

E5 – Resource Use and Circular Economy

Methodology

October 2022



CSRD

Recital 1: «The European Green Deal aims at decoupling economic growth from resource use [...]

Recital 35: «Sustainability reporting standards should be coherent with other Union legislation. Those standards should in particular be aligned with the disclosure requirements laid down in **Regulation (EU) 2019/2088**, and they should take account of underlying indicators and methodologies set out in the various delegated acts adopted pursuant to **Regulation (EU) 2020/852**, disclosure requirements applicable to benchmark administrators pursuant to **Regulation (EU) 2016/1011** of the European Parliament and of the Council, [...]”

Recital 42: «Achieving a climate neutral and **circular economy** without diffuse pollution requires the full mobilisation of all economic sectors”

Art. 29 b, 2 a), iii: «The sustainability reporting standards shall, taking into account the subject matter of a particular standard:

- (a) specify the information that undertakings are to disclose about the following environmental factors:
 - [..]
 - (iv) **resource use and circular economy**”

SFDR: DATA POINTS

Table 1

9. Hazardous waste and radioactive waste ratio (*Tonnes of hazardous waste and radioactive waste*)

Table 2

13. Non-recycled waste ratio (*Tonnes of non-recycled waste*)

Taxonomy regulation (Regulation (EU) 2020/852)

Art. 9 - Environmental objectives

“ For the purposes of this Regulation, the following shall be environmental objectives: [...]

(d) **the transition to a circular economy**”

Art. 13 - Substantial contribution to the transition to a circular economy

An economic activity shall qualify as contributing substantially to the transition to a **circular economy, including waste prevention, re-use and recycling**, where that activity:

- (a) uses natural resources, including sustainably sourced bio-based and other raw materials, in production more efficiently, including by:
 - (i) reducing the use of primary raw materials or increasing the use of by-products and secondary raw materials; or
 - (ii) resource and energy efficiency measures;
- (b) increases the durability, reparability, upgradability or reusability of products, in particular in designing and manufacturing activities;
- (c) increases the recyclability of products, including the recyclability of individual materials contained in those products, inter alia, by substitution or reduced use of products and materials that are not recyclable, in particular in designing and manufacturing activities;
- (d) substantially reduces the content of hazardous substances and substitutes substances of very high concern in materials and products throughout their life cycle, in line with the objectives set out in Union law, including by replacing such substances with safer alternatives and ensuring traceability;
- (e) prolongs the use of products, including through reuse, design for longevity, repurposing, disassembly, remanufacturing, upgrades and repair, and sharing products;
- (f) increases the use of secondary raw materials and their quality, including by high-quality recycling of waste;
- (g) prevents or reduces waste generation, including the generation of waste from the extraction of minerals and waste from the construction and demolition of buildings;
- (h) increases preparing for the re-use and recycling of waste;
- (i) increases the development of the waste management infrastructure needed for prevention, for preparing for re-use and for recycling, while ensuring that the recovered materials are recycled as high-quality secondary raw material input in production, thereby avoiding downcycling;
- (j) minimises the incineration of waste and avoids the disposal of waste, including landfilling, in accordance with the principles of the waste hierarchy;
- (k) avoids and reduces litter; or [...+]

E5 Resource use and circular economy

Key outcome for public consultation

- Clarification of concepts across standards, avoid giving too much emphasis to intensity (inc. decoupling)
- Sector-specific?
- International alignment
- Architecture
- Some concerns on data availability

Key decisions

E5 standard remains at sector-agnostic level, subject to materiality assessment

E5 Resource use and circular economy

Current draft

PTAPR

- **DR E5-1 – Policies** implemented to manage resource use and circular economy
- **DR E5-2 – Measurable targets** for resource use and circular economy
- **DR E5-3 – Resource use and circular economy action plans**

Performance measurement

- **DR E5-4 – Resource inflows**
- **DR E5-5 – Resource outflows**
- **DR E5-6 – Waste**
- **DR E5-7 – Resource use optimisation** (*merged into other DRs*)
- **DR E5-8 – Circularity support** (*merged into other DRs*)
- **DR E5-9 – Financial effects from resource use and circular-economy-related impacts, risks and opportunities**
- **Taxonomy Regulation**

Proposed draft

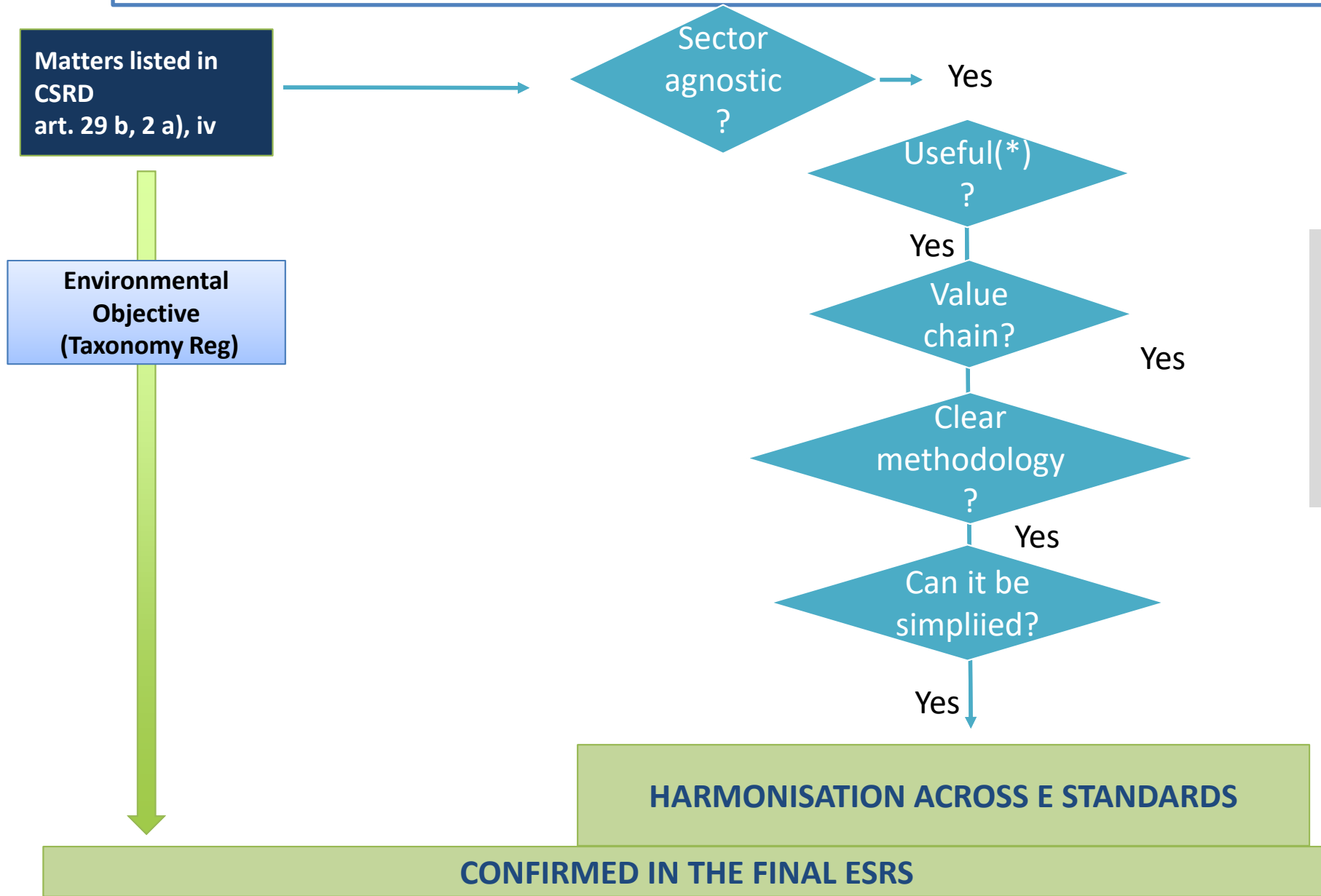
- **DR E5-1 – Policies** implemented to manage resource use and circular economy
- **DR E5-2 – Measurable targets** for resource use and circular economy
- **DR E5-3 – Resource use and circular economy action plans**

- **DR E5-4 – Resource inflows**
- **DR E5-5 – Resource outflows**, *including Waste and clarification of concept, inc. SFDR PAI #9 Hazardous waste and radioactive waste, PAI #13 Table 2 Non-recycled waste ratio*
- **DR E5-6 – Financial effects from resource use and circular-economy-related impacts, risks and opportunities**

*Clarification:
upon
materiality
assessment*

*Phase in
quantitative*

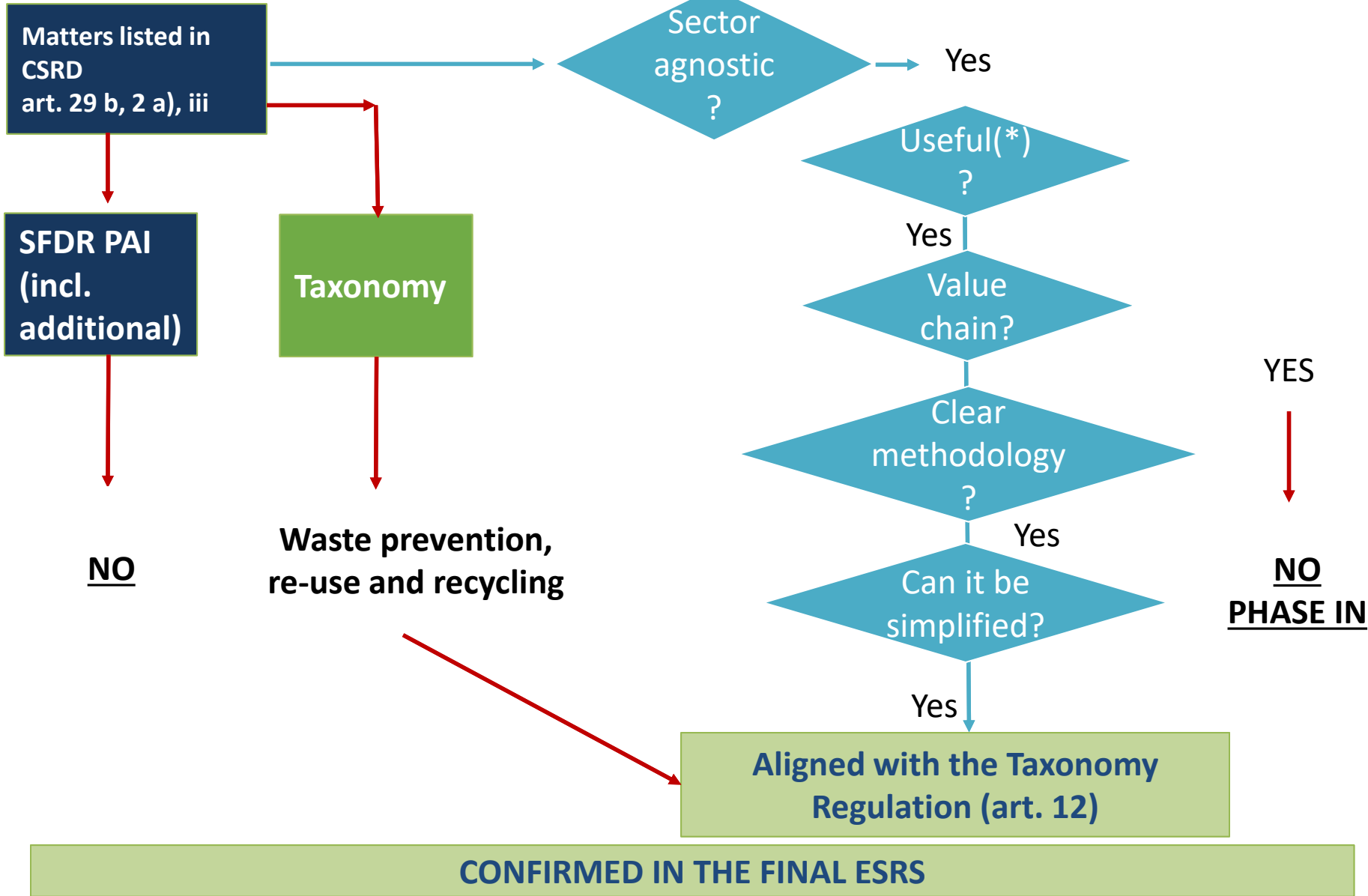
PTAPR (DR E5-1/E5-2/E5-3)



PTAPR: follow other environmental standards and introduce mitigation hierarchy (prevent, reuse, recycle, recover, dispose), clarify better some concepts including eco-design,

(*) Is each datapoint essential for fair depiction of the matter? Is it needed for international alignment?

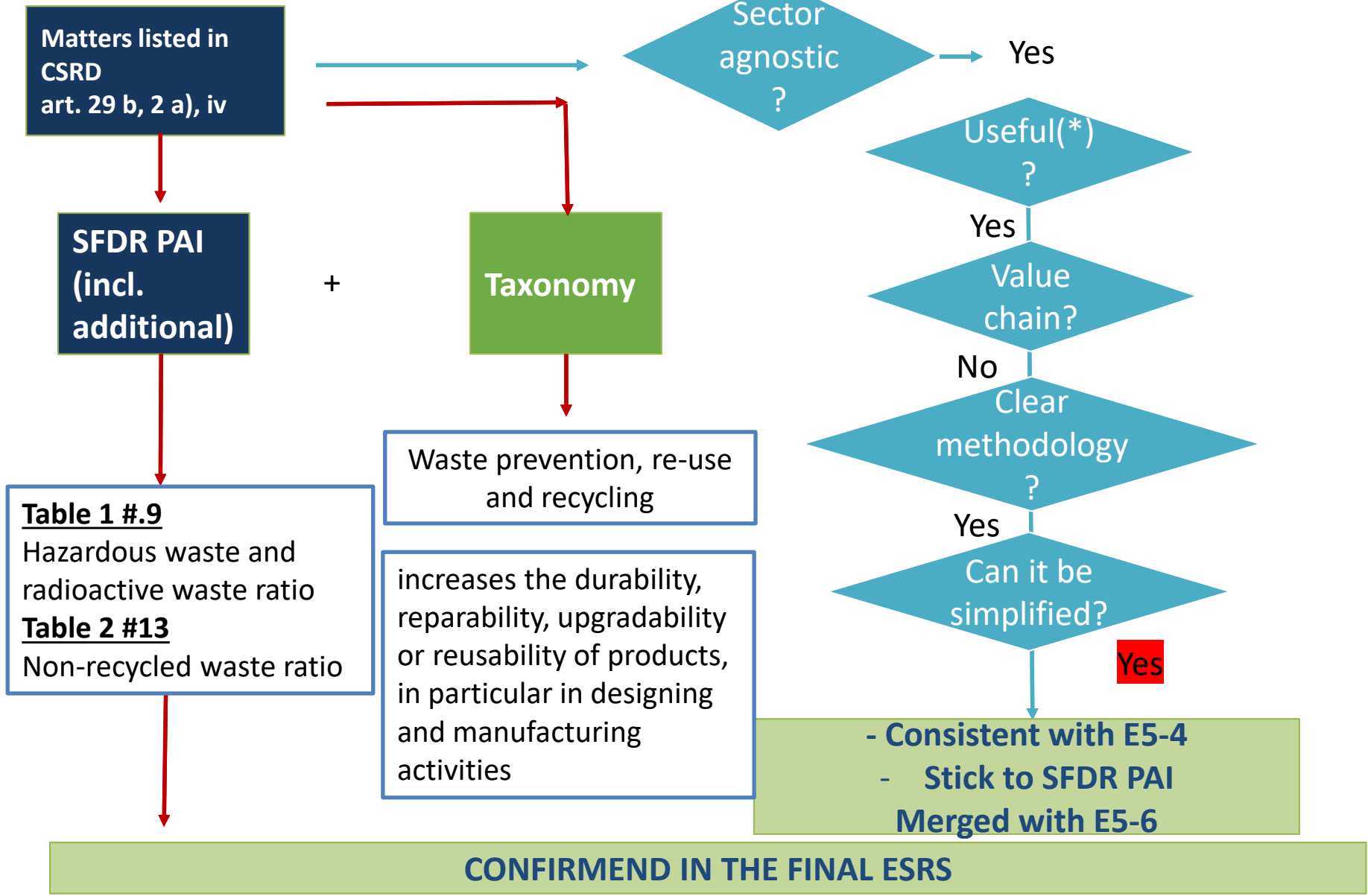
DR E5-4 – Resource intflows



Resource inflows: move from quantitative to qualitative for sector-agnostic, subject to materiality assessment confirming « high potential for circularity » or targets set such as: electronics and ICT, batteries and vehicles, packaging, plastics, textiles, construction and buildings, food, water and nutrients (list of 7 key value chains), bringing guidance on the different categories of inflows and a datapoint on virgin/non virgin (EMF).

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DR E3-5 – Resource outflows (and waste)



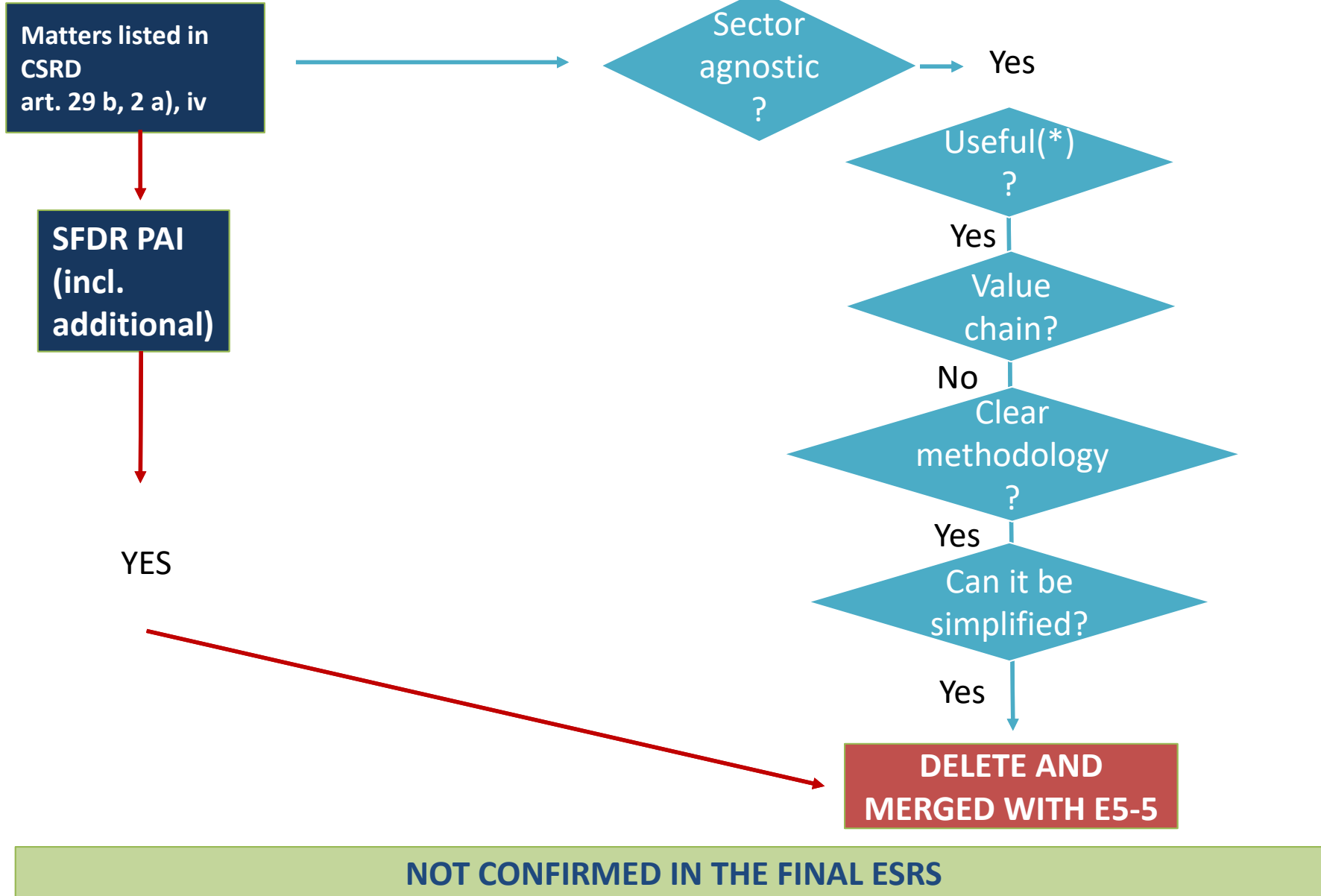
Resources outflows: merged into one DR, clarifying outflows including: products & waste as well as pollutants (E2).

Regarding products: weight maintained for undertakings where material e.g. resource intensive, inc. manufacturing companies and high potential for circularity

Regarding waste: stick to current alignment with GRI (slightly less granular) (rather than EMF)

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DR E3-6 – Waste

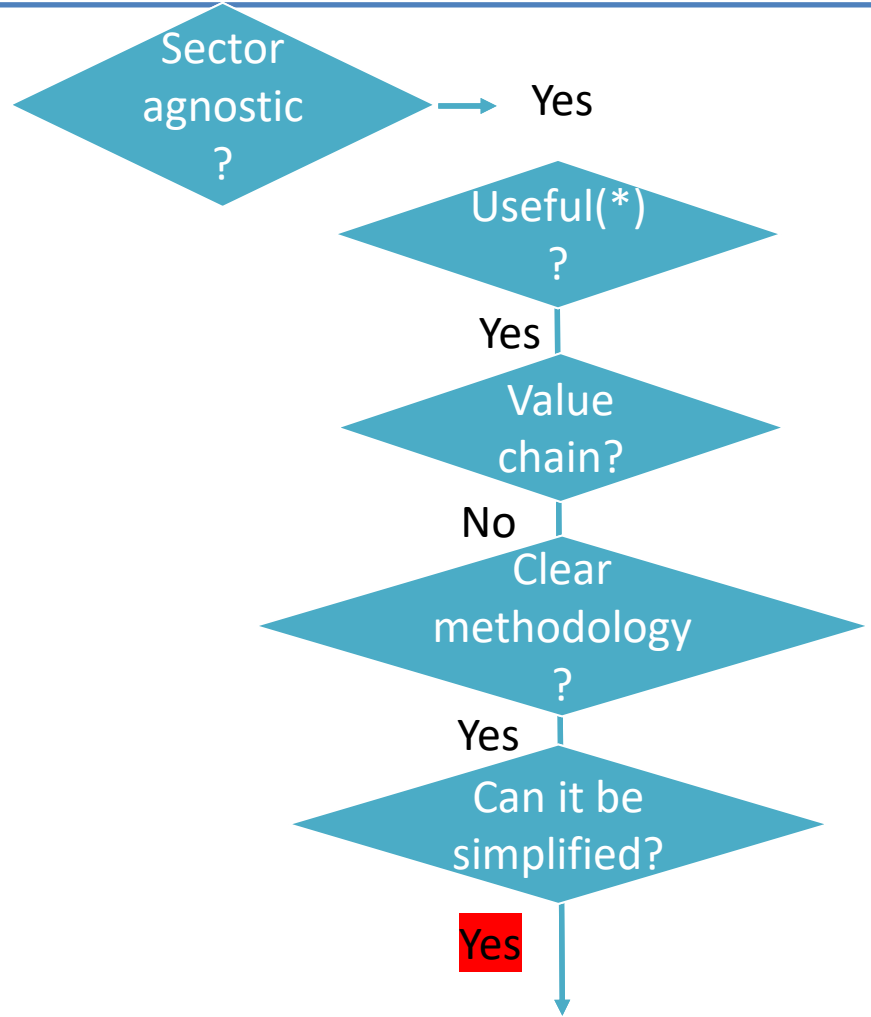


DR E3-7– Resource use optimisation

Matters listed in CSRD art. 29 b, 2 a), iv

SFDR PAI (incl. additional)

NO



DELETE AND SPLIT DATA POINT ACROSS THE STANDARD

NOT CONFIRMED IN THE FINAL ESRS

Resource use optimisation: follow other environmental standards

- strategy to optimise resource use in creating circular business models → Resource outflows
- share of net turnover from products and services that leverage the transition to a circular economy through circular business models such as pay-per-use, sharing or repairing services. → Financial effects

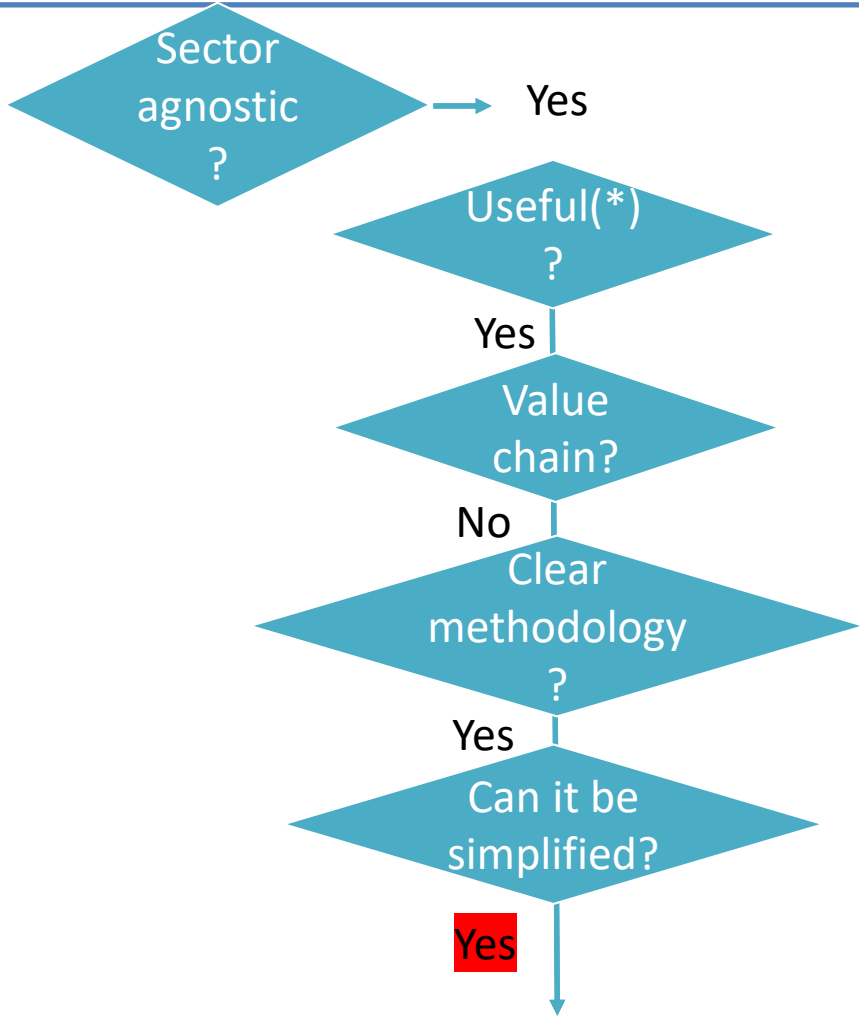
(*) Is each datapoint essential for fair depiction of the matter? Is it needed for international alignment?

DR E3-8 – Circularity support

Matters listed in CSRD art. 29 b, 2 a), iv

SFDR PAI (incl. additional)

NO



DELETE AND RELOCATE (EX) PAR. 49

NOT CONFIRMED IN THE FINAL ESRS

Circularity support
 - The disclosure required by paragraph 47 shall include a description of:
 (a) actions, including circularity measures, taken to prevent waste generation in the undertaking's upstream and downstream value chain and to manage significant impacts arising from waste generated; → E5-3
 (b) the extent to which the undertaking engages with customers on advancing circular economy topics; and → **materiality assessment**
 (c) the extent to which the undertaking engages with suppliers on advancing circular economy topics par. 49 a) should be relocated to the DR on Action plans (E5-3); → **materiality assessment**

(*) Is each datapoint essential for fair depiction of the matter? Is it needed for international alignment?

Matters listed in
CSRD
art. 29 b, 2 a), iV



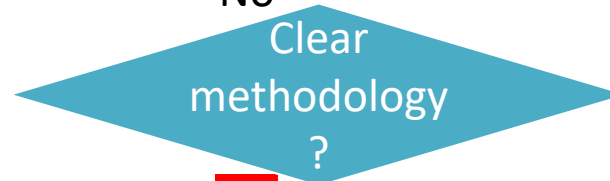
Yes



Yes



No



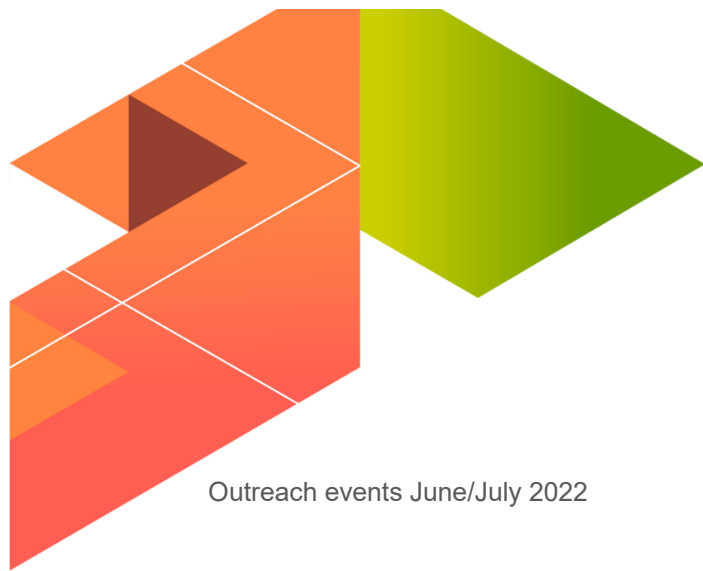
NO

- Keep qualitative disclosure
- Quantitative disclosure (phase-in
approach)

CONFIRMED IN THE FINAL ESRS



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