

Educational session on Draft ESRS E5 Resource use and circular economy

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EU Legal Framework

CSRD

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, [...]” [see **Art. 29b 5, b), c), d)**]

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): «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 (+Reg.
2022/1288)

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
(Reg 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 [...+]

Objective

Objective of the standard

- How the undertaking affects resource use in terms of positive and negative material actual and potential impacts.
- Actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential material negative impacts arising from resource and circular economy
- The plans and capacity of the undertaking to adapt its strategy and business model in line with circular economy principles
- The nature, type and extent of the undertaking's material risks and opportunities related to the undertaking's impacts and dependencies arising from resource use and circular economy, and how the undertaking manages them.
- The financial effects on the undertaking over the short-, medium- and long-term time horizons of material risks and opportunities.

Impacts, risks and opportunities management

ESRS 2 IRO 1 Description of processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities 

Info required in [draft] ESRS 2 DC-P

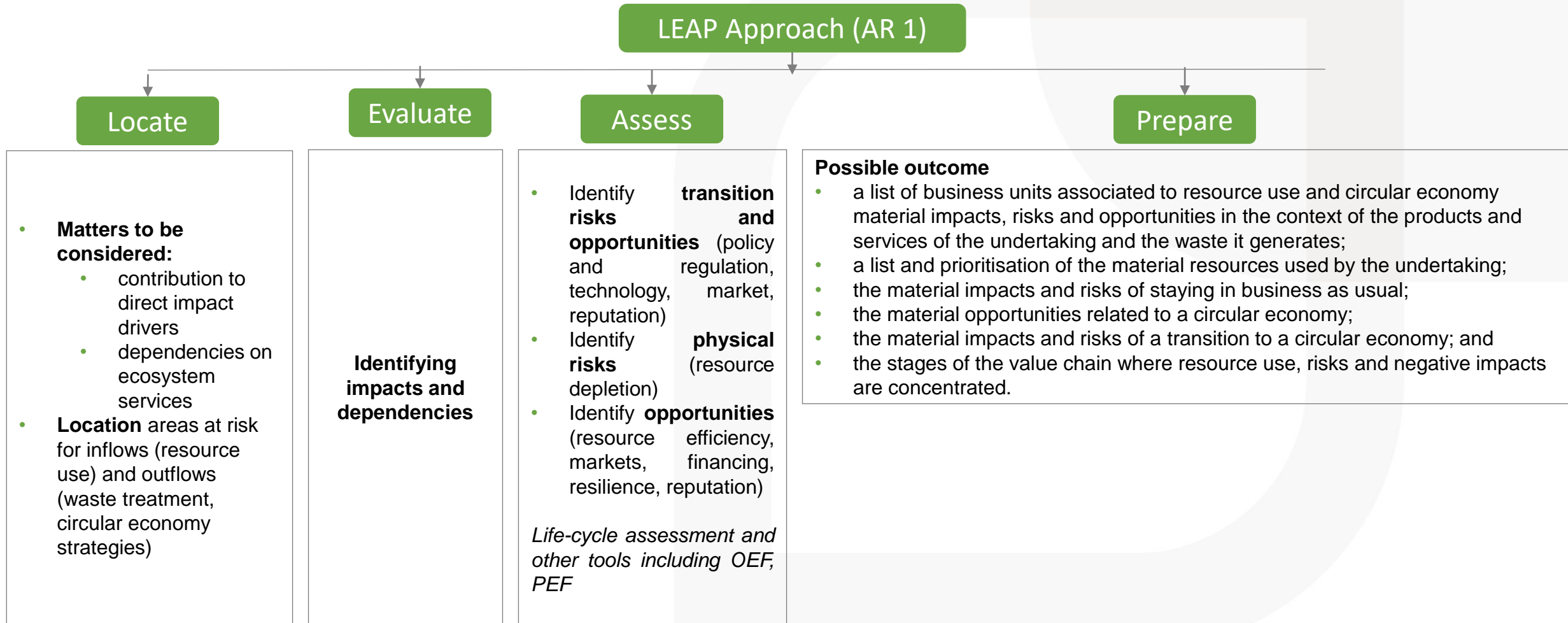
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Methodologies, assumptions and tools used to screen its site locations and business activities

Interconnection between risks and opportunities

Process for conducting consultations and in particular with affected communities

ESRS 2 IRO 1 Description of processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities



Policies, Actions and resources

DR E5-1 Policies related to resource use and circular economy

The objective is to provide an understanding of:

- The Identification;
- The Assessment;
- The Management; and/or
- The Remediation of material resource use and circular economy-related impacts, risks and opportunities.

The undertaking shall indicate whether and how its policies address the following matters where material:

- Transitioning away from extraction of virgin non-renewable resources;
- Securing and contributing to the regenerative production of renewable resources and the regeneration of ecosystems they are part of.

DR E5-2 Action and resources related to resource use and circular economy

The undertaking shall specify whether and how an action and resources cover:

- ① Any of the layers of the waste hierarchy: a) prevention; (b) preparing for re-use; (c) recycling; (d) other recovery, e.g., energy recovery; and (e) disposal.
 - ② More detailed circular economy strategy throughout the value chain of the product: Refuse, Rethink, Reduce, Reuse, Repair, Refurbish, Remanufacture and Repurpose), Recycle
 - ③ A description of the actions, including circularity measures, taken to prevent waste generation in the undertaking's upstream and downstream value chain and to manage material impacts arising from waste generated.
- AR14-15** Considering that resources are shared and that circular economy strategies may **require collective actions**, the undertaking may specify the actions taken to engage with its value chain and/or its local ecosystem on the development of collaborations.

Metrics and targets

DR E5-3 Targets related to resource use and circular economy

The undertaking shall disclose the resource use and circular economy-related targets it has adopted.

The targets should indicate whether and how they relate to the:

- Increase of circular design (including for instance product design);
- Increase of circular material use rate;
- Minimisation of virgin non-renewable raw material with possibly targets for virgin non renewable raw material and targets for virgin renewable raw material;
- Reversal of the depletion of the stock of renewable resources;
- Waste management, including preparation for proper treatment.

If ecological and entity-specific thresholds were taken into consideration when setting targets, the undertaking shall also specify:

- The ecological thresholds identified, and the methodology used to identify such thresholds;
- Whether or not the thresholds are entity-specific and if so, how they were determined; and
- How responsibility for respecting identified ecological thresholds is allocated in the undertaking.
- Whether the targets it has adopted and presented are mandatory (based on legislation) or voluntary and if and how such legal requirements were taken into account when considering ecological thresholds.

DR E5-4 Resource inflows

The undertaking shall disclose information on its material resource inflows.

The undertaking shall provide a description of its material inflows in its own operations and along the value chain:

- Products and materials including packaging,
- Property, plant and Equipment.

Undertakings for which inflows are material and those active in one of “key products value chain” shall also include:

- The overall total weight of products and materials used during the reporting period;
- The weight in both absolute value and percentage of renewable input materials from regenerative sources used to manufacture the undertaking’s products and services (including packaging) ; and
- The weight in both absolute value and percentage, of reused or recycled products and materials (non-virgin) used to manufacture the undertaking’s products and services (including packaging).

- Information on the methodologies used to calculate the data, including whether the data is sourced from direct measurement or estimations, and disclose the key assumptions used.

Key products value chain according to the EU Circular economy action plan:

electronics and ICT, batteries and vehicles, packaging, plastics, textiles, construction and buildings and food, water and nutrients.

The undertaking shall disclose information on its material resource outflows including waste.

The undertaking shall provide a description of its key products and materials that come out of the undertaking's production process and that are designed along circular principles outflows in its own operations and along the value chain: durability, reusability, repairability, disassembly, remanufacturing, refurbishment, recycling or other optimisation of the use of the resource.

Undertakings for which outflows are material and those active in one of “key products value chain” shall also include:

- The weight and percentage of products and materials that come out of the undertaking's products and services designed along circular principles: durability, reusability, repairability, disassembly, remanufacturing or refurbishment, recycling, recirculation by the biological cycle and other potential optimisation of product and material use.
- The weight and percentage of products and materials designed to enhance/enable circular economy for customers further down the value chain.

Key products value chain according to the EU Circular economy action plan:

electronics and ICT, batteries and vehicles, packaging, plastics, textiles, construction and buildings and food, water and nutrients.

The undertaking shall disclose information on its material resource outflows including waste.

The undertaking shall disclose the following information on its total amount of waste on its own operations at the reporting period, in tonnes or kilogrammes

- The total amount of waste generated;
- For each type of hazardous and non-hazardous waste, **the amount by weight diverted from disposal by recovery operation type: preparation for reuse, recycling and other.**
- For each type of hazardous and non-hazardous waste, **the amount by weight directed to disposal by waste treatment type: incineration, landfilling and other.**
- The total amount and percentage of non-recycled waste **SFDR PAI**

When disclosing the composition of the waste, the undertaking shall specify:

- (a) the waste streams, relevant to its sector or activities and;
- (b) the materials that are present in the waste.

The undertaking shall also disclose the total amount of **hazardous waste** and **radioactive waste** generated by the undertaking. **SFDR PAI**

Contextual information on methodologies and assumptions.

DR E5-5 Potential financial effects from resource use and circular economy-related impacts, risks and opportunities

The undertaking shall disclose its potential financial effects of material risks and opportunities arising from resource use and circular economy-related impacts

The objective of the disclosure requirement is to provide an understanding of:

- Potential financial effects due to **material risks arising from resource use and circular economy-related impacts** and **how these risks have a material influence** on the undertaking's cash flows, performance, position, development, cost of capital or access to finance over the short-, medium- and long-term time horizons
- potential financial effects due to material opportunities arising from resource use and circular economy-related material impacts and dependencies and how the undertaking **may financially benefit** from material resource use and circular economy related opportunities.

The disclosure shall include:

- A quantification of the **potential financial effects in monetary terms**, or where impracticable, qualitative information. (it may be a single amount or a range)
- A **description** of the effects considered, the **related impacts** and the **time horizons** in which they are likely to materialise
- The **critical assumptions** used in the estimate, as well as **the sources and level of uncertainty** attached to those assumptions.

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