Dear XXXXX,

I hope this message finds you well.

Firstly, we were very pleased to see the efforts to revise the initial definition in ESRS of 'areas of high-water stress' which was previously based only on WRI's Baseline Water Stress Annex II – Acronyms and glossary Terms. The updated ESRS definition aligns with the guidance from GRI 303 Water and Effluents Standards on tools and indicators to use for assessing water stress (page 12 on Guidance for Disclosure 303-3-b). However, we have some concerns about the limitations of this outdated GRI guidance and would like to suggest some improvements. As our WWF colleagues engaging directly with EFRAG have other priorities they want to focus on regarding the revision of ESRS, we are reaching out to you directly in the hope that our recommendations can get heard/considered. Please see below a summary of our key concerns regarding latest definition and proposed recommendations. If you have any questions, please do not hesitate to reach out directly to us and we would more than happy to organise a short call if helpful.

Key Concerns

Narrow definition of water stress focused only on water scarcity/quantity indicators

- The current ESRS definition explicitly refers to two indicators focused only on water scarcity/quantity: Baseline Water Stress and Water Depletion.
- Leading organisations (CEO Water Mandate and European Environment Agency) define water stress more inclusively: physical availability (i.e., scarcity/quantity), water quality, and accessibility.
- By limiting reporting on water stress to only two water scarcity/quantiy indicators, companies will overlook/not report on other material risks related to water stress such as pollution, lack of infrastructure, or unaffordable access.
- Even GRI 303 Water and Effluents Standards (page 12) acknowledges these limitations: *'The organization may use these indicators even though they account only for quantity and not the quality or accessibility of water as per the inclusive approach to the definition of water stress.'*

Alignment with outdated GRI guidance

- GRI 303 was developed in 2018 and has not been updated since. WWF has long informed GRI that its current guidance on assessing water stress is incomplete.
- Aligning ESRS with outdated guidance risks institutionalizing an incomplete definition for years to come.

Recommendation 1: We would recommend changing from the use of the terminology "water stress" to the terminology "water scarcity" in ESRS 3 as the two indicators provided in current definition refer only to water scarcity. As a result, water stress related aspects on water quality and accessibility should be reported under 'area at water risk'.

However, as we understand it may be challenging to change wording/terminology throughout ESRS, therefore please find in recommendation 2 our proposed minor text changes to the definition of 'area of high-water stress' in order to acknowledge that these two indicators refer only to water scarcity. We hope it may be 'more easy/feasible' to implement recommendation 2.

Recommendation 2: Proposed text changes to current definition of 'area of high-water stress'

"Water stress is the ability of an area, or lack thereof, to meet the human and ecological demand for water. Water stress is an inclusive concept that considers several physical aspects related to water resources, including water availability, water quality, and the accessibility of water (i.e., whether people are able to make use of physically available water supplies), which is often a function of the sufficiency of infrastructure and the affordability of water, among other things.

Based on publicly available and credible tools, water scarcity in an area – as a key component of water stress – may be assessed using either of the following indicators and their thresholds.

The ratio of total annual water withdrawal to total available annual renewable water supply (i.e., baseline water stress) is high (40-80%) or extremely high (>80%);

The ratio of water consumption-to-availability (i.e., water depletion) is moderate (dry-year depletion, where for at least 10% of the time, the monthly depletion ratio is >75%), high (seasonal depletion, where for one month of the year on average, the depletion ratio is >75%), or very high (ongoing depletion, where the depletion ratio on average is >75%)

These two indicators account only for water scarcity and not the quality or accessibility of water as per the inclusive approach to the definition of water stress."

Please note that the minor proposed text changes are adapted from:

- CEO Water Mandate: *Compared to scarcity, water stress is a more inclusive and broader concept. It considers several physical aspects related to water resources, including water availability, water quality, and the accessibility of water (i.e., whether people are able to make use of physically available water supplies), which is often a function of the sufficiency of infrastructure and the affordability of water, among other things.*

- GRI 303 Water and Effluents Standards (page 12): *'The organization may use these indicators even though they account only for quantity and not the quality or accessibility of water as per the inclusive approach to the definition of water stress.'*

Many thanks for your support and please do not hesitate to contact us if you have any questions/want further clarifications.

Best regards,

Ariane

Ariane Laporte-Bisquit
Senior Manager Risk Filter Suite

WWF Deutschland | Reinhardtstr. 18 | 10117 Berlin | DE