

EXPOSURE DRAFT

ESRS E5

Resource use and circular economy

Basis for conclusions

May 2022



DISCLAIMER

This Basis for Conclusions accompanies but is not part of the Exposure Draft ESRS E5 Resource use and circular economy. It summarises the considerations of the EFRAG PTF-ESRS and the references to other standard setting initiatives or regulations used in developing the proposed contents of the Exposure Draft.

This Basis for Conclusions has been prepared solely under the responsibility of the EFRAG PTF-ESRS. It, therefore, does not reflect the EFRAG SRB's position at this stage, nor the position of the European Union or European Commission DG Financial Stability, Financial Services and Capital Markets Union (DG FISMA), nor the position of organisations with which the EFRAG PTF-ESRS has cooperated.

Table of contents

Objective	4
Context and reference table	4
Disclosure Requirements	13
<i>General, Strategy, Governance and Materiality assessment</i>	13
Resource use and circular economy-related specific application guidance on ESRS 2 Disclosure Requirements SBM 3 and SBM 4 on the integration of resource use and circular economy in the business model	13
Resource use and circular economy-related specific application guidance on ESRS 2 Disclosure Requirements IRO on impacts, risks and opportunities	13
<i>Policies, targets, action plans and resources</i>	14
Disclosure Requirement E5-2 – Measurable targets for resource use and circular economy	14
Disclosure Requirement E5-3 – Resource use and circular economy action plans	14
<i>Performance measurement</i>	15
Disclosure Requirement E5-4 – Resource inflows	15
Disclosure Requirement E5-5 – Resource outflows	15
Disclosure Requirement E5-6 – Waste	15
Disclosure Requirement E5-7 – Resource use optimisation	16
Disclosure Requirement E5-8 – Circularity support	16
Disclosure Requirement E5-9 – Financial effects from resource use and circular economy-related impacts, risks and opportunities	17

Objective

- BC1. The objective of this [Draft] Standard is to set disclosure requirements that cover the information required by undertakings across all sectors (subject to the rebuttable presumption in ESRS 1 paragraph 57 to 62) in order to report under a double materiality perspective. It covers in particular:
- (a) the impacts (on resource use);
 - (b) the actions and results of those actions;
 - (c) the material risks and opportunities arising from the undertaking's impacts and dependencies. Such risks and opportunities are sources of financial effects; and
 - (d) the effects of risks and opportunities on the undertaking's development, performance and position over the short-, medium- and long-term and therefore on its ability to create enterprise value (financial effects).

Context and reference table

- BC2. The global use of both renewable and non-renewable resources continues to grow and is expected to double in the next 40 years¹. The resulting negative externalities such as climate change, biodiversity loss, waste and pollution, as 'the extraction and processing of materials, fuels and food contribute half of total global greenhouse gas emissions and over 90 per cent of biodiversity loss and water stress' according to the UN Environment's Global Resources Outlook 2019. Hence the conclusion that the pressure on resources is deemed to be no longer sustainable.
- BC3. In order to safeguard the future stocks and flows of resources along with their benefits to society, as well as to address the risks of negative externalities, there is a need to secure both:
- (a) the reduction of the extraction of non-renewable resources with a priority based on the existing residual stock and the decoupling of economic activity and extractive practices (e.g., through circular business models increasing asset utilisation or lifespan); and
 - (b) the implementation of practices that secure the regeneration of renewable resources (e.g., soil regeneration rather than depletion) and keep resources in the economy at their highest value (e.g., cascading food to feed to material feedstock).
- BC4. As stated in the Platform on Sustainable Finance's report with recommendations on technical screening criteria for the four remaining environmental objectives of the EU Taxonomy the circular economy ambition level focuses on a system change to enable the achievement of other environmental objectives (including climate). Hence the provisions of ESRS E5 are to be read in conjunction with other environmental standards.

¹ [UN Environment's Global Resources Outlook 2019](#)

- (d) the EU Industrial Strategy published in March 2020 and related update proposal published in May 2021⁵;
- BC9. “The new Circular economy action plan presents a set of interrelated initiatives to establish a strong and coherent product policy framework that will make sustainable products, services and business models the norm and transform consumption patterns so that no waste is produced in the first place. Empowering consumers and providing them with cost-saving opportunities is a key building block of the sustainable product policy framework. As stated in the Commission’s 2020 new Circular Economy Action Plan, the EU needs to accelerate the transition towards a regenerative growth model, advance towards keeping its resource consumption within planetary boundaries, and therefore strive to reduce its consumption footprint and double its circular material use rate in the coming decade. The action plan also highlights how scaling up the circular economy will make a decisive contribution to achieving climate neutrality by 2050 and decoupling economic growth from resource use, while ensuring the long-term competitiveness of the EU and leaving no one behind. More broadly, transitioning to a circular economy not only addresses the negative impacts of the linear economy, but more importantly, it represents a systemic shift that builds long-term resilience, generates business and economic opportunities, and provides environmental and societal benefits.
- BC10. The Taxonomy Regulation highlights the importance of increasing durability, reparability, upgradability, reusability and recyclability, in particular in designing and manufacturing activities, prolonging the use of products, including through reuse and remanufacturing, and recycling (Regulation (EU) 2020/852 (Taxonomy) on the establishment of a framework to facilitate sustainable investment). The “transition to a circular economy” is the 4th of the 6 objectives under the EU Taxonomy.
- BC11. The EU's new Industrial strategy states that consumers should receive trustworthy and relevant information to choose reusable, durable and repairable products. It states that consumers should receive trustworthy and relevant information to choose reusable, durable and repairable products. The Commission will propose ways to improve consumer rights and protection, including by working towards a ‘right to repair’ for consumers.
- BC12. Each of the five subtopics identified in [draft] ESRS 5 fit with the EU taxonomy Regulation list of means by which an activity can make a substantial contribution to a transition to circular economy (in Article 13) and to the four high-level categories defined in the JRC report⁶: SC1 Circular design & production, SC2 Circular use, SC3 Circular Value Recovery and SC4 Circular support.
- BC13. Resource inflows address SC1 and SC3 and cover the means (a) use of natural resources, (d) reduction of hazardous substances and (f) increase the use and quality of secondary materials.
- BC14. Resource outflows addresses SC1 and SC2 and covers the means (b) increase the durability, reparability, upgradability or reusability of products and (c) increase the recyclability of products.

⁵ [European industrial strategy | European Commission \(europa.eu\)](#)

⁶ [JRC Publications Repository - Development of the EU Sustainable Finance Taxonomy - A framework for defining substantial contribution for environmental objectives 3-6 \(europa.eu\)](#)

- BC15. Waste addresses SC1, SC2 and SC3 and covers the means (g) prevents or reduces waste generation, (h) increase preparing for the re-use and recycling of waste, (i) increase the development of the waste management infrastructure, (j) minimises the incineration of waste and avoids the disposal of waste and (k) avoid and reduces litter.
- BC16. Resource use optimisation and Circularity support address all SC and cover (e) prolongs the use of products and (l) enables any of the activities listed in points (a) to (k).

Other frameworks

- BC17. The [Draft] Standard strives to provide transparency on an undertaking’s contribution to international goals especially the UN’s SDG Goal 12 Responsible Consumption and Production: Ensure sustainable consumption and production. It encompasses the following targets:
- (a) Target 12.2 by 2030, achieve the sustainable management and efficient use of natural resources; and
 - (b) Target 12.5 by 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
- BC18. Appropriate compatibility with other sector-agnostic international initiatives has also been considered including:
- (a) the Global Reporting Initiative (GRI) and in particular GRI 301 – Materials which considers the following: “The type and amount of materials the organization uses can indicate its dependence on natural resources, and the impacts it has on their availability. The organization’s contribution to resource conservation can be indicated by its approach to recycling, reusing and reclaiming materials, products, and packaging (GRI 301, p4)”; and
 - (b) ISO TC323 /WG3 ongoing standards.
- BC19. The [Draft] Standard aims to meet the requirements of a sector-agnostic approach. However, as the existing frameworks on Circular Economy are more often sector-specific rather than sector-agnostic; sector-specific frameworks such as the Value Reporting Foundation (based on the standards of the Sustainability Accounting Standards Board [SASB]) have also been analysed.
- BC20. To comply with the requirements of the [Draft] CSRD, considering the EU legislative framework and taking into account current international frameworks, the following disclosure requirements emerge as most relevant:

Disclosure Requirements	European framework references	International framework references
Resource use and circular economy-related specific application guidance on ESRS 2 Disclosure Requirements SBM 3 and SBM 4 on the integration of resource use and circular economy in the business model	[Draft] CSRD Art.19b (2) / a / (iv) EU Circular Economy Action Plan Platform on Sustainable Finance’s report with recommendations on technical screening criteria for the four remaining environmental objectives of the EU Taxonomy published on 30 March 2022 SFDR PAI, Indicators of Annex 1 EU Industrial Strategy	UN’s SDG Goal 12 – Targets 12.2 and 12.5 GRI 301 ISO TC323 /WG3 Value Reporting Foundation - based on the standards of the Sustainability Accounting Standards Board [SASB]

Disclosure Requirements	European framework references	International framework references
	Taxonomy regulation (2020/852) – Objective 4	
Resource use and circular economy-related specific application guidance on ESRS 2 Disclosure Requirements IRO on impacts, risks and opportunities	[Draft] CSRD Art.19b (2) / a / (iv) EU Circular Economy Action Plan Platform on Sustainable Finance’s report with recommendations on technical screening criteria for the four remaining environmental objectives of the EU Taxonomy published on 30 March 2022 SFDR PAI, Indicators of Annex 1 EU Industrial Strategy Taxonomy regulation (2020/852) – Objective 4	UN’s SDG Goal 12 – Targets 12.2 and 12.5 GRI 301 ISO TC323 /WG3 Value Reporting Foundation - based on the standards of the Sustainability Accounting Standards Board [SASB]
Disclosure Requirement E5-1 – Policies implemented to manage resource use and circular economy	[Draft] CSRD Art.19b (2) / a / (iv) EU Circular Economy Action Plan Platform on Sustainable Finance’s report with recommendations on technical screening criteria for the four remaining environmental objectives of the EU Taxonomy published on 30 March 2022 SFDR PAI, Indicators of Annex 1 EU Industrial Strategy Taxonomy regulation (2020/852) – Objective 4	UN’s SDG Goal 12 – Targets 12.2 and 12.5 GRI 301 ISO TC323 /WG3 Value Reporting Foundation - based on the standards of the Sustainability Accounting Standards Board [SASB]
Disclosure Requirement E5-2 – Measurable targets for resource use and circular economy	[Draft] CSRD Art.19b (2) / a / (iv) EU Circular Economy Action Plan European Green Deal targets Taxonomy regulation (2020/852) – Objective 4 EU Industrial Strategy - complemented by the European Commission’s new Action Plan on the Circular Economy Platform on Sustainable Finance’s report with recommendations on technical screening criteria for the four remaining environmental objectives of the EU Taxonomy published on 30 March 2022 SFDR PAI, Indicators of Annex 1	UN’s SDG Goal 12 – Targets 12.2 and 12.5 GRI 301 ISO TC323 /WG3 Value Reporting Foundation - based on the standards of the Sustainability Accounting Standards Board [SASB]
Disclosure Requirement E5-3 – Resource use and	[Draft] CSRD Art.19b (2) / a / (iv) EU Circular Economy Action Plan	UN’s SDG Goal 12 – Targets 12.2 and 12.5 GRI 301

Disclosure Requirements	European framework references	International framework references
circular economy action plans	<p>Platform on Sustainable Finance’s report with recommendations on technical screening criteria for the four remaining environmental objectives of the EU Taxonomy published on 30 March 2022</p> <p>SFDR PAI, Indicators of Annex 1</p> <p>EU Industrial Strategy</p> <p>Taxonomy regulation (2020/852) – Objective 4</p>	<p>ISO TC323 /WG3</p> <p>Value Reporting Foundation - based on the standards of the Sustainability Accounting Standards Board [SASB]</p>
Disclosure Requirement E5-4 – Resource inflows	<p>[Draft] CSRD Art.19b (2) / a / (iv)</p> <p>EU Circular Economy Action Plan</p> <p>Platform on Sustainable Finance’s report with recommendations on technical screening criteria for the four remaining environmental objectives of the EU Taxonomy published on 30 March 2022</p> <p>SFDR PAI, Indicators of Annex 1</p> <p>EU Industrial Strategy</p> <p>Taxonomy regulation (2020/852) – Objective 4</p>	<p>GRI 301-1, 301-2 and 301-3</p> <p>Circulytics indicators list</p> <p>UN’s SDG Goal 12 – Targets 12.2 and 12.5</p> <p>ISO TC323 /WG3</p> <p>Value Reporting Foundation - based on the standards of the Sustainability Accounting Standards Board [SASB]</p>
Disclosure Requirement E5-5 – Resource outflows	<p>[Draft] CSRD Art.19b (2) / a / (iv)</p> <p>EU Circular Economy Action Plan</p> <p>Platform on Sustainable Finance’s report with recommendations on technical screening criteria for the four remaining environmental objectives of the EU Taxonomy published on 30 March 2022</p> <p>SFDR PAI, Indicators of Annex 1</p> <p>EU Industrial Strategy</p> <p>Taxonomy regulation (2020/852) – Objective 4</p>	<p>GRI 306-3, GI 306-4 and GRI 306-5</p> <p>GRI 301</p> <p>Circulytics indicators list</p> <p>UN’s SDG Goal 12 – Targets 12.2 and 12.5</p> <p>ISO TC323 /WG3</p> <p>Value Reporting Foundation - based on the standards of the Sustainability Accounting Standards Board [SASB]</p>
Disclosure Requirement E5-6 – Waste	<p>[Draft] CSRD Art.19b (2) / a / (iv)</p> <p>EU Circular Economy Action Plan</p> <p>Platform on Sustainable Finance’s report with recommendations on technical screening criteria for the four remaining environmental objectives of the EU Taxonomy published on 30 March 2022</p> <p>SFDR PAI, Indicators of Annex 1 & 3 (9. Hazardous waste and radioactive waste ratio; 13. Non-recycled waste ratio)</p>	<p>UN’s SDG Goal 12 – Targets 12.2 and 12.5</p> <p>GRI 301</p> <p>ISO TC323 /WG3</p> <p>Value Reporting Foundation - based on the standards of the Sustainability Accounting Standards Board [SASB]</p>

Disclosure Requirements	European framework references	International framework references
	EU Industrial Strategy Taxonomy regulation (2020/852) – Objective 4	
Disclosure Requirement E5-7 – Resource use optimisation	[Draft] CSRD Art.19b (2) / a / (iv) EU Circular Economy Action Plan Platform on Sustainable Finance’s report with recommendations on technical screening criteria for the four remaining environmental objectives of the EU Taxonomy published on 30 March 2022 SFDR PAI, Indicators of Annex 1 EU Industrial Strategy Taxonomy regulation (2020/852) – Objective 4	UN’s SDG Goal 12 – Targets 12.2 and 12.5 GRI 301 ISO TC323 /WG3 Value Reporting Foundation - based on the standards of the Sustainability Accounting Standards Board [SASB]
Disclosure Requirement E5-8 – Circularity support	[Draft] CSRD Art.19b (2) / a / (iv) EU Circular Economy Action Plan Platform on Sustainable Finance’s report with recommendations on technical screening criteria for the four remaining environmental objectives of the EU Taxonomy published on 30 March 2022 SFDR PAI, Indicators of Annex 1 EU Industrial Strategy Taxonomy regulation (2020/852) – Objective 4	UN’s SDG Goal 12 – Targets 12.2 and 12.5 GRI 301 ISO TC323 /WG3 Value Reporting Foundation - based on the standards of the Sustainability Accounting Standards Board [SASB]
Disclosure Requirement E5-9 – Financial effects from resource use and circular economy-related impacts, risks and opportunities	[Draft] CSRD Art.19b (2) / a / (iv) EU Circular Economy Action Plan Platform on Sustainable Finance’s report with recommendations on technical screening criteria for the four remaining environmental objectives of the EU Taxonomy published on 30 March 2022 SFDR PAI, Indicators of Annex 1 EU Industrial Strategy Taxonomy regulation (2020/852) – Objective 4	UN’s SDG Goal 12 – Targets 12.2 and 12.5 GRI 301 ISO TC323 /WG3 Value Reporting Foundation - based on the standards of the Sustainability Accounting Standards Board [SASB]

BC21. The more detailed elements of GRI and Circulytics that were considered to which the disclosure requirements in this [draft] standard are largely inspired from, are as follows in the below table. They were sometimes slightly changed or simplified.

Subtopics	GRI	Circulytics Indicators' list
Resource inflows	<p>GRI 301-3: a. Percentage of reclaimed products and their packaging materials for each product category. b. How the data for this disclosure have been collected.</p> <p>GRI 301-1: Total weight or volume of materials that are used to produce and package the organization's primary products and services during the reporting period, by: i. non-renewable materials used; ii. renewable materials used.</p> <p>GRI 301-2: .Percentage of recycled input materials used to manufacture the organization's primary products and services.</p>	<p>Indicators' list Or (MIN) and 6a. Mass of inflow products and materials suitable for the technical /biological cycle . For technical cycle: % of non-virgin, % of virgin but renewable and regeneratively sourced . For biological cycle: % of sourced, % virgin but renewable and regeneratively sourced</p>
Resource outflows		<p>Indicator's list 6d, 6e, 6f. Mass of outflow products and materials suitable for the technical /biological cycle . % of physical products designed along circular economy principles (during use/ during end of functional life) . % of products and materials suitable for the technical cycle that are recirculated in reuse/redistribution, refurbishment, recycling, nutrient recirculation</p>
Waste	<p>GRI 306-2: a. Actions, including circularity measures, taken to prevent waste generation in the organization's own activities and upstream and downstream in its value chain, and to manage significant impacts from waste generated. b. If the waste generated by the organization in its own activities is managed by a third party, a description of the processes used to determine whether the third party manages the waste in line with contractual or legislative obligations. c. The processes used to collect and monitor waste-related data</p> <p>GRI 306-5: a. Total weight of waste <u>directed</u> to disposal in metric tons, and a breakdown of this total by composition of the waste. b. Total weight of hazardous waste directed to disposal in metric tons, and a breakdown of this total by the following disposal operations: i. Incineration (with energy recovery); ii. Incineration (without energy recovery);</p>	<p>Indicator's list 6b, 6c . % total outflow of products and materials suitable for the technical / biological cycle being waste or by-products that go to landfill or incineration and are therefore not recirculated (to be questioned ...) . Material outflows (products, by-products, waste and materials used in processes) contain any substances from the Cradle to Cradle Certified Products Program in quantities above the maximum allowable concentration</p>

Subtopics	GRI	Circulytics Indicators' list
	<p>iii. Landfilling; iv. Other disposal operations. c. Total weight of non-hazardous waste directed to disposal in metric tons, and a breakdown of this total by the following disposal operations: i. Incineration (with energy recovery); ii. Incineration (without energy recovery); iii. Landfilling; iv. Other disposal operations. d. For each disposal operation listed in Disclosures 306-5-b and 306-5-c, a breakdown of the total weight in metric tons of hazardous waste and of non-hazardous waste directed to disposal: i. onsite; ii. offsite. e. Contextual information necessary to understand the data and how the data has been compiled.</p> <p>306-4: a. Total weight of waste <u>diverted</u> from disposal in metric tons, and a breakdown of this total by composition of the waste. b. Total weight of hazardous waste diverted from disposal in metric tons, and a breakdown of this total by the following recovery operations: i. Preparation for reuse; ii. Recycling; iii. Other recovery operations. c. Total weight of non-hazardous waste diverted from disposal in metric tons, and a breakdown of this total by the following recovery operations: i. Preparation for reuse; ii. Recycling; iii. Other recovery operations. d. For each recovery operation listed in Disclosures 306-4-b and 306-4-c, a breakdown of the total weight in metric tons of hazardous waste and of non-hazardous waste diverted from disposal: i. onsite; ii. offsite. e. Contextual information necessary to understand the data and how the data has been compiled.</p> <p>GRI 306-3: a. Total weight of waste generated in metric tons, and a breakdown of this total by composition of the waste. b. Contextual information necessary to understand the data and how the data has been compiled</p> <p>GRI 306-1: For the organization's significant actual and potential waste-related impacts, a description of: i. the inputs, activities, and outputs that lead or could lead to these impacts; ii. whether these impacts relate to waste generated in the organization's own activities or to waste generated upstream or downstream in its value chain.</p>	

Subtopics	GRI	Circulytics Indicators' list
<p>Economic and other indicators: resource use optimization and circularity support</p>		<p>Indicator's list 7 .% of physical products designed to enable customers to improve their product's circular economy performance . % of plant, property, and equipment (PPE) assets procured with circular procurement approaches . % of plant, property, and equipment (PPE) assets having policies or agreements in place to enable recirculation . % of the following categories screened positively for EU taxonomy circular economy alignment: lending/fixed income/private equity /listed equity . % of the following categories going toward financing the circular economy: lending/fixed income/private equity /listed equity</p>

Disclosure Requirements

General, Strategy, Governance and Materiality assessment

Resource use and circular economy-related specific application guidance on ESRS 2 Disclosure Requirements SBM 3 and SBM 4 on the integration of resource use and circular economy in the business model

BC22. This Disclosure Requirement refers to the new Circular Economy Action Plan by requiring undertakings to consider how to adapt their business strategy to align with this goal and it sets disclosure requirements to provide transparency about how this is being achieved.

Resource use and circular economy-related specific application guidance on ESRS 2 Disclosure Requirements IRO on impacts, risks and opportunities

BC23. When carrying out circularity measurement and assessment of systems that can be complex it is necessary to generate, search and manage appropriate data and apply those data across the entire life cycle(s) of the product(s) raw material acquisition, production, distribution, use and end-of-life treatment. In performing a circularity measurement and assessments, a systemic approach and a life-cycle perspective should thus be applied. Hence, the importance of the upstream and downstream value chain in this [Draft] Standard.

Policies, targets, action plans and resources

Disclosure Requirement E5-2 – Measurable targets for resource use and circular economy

- BC24. The European Green Deal targets to improve the well-being and health of citizens and future generations by providing longer-lasting products that can be repaired, recycled and re-used.
- BC25. The Platform on Sustainable Finance's report with recommendations on technical screening criteria for the four remaining environmental objectives of the EU Taxonomy published on 30 March 2022 elaborates:
- (a) Objective 4 – The transition to a circular economy: “By 2030 economic growth is decoupled from the extraction of non-renewable resources and depletion of the stock of renewable resources is reversed, and by 2050 economic activity is largely decoupled from resource extraction, through environmental design for a circular economy to eliminate waste and pollution, keep materials and products in use at their highest value, and to regenerate ecosystems.
 - (b) This ambition builds on a reduction of the EU27 material footprint (RME) by 50% by 2030 and by 75% by 2050 (compared to a 2015 baseline of 14t/capita) and raising the circular material use rate of all materials to increase the average to at least 25% by 2030, by increasing the durability, repairability, upgradability, reusability or recyclability of products, and by remanufacturing, preparing for reuse and recycling of used materials and products; and on cultivating 25% of total agricultural land and production forestry by 2030, and 100% by 2050, using regenerative production methods, such as agroecology and silvopasture.”
- BC26. The EU Industrial Strategy, complemented by the European Commission's new Action Plan on the Circular Economy (CEAP), states that circularity is an essential part of a wider transformation of industry towards climate neutrality and long-term competitiveness. It can deliver substantial material savings throughout value chains and production processes, generate extra value and unlock economic opportunities.
- BC27. Moving past the current linear model, a circular economy aims to redefine growth, focusing on positive society-wide benefits and gradually decoupling economic activity from the extraction of natural resources. The transition to renewable energy sources is an essential requirement for the circular economy, which is based on three principles, driven by environmental design: eliminate waste and pollution; keep products and materials in use at their highest value; and regenerate ecosystems⁷.
- BC28. Undertakings should disclose which actions the undertaking takes to achieve the targets (see section on actions and resources) and how the business model and strategy support the achievement of the targets (see section on business model and strategy).

Disclosure Requirement E5-3 – Resource use and circular economy action plans

- BC29. Three issues have been identified in the [Draft] Standard as part of these additional disclosures: eliminating waste, circulating products and materials at their highest value, and regenerating nature.

⁷ Platform on Sustainable Finance's report with recommendations on technical screening criteria for the four remaining environmental objectives of the EU taxonomy, 30 March 2022, p30.

- BC30. “Circular Economy can be seen as a response that helps to achieve the desired state of an objective, or to reduce the pressure on an objective”.⁸
- BC31. Every undertaking should disclose on their actions and resources aiming to eliminate waste, circulate products at their highest value and regenerate nature, in line with the five subtopics chosen in the [draft] ESRS E5 standard. For example, conception and ecodesign, innovation and R&D, skills development and training, manufacturing and distribution adaptation, local collaborations, initiatives across value chain.

Performance measures

- BC32. The disclosure requirements which follow provide information on the circularity strategy of the undertaking. It is to be read in conjunction with [draft] ESRS E2 on Pollution and [draft] ESRS E3 on Water and marine resources which address specific matters on substances of concern or plastics for instance.
- BC33. Besides, all the disclosure requirements are sector-agnostic (i.e. deemed to be material for all undertakings across all sectors, subject to the rebuttable presumption of ESRS 1 paragraph 57). Sector specificities are particularly important for circular economy but will be developed in dedicated standards.

Disclosure Requirement E5-4 – Resource inflows

- BC34. The resource inflows subtopic addresses the circularity of material resources inflows.
- BC35. The disclosure requirement was inspired mainly by GRI 301-1, GRI 301-2 and GRI 301-3. It was deemed to give a good level of understanding of the inflows while the requirements remain at a sector-agnostic level.
- BC36. The transparency proposed on the split between renewable versus non-renewable resources; virgin versus non-virgin; and sustainable or regenerative sources allows more granularity in the information provided and follows the proposals of Circulytics indicators list.
- BC37. Both weight and percentage of inflows are important to provide an understanding of the performance of the undertaking as regards the circularity of its materials and products inflows.

Disclosure Requirement E5-5 – Resource outflows

- BC38. The Resource outflows subtopic addresses the circularity of material intended outflows including being recirculated. Outflows in this category are intended to provide an economic or other benefit.
- BC39. Outflows performance measures provide an understanding of the level of circularity of the products and materials produced by the undertaking and hence provide a sense of the optimised level of waste in the downstream value chain.
- BC40. The disclosure requirement is mainly inspired by the Circulytics indicators list.

Disclosure Requirement E5-6 – Waste

- BC41. The waste subtopic addresses the circularity of outflows of extraneous resources taking into account the following waste hierarchy: prevention, re-use, and recycling.

⁸ Platform on Sustainable Finance's report with recommendations on technical screening criteria for the four remaining environmental objectives of the EU taxonomy, 30 March 2022 p24.

- BC42. The disclosure requirement is inspired mostly by GRI 306-3, GI 306-4 and GRI 306-5 in GRI 306 Waste, but is slightly less granular on some specific aspects. These include: onsite/offsite information or absence of split between incineration with or without energy recovery and has been regrouped in one single disclosure requirement.
- BC43. It provides information on the waste strategy of the undertaking and its related performance and progress.

Disclosure Requirement E5-7 – Resource use optimisation

- BC44. Resource use optimisation means to design, produce and distribute materials and products with the objective to keep them in use at their highest value. It also refers to creating innovative business models contributing to better design and utilisation of existing products and materials or applying regenerative production methods.
- BC45. This disclosure requirement provides information on the performance of the undertaking in relation to the transformation of its business models to enable more circularity and to keep resources at their highest value.
- BC46. Ecodesign and design for longevity, repair, reuse, repurposing, disassembly, and remanufacturing are examples of tools to prevent a quick and limited use of materials and products. Innovative business models could also contribute to better use of existing products and materials (such as shared economy or pay-per-use business models). Regenerative production methods could also be applied.
- BC47. This disclosure requirement enables undertakings to provide information on their contribution to the circular economy that would not necessarily be captured by the Taxonomy Regulation which is focused on a limited number of priority sectors and on financial indicators related to own operations.
- BC48. In order to give an understanding of the weight of the described strategy in the activity of the undertaking, information is required on the share of turnover in relation to the described business models which leverage the transition to the circular economy.
- BC49. This disclosure requirement was inspired by the Taxonomy Regulation framework and the Circulytics indicators' list and concepts. No equivalent indicator is present as such in GRI framework which is focused on materials for GRI 301 and waste for GRI 306.

Disclosure Requirement E5-8 – Circularity support

- BC50. Circularity support relates to the intensification of circular material use and is a way to decouple natural resources use from economic activity. Circular streams have to be organised collectively: for instance, the collection of used products and materials needs to be addressed to ensure their reuse, repair, remanufacturing and recycling. In addition, production processes should be designed to reduce waste and increase the use of recycled materials (closed-loop recycling, by-product use...). Depending on the sector of the undertaking, cascading food and upcycling ingredients could also be opportunities to retain the value of the resource.
- BC51. This disclosure requirement provides an understanding of the collective actions undertaken that may be necessary to accelerate the transition to the circular economy in an efficient manner. Hence, it is necessary to encourage such collective actions through transparency.

- BC52. This disclosure requirement was inspired by the Taxonomy Regulation framework and the Circulytics indicators' list and concepts. No equivalent indicator is present as such in GRI framework which is focused on materials for GRI 301 and waste for GRI 306

Disclosure Requirement E5-9 – Financial effects from resource use and circular economy-related impacts, risks and opportunities

- BC53. The draft CSRD proposal (article 19 a 1) requires setting disclosure requirements in ESRS that allow to report information necessary to understand how sustainability matters affect the undertaking's development, performance and position. This requirement is reflected in the objective of this [draft] standard, in particular in the need to set requirements for undertakings to report about the effects of risks and opportunities on the undertaking's development, performance and position over the short-, medium- and long-term and therefore on its ability to create enterprise value (financial effects).
- BC54. This disclosure implements this requirement.



EFRAG is co-funded by the European Union and EEA and EFTA countries. The contents of the documents are however the sole responsibility of the EFRAG PTF- ESRS and do not necessarily reflect those of the European Union or the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA). Neither the European Union nor DG FISMA can be held responsible for them.