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The role of EMAS for ESG reporting and the Austrian experience with CSRD

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ACTIVITIES ON EUROPEAN LEVEL CONCERNING A BETTER ACKNOWLEDGMENT OF EMAS



- Working group between EFRAG and DG ENV, involvement of German UBA and our agency
- Better Consideration of EMAS in VSME standard
- Comparison Table between EMAS and SET 1 of ESRS

ESRS (SET 1) AND EMAS

Direct Reference to EMAS

- Para 121 ESRS 1 (**incorporation by reference**)
- The **ESRS E4 DR E4-5** *Pressure and impact metrics related to biodiversity and ecosystems change* (AR 34) is compatible with EMAS Annex IV, C, 2 (v).

Possible overlaps with EMAS

ESRS E1

- ESRS E1-2 on climate-related **policies** with Annex IV B. b) and g) of EMAS III;
- ESRS E1-3 on **action plans** in relation to Annex IV B. d); and
- ESRS E1-4 on **climate-related targets** in relation to Annex IV B. d).
- ESRS E1-5 on **energy consumption**, ESRS E1-6 on **GHG emissions** in relation to Annex IV, C.2. c) (i) and (vi);

} Similar to
Env.programme
acc. to EMAS

ESRS (SET 1) AND EMAS

ESRS E2

- E2-1 on **policies** related to pollution is compatible with Annex II Part A - A.2 and Annex IV B. (b)
- E2-2 and E2-3 on **targets and action plans** are compatible with Annex II Part A -A.3.3 and Annex IV B. (d)
- E2-4 on **emissions of air pollutants** (par. 30 a) is compatible with the EMAS regulation's core environmental performance indicators emissions Annex IV, C. 2. (vi) and Annex IV, C. 1. (c)

ESRS E3

- E3-1 on **policies** related to water is compatible with Annex II Part A - A.2 and Annex IV B. (b)
- E3-2 and E3-3 on **targets and action plans** are compatible with Annex II Part A -A.3.3 and Annex IV B. (d)
- E3-4 on **water consumption** is compatible with the EMAS regulation's core environmental performance indicators on water Annex IV, C. 2. (iii)

Policies described under the Disclosure Requirements E2-E5 may be integrated in broader environmental or sustainability policies covering different subtopics (see E2-1 AR 10; E3-1 AR 16; E4-2 AR 11; E5-1 AR 8)

ESRS (SET 1) AND EMAS

ESRS E4

- E4-2 **Policies** related to biodiversity and ecosystems is compatible with Annex II Part A - A.2 and Annex IV B. (b)
- E4-3 and E4-4 on **targets and action plans** are compatible with Annex II Part A -A.3.3 and Annex IV B. (d)
- E4-5 Pressure and impact **metrics** related to biodiversity and ecosystems change (AR 34) is compatible with EMAS Annex IV, C, 2c) (v).

ESRS E5

- E5-1: **Policies** related to resource use and circular economy
- E5-2: **Actions** and **resources** in relation to resource use and circular economy
- E5-3: **Targets** related to resource use and circular economy
- E5-5 on waste generation (par. 37) is compatible with the EMAS regulation's core environmental performance indicators on waste Annex IV, C. 2. (iv)

VSME STANDARD

- VSME is expected to standardize the current multiple **ESG data requests** which might be a significant burden for non-listed SMEs,
- reduction of the number of uncoordinated requests
- better access to lenders, investors and clients
- structured in a *Basic Module* and in two additional optional modules, a *Narrative-Policies, Actions and Targets (PAT) Module* and a *Business Partners Module*.



EMAS AND THE VSME STANDARD

The environmental metrics required in the **VSME basic module (B3-B7)** resemble the EMAS core environmental performance indicators to a large extent, there are only slight deviations

Topic	VSME Basic module, environmental metrics	EMAS Annex IV, core environmental performance indicators
Energy	Total energy consumption (B3)	Total direct energy consumption (C 2. (a) (i))
GHG emissions	Gross greenhouse gas (GHG) emissions (scope 1 and 2) (B3)	total annual emission of greenhouse gases (incl. reference to GHG protocol) (C 2. (a) (vi))
Pollutant emissions	Pollutant emissions required to report by law or under EMAS (B4)	total annual air emission, including at least emissions of SO ₂ , NO _x and PM (C 2. (a) (vi))
Biodiversity	Number and area (in hectares) of sites owned, leased or managed, that are located in or near biodiversity sensitive areas The undertaking may disclose the land-use metrics from EMAS (B5)	the forms of land use with regard to biodiversity: — total use of land — total sealed area — total nature-oriented area on site — total nature-oriented area off site (C 2. (a) (v))
Water	total water withdrawal, including in areas of high water stress, and, if applicable, water consumption (B6)	total annual water use (C 2. (a) (iii))
Waste	the total annual generation of waste, broken down by type (non-hazardous and hazardous) total annual waste diverted to recycle or reuse (B7)	total annual generation of waste, broken down by type (C 2. (a) (iv))
Materials	Description of resource and waste management practices Recycled and recyclable content in products and packaging (only for manufacturing and construction sector) (B7)	annual mass-flow of key materials used, broken down by type of material (C 2. (a) (ii))

EMAS AND THE VSME STANDARD

The **EMAS environmental statement** requires an organization to disclose its **significant environmental aspects and impacts** and how these are managed, which is fully in line with the intention of the disclosure requirements in the **VSME PAT module**, though also here the level of prescriptive detail in the VSME is higher.

Topic	VSME	EMAS Annex IV
Material matters	Disclose the material sustainability matters resulting from the materiality analysis, including a brief description of each sustainability matter and how it affects people and environment Disclose the effects of sustainability matters on the undertaking's financial performance and position and activities and strategy (N2)	Description of all the significant direct and indirect environmental aspects which result in significant environmental impacts of the organisation, a brief description of the approach used to determine their significance and an explanation of the nature of the impacts as related to these aspects (B (c))
Policies and targets	whether it has adopted policies in place and if so the objective(s) of the policy, which material sustainability matters it addresses, the scope, if relevant, affected stakeholder groups addressed, if applicable, a reference to third-party standards or initiatives, the targets the undertaking uses to monitor the implementation of the policy and the progress achieved; (N3)	Environmental statement shall include the environmental policy (B (b)) Description of the environmental objectives and targets in relation to the significant environmental aspects and impacts (B (d))
Actions	Whether it has actions in place and if so the list of key actions taken in the reporting year and planned for the future, the scope of those actions, the time horizon under which the undertaking intends to complete each key action; and, the targets the undertaking uses to monitor the actions implemented and the progress achieved (N3)	Description of the actions implemented and planned to improve environmental performance, achieve the objectives and targets and ensure compliance with legal requirements related to the environment. (B (e))
Governance	Describe the governance and responsibilities in relation to sustainability matters, including, if applicable, roles and responsibilities of the highest governance body or of the individual(s) in charge of managing sustainability matters within the undertaking. (N5)	a brief description of the governance structure supporting the environmental management system of the organisation (B (b))

EMAS AND LSME STANDARD - LINKS TO EMAS

General requirements

- **4.2 Estimation using sector averages and proxies**, Article 66: If an **actor in the value chain** that does not prepare the mandatory ESRS sustainability statement nevertheless publishes sustainability information according to other standards or frameworks (such as any voluntary standard issued in the EU [VSME] or GRI Standards, or IFRS Sustainability Disclosures Standards, or **EMAS**), **the undertaking may rely on** and refer to information contained in that sustainability statement provided that such information is subject to at least **the same level of assurance as its sustainability statement**.
- **8.1 Incorporation by reference**, Article 113 (conditions: same time, same language, same level of assurance and digitization)

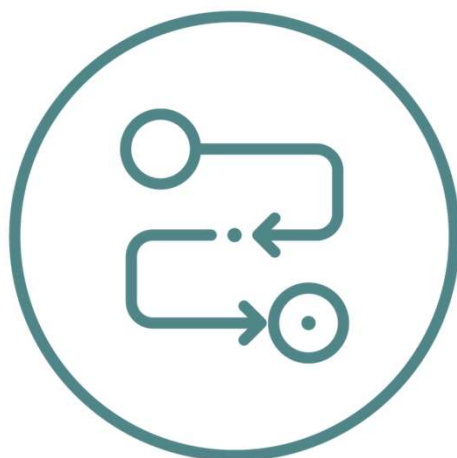
Environment E4

- **Land use**, AR 64, E4: same provision as in Annex IV of EMAS regulation

EMAS AND MATERIALITY ASSESSMENT

- With regards to the materiality assessment, it can be argued that the **assessment of environmental aspects and impacts** to determine which of them are significant (cf. Annex I clause 4 and 5), **is largely in line with requirements for the material assessment for environmental impacts under the ESRS/VSME**. The significance assessment shall take account of **past, present and planned activities** of the organization.
- The ESRS require to consider **actual (current) impacts and potential (future) impacts** over the **short-, medium- and long-term**. It shall also be **criteria-based**, including, among others, the potential harm or benefit to the environment, the condition of the environment and the size, number, frequency and reversibility of the aspect or impact.
- The ESRS materiality assessment criterion for actual impacts is **severity, composed of scale** (how grave the impact is), scope (how widespread it is) and **irremediable character**. For potential impacts also the **likelihood of occurrence** has to be considered. **Both EMAS and ESRS require to consider negative and positive impacts.**

National Implementation of CSRD in Austria



- Ministry of Justice is in charge of implementation, draft for the so called NaBeG is available
- Amendment of 21 national laws necessary (incl. Corporate Code – UGB)
- Provision of Split Audit and Independent Assurance Service Providers (IASPs)
- Authority for IASPs not fixed yet (Accreditation Authority in discussion)
- Equivalence has to be ensured (Level of assurance in the context of EMAS and ISO is not clear-> expert opinion is necessary, German Study available: emas.de/fileadmin/user_upload/4-pub/Studie_CSRD-Pruefpflicht_Umweltgutachter.pdf)

Next steps

- Commenting period for VSME standard until 21st of May
- EMAS-related questions have been included in the VSME consultation questionnaire [Download \(efrag.org\)](https://efrag.org) (Q.15 and Q.28)
- Reporting is not everything → (management) system behind it necessary
- Next webinar with (EMAS) companies on VSME standard on 9th of April:
https://adelphi.zoom.us/webinar/register/WN_m5mv05aQQXWZvepWjSIABA#/registration
- Discussion on EFRAG SRB and TEG level after consultation period of VSME and LSME



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