water discharges into the seas**. In the same way, the issue of sustainability of **marine resources** can be relevant for companies with special activities that affect the non-water resources in seas and oceans. Marine resources are natural resources found in marine environments, including biological resources such as fish and shellfish as well as non-biological resources such as gravel, sand, gas and deep-sea minerals. Sustainable management of marine resources is critical to ensure that these resources can be used by future generations.

Reporting

All companies that must report under the CSRD should report on *E3 - Water and marine resources* in the event that the area is deemed **material according to a double materiality assessment**. Even if the company determines that its impact on water and marine resources is significant, not all data points need to be reported on directly. A portion of the data points is voluntary, allowing companies to choose whether to report them. Additionally, certain data points related to financial effects have a phase-in period, permitting companies to delay reporting them until future annual reports. The companies in question should be prepared to report on various aspects, including the policies and internal guidelines they have implemented regarding water use, purification, and consumption, as well as the status of their operations in areas that face high water risk and water stress. In some cases, companies are required to provide estimates and measurements of water usage, such as the amount consumed, stored, and reused in their operations. Additionally, they must set objectives for reducing water consumption and minimising the impact on water and marine resources.

Advice

- Differentiate between water withdrawal and water consumption across the company's value chain(s)
- Understand the company's impact on water and marine resources both upstream, in its own operations, and downstream
- Map whether the company has operations in areas with a high water risk or water stress
- Identify which materials and raw materials used are produced in areas with these risks
- Be up-to-date and aware of the water resources in Sweden and in supplier countries.