

EFRAG SECRETARIAT ANALYSIS OF THE COMMENTS

Survey 1 - Q44: Please, rate to what extent do you think ESRS E5 – Resource use and circular economy

n.	Comment	Type	Already in TEG survey/GRI alignment	EFRAG Secretariat comments	EFRAG Secretariat conclusion (*)	Issue paper needed ?
1	Make sure that reporting includes franchised/licensed operations Difficulties in value chain reporting	Value chain	No	ESRS E5 in general encompasses fully elements of the value chain in IROs, PTAPR, as well as in Performance measurement. Franchised and licenses operations are by definition important parts of the value chain for certain sectors, but EFRAG Secretariat proposes not to have a specific emphasis.	No action.	No.
2	Reporting at an aggregate level for the undertaking obscures the country-specific impacts.	Geographical area versus global indicators	No	Though the relevance of geographical area appears in a clear manner for pollution, water and biodiversity, it is less clear for circular economy and resource use here – which is focus on materials – raw materials being addressed in ESRS E4. EFRAG Secretariat proposes to keep Group indicators and hence PTAPR in order to promote comparability and also for two of the indicators, in order to allow SFDR PAI reporting.	No action.	No.
3	Move to sector specific AG1 to AG4 should probably be shifted to sector-specific standards Include DR on performance measurement in the sector-specific standards and limit the sector-agnostic DRs to the description of strategy, IRO and action plans.	Sector-specific	Yes	Circular economy and resource use are environmental factors mentioned in the CSRD (Article 29b 2 (a) iii) and in the Taxonomy Regulation (art. 9), deemed material also by GRI (regarding waste) or in the context of SFDR principal adverse indicators (#9 in Table 1 Hazardous waste and radioactive waste ratio, #13 Table 2 Non-recycled waste ratio). There are mixed views on the fact that the standard would be sector-specific. Some comments note that parts of the standard should be considered sector-specific (inflows/outflows which require a manufacturing process), others that the standard in full should be sector-specific. A majority of RAR believe ESRS E5 to be sector-agnostic (54%). The Secretariat hence proposes a DR by DR analysis	DR by DR – sometimes datapoint by datapoint - analysis to be led (see template 2).	
4	Avoid wordings like “elimination of waste.” Instead, waste prevention or waste minimization (already used in existing legislation)	Terminology	Yes	Several comments highlight the inconsistencies of concepts used throughout the standard. EFRAG Secretariat will ensure further consistency starting with concepts used in the EU legislative framework and definition from the EU Taxonomy:	Draft to be amended	No, template 2.

	<p>Need to clarify or define a series of concepts (e.g. Decoupling: (relative or absolute), Highest value/value, Linear to circular ecosystem, 'reparability', 'upgradability'),</p> <p>"Regeneration" of renewable resources and ecosystems and "regeneration" of nature. It is not a commonly known term. There is a risk that companies skip it. Giving examples would be useful.</p> <p>Concept of eco-design</p> <p>Definition/specification on key technical aspects (e.g. virgin and non-virgin material inflows [DR E5-4], sustainable as opposed to regenerative sources [DR E5-4], depletion of stock of renewable resources [AG 4.c]), intensity of materials and products use [DR E5-7])</p>			<p><i>"an economic system whereby the value of products, materials and other resources in the economy is maintained for as long as possible, enhancing their efficient use in production and consumption, thereby reducing the environmental impact of their use, minimizing waste and the release of hazardous substances at all stages of their life cycle, including through the application of the waste hierarchy;"</i></p> <p>In particular, great care will be taken to:</p> <ul style="list-style-type: none"> - delete the concept of "decoupling" which tends to bring more emphasis on intensity than on absolute value which should be the ultimate goal. - avoid the term "eliminate waste", but rather mention "prevent" or "minimize" according to the mitigation hierarchy on waste (to be harmonized with other E standards). - clarify that some end of life treatment cannot be considered as "recovery" - regarding business models, put the emphasis on moving from "business as usual" to enhance circularity to be less binary than moving from linear to circular so as to reflect the 100% shades in the journey and take account the starting point from the undertaking - providing illustrative guidance and examples to help companies implementing correctly the different concepts, if time allows. 		
5	<p>Consider a risk-based-approach regarding information that should be collected throughout the value chain</p> <p>Align timelines with the one for the Financial planning</p>	Methodology PTAPR		PTPAR harmonization needed.	Draft to be amended.	Yes, issue papers on PTAPR and Time horizon.
6	<p>Alignment/mapping with ISSB]</p> <p>Consider alignment with the definition proposed by the Ellen MacArthur Foundation</p> <p>Definitions shall be aligned with EU legislation and relevant EN/ISO standards (i.e. references to the forthcoming ISO TC 323 work on circular economy)</p>	Alignment with international standards (and EU regulations	No	<p>No alignment with ISSB possible at this stage (except on CCS sections – this standard will follow.)</p> <p>Ellen MacArthur Foundation work and Circulytics have been a major source of inspiration.</p> <p>However, EFRAG Secretariat used other sources such as the EU legislative framework, GRI 301 and ISO TC323/WG3, ect. It is obviously not possible to align with all those frameworks and choices were made.</p> <p>Further alignment and technical proposals have been made by the EllenMacArthur foundation and are currently being analysed for potential onboarding, with great attention not to add unnecessary granularity (sector-agnostic standard)</p>	Draft to be amended.	No.

				and being in line with other voices raised during the public consultation process, inc. from the EC, Public authorities, GRI, UBA, etc..		
7	The definition of "circular economy" in ESRS E5 is not identical to the one in Art. 2(9) of the Taxonomy Regulation. Further alignment is advisable.	Taxonomy	No	Taxonomy's definition : "circular economy means an economic system whereby the value of products, materials and other resources in the economy is maintained for as long as possible, enhancing their efficient use in production and consumption, thereby reducing the environmental impact of their use, minimizing waste and the release of hazardous substances at all stages of their life cycle, including through the application of the waste hierarchy"	Draft to be amended – Circular Economy definition to be aligned with the Taxonomy	No.
8	The standard should allow a gradual implementation and introduce a phase-in solution	Phase-In	No	If the undertaking does not disclose the information required by a paragraph, it shall disclose this to be the case, shall provide reasons for not having adopted a policy or objectives, and may report a timeframe in which it aims to have such policy or objectives in place. EFRAG Secretariat hence propose a DR by DR analysis, also considering that IROs can seat in the value chain and that materiality assessment in the value chain is a key step to be led for all undertakings.	DR by DR – sometimes datapoint by datapoint - analysis to be led (see template 2).	No, template 2.
9	The financial indicators are not defined and any application guidance is provided. Specify in AG 36 that 'net turnover' should be reconciled to the revenue item in the income statement Add AG for E5-9, so that undertakings' disclosure in relation to the potential financial effects from IRO related to resource use and circular economy becomes more consistent and as such comparable	Financial effects		See dedicated paper on financial effects	Draft to be amended.	Yes, financial effect paper.
10	It is not clear what undertakings should do if their business model does not strengthen value retention or align with a circular business model, and it would be useful to address that in the application guidance. About AG 9, examples of major risks related to circular economy could be included: resources dependencies (supply), resources price volatility, resource efficiency (costs) and reputation/brand image (waste management)	Clarification / guidance needed		The standards are about transparency. If the business model does not strengthen value retention it should state it. Wording could be improved, but this is true for any other disclosure requirement on Strategy or PTAPR. EFRAG Secretariat proposes to add illustrative guidance and examples if time allows.	Draft to be amended.	No.
11	The application guidance includes requirements	Application guidance	Yes	Agree that some of the AGs includes requirements and rewriting is needed to separate between actual application guidance and disclosure requirements.	Draft to be amended.	No.

12	Some details disclosed are confidential information	Confidentiality	Yes	This issue should be covered by general concepts embedded in Level 1 (CSRD) or CCS.	No action.	No.
13	<p>Some information regarding waste is already provided as part of the Scope 3 of the GHG protocol in ESRS E1 => avoid duplication.</p> <p>AG2 could be deleted as it is already covered by several DR (ESRS E5-2 and E5-3, SMB 3 and 4, AG1b(ii)).</p> <p>ESRS E5-8 on circularity support could also be merged with ESRS E5-1, 2 and 3</p> <p>ESRS E5-4 on resource inflows, it should be linked to ESRS 2 / DR2 GR3 on key features of the value chain (key resources)</p> <p>AG 5 to 8 could be simplified and streamlined to disclose the most relevant aspects, for example AG5a (iv), as it is the same as AG6a on optimization of resources</p>	Architecture	No	<p>Part of waste can indeed generate GHG emissions, however ESRS E5 goes far beyond.</p> <p>Agreed, AG2 will be deleted to avoid duplicates and repetition.</p> <p>Agreed, proposed merging with ESRS E5-3.</p> <p>Agreed that contextual information related to the products and services actually provided by undertaking would be useful information to then understand resources inflows. Illustrative guidance would be needed.</p> <p>EFRAG Secretariat proposes that AG5 is moved in the Objective section of the standard to bring clarity on the subtopics from the beginning of the standard.</p>	Draft to be amended.	No.
14	Strong concerns regarding data availability and data quality with respect to the requirement to report on actual and future IRO	Operational complexity	No	<p>Materiality assessment under ESRS E5 requires a good understanding of its value chain and business model but quantitative data is not required to be published. Qualitative information can be sufficient to address information needs.</p> <p>EFRAG Secretariat sees more complexity in understanding correctly the concepts than in gathering possible data.</p>	No action.	No.

Note for next questions: general comments which did not relate specifically to a DR have not be duplicated in the next questions to avoid unnecessary redundancies.

EFRAG SECRETARIAT ANALYSIS OF THE COMMENTS

Q64: in your opinion, to what extent do you think DR E5-1 – Policies implemented to manage resource use and circular economy?

n.	Comment	Type	Already in TEG survey/GRI alignment	EFRAG Secretariat comments	EFRAG Secretariat conclusion (*)	Issue paper needed ?

1	Step by step disclosure of business areas	Phase-In	No	PTAPR harmonization will help better clarify articulation and focus on material IROs. As long as information is material, EFRAG Secretariat is convinced that transparency on PTAPR is needed, at least on what does exist. Hence proposal not to phase in PTAPR.	No action.	No, PTAPR issue paper.
2	Requirement to disclose policies to decouple economic activity from the extraction of renewable and non-renewable resources On the opposite, some state that decoupling is a risk of greenwashing by increasing absolute value, for instance on waste, while decreasing intensity.	Missing	No	EFRAG Secretariat is of the view that the standard is rightly focus on absolute value is general. See above, proposal to give less focus to decoupling. This would be more consistent with ESRS E1 too, where the main focus is also on absolute value.	Draft to be amended?	No, template 2.
3	Reference to the EU strategy on critical raw material	Missing	No	Reference to EU Strategy can be added in application guidance as an illustration.	Draft to be amended.	No.
4	Benchmark for businesses to understand to what is needed and for auditors to assess the reporting	Application guidance	No	Benchmark may be included in Sector standards and, where appropriate, considered in next Sets/future periods.	No action	No

EFRAG SECRETARIAT ANALYSIS OF THE COMMENTS

Q65: Please share any comment and suggestion for improvement of DR E5-2 – Measurable targets for resource use and circular economy

n.	Comment	Type	Already in TEG survey/GRI alignment	EFRAG Secretariat comments	EFRAG Secretariat conclusion (*)	Issue paper needed ?
1	Move targets per geographies to a group level	Geographical area versus global indicators	NO	Current wording on Targets is basically drawing on ESRS 1 with little specificities regarding circular economy except for the possible areas to cover.	No action.	No, PTAPR issue paper.

				<p>Targets are not necessarily required at geographical level, it just states that the geographical level needs to be provided, but this could be at group level, or at a business unit covering only a few geographies.</p> <p>PTAPR harmonization will help better clarify articulation and focus on material IROs.</p> <p>As long as information is material, EFRAG Secretariat is convinced that transparency on PTAPR is needed, at least on what does exist.</p>		
2	Missing: Clarify how the target rate is defined and how it should be calculated	Missing	No	Proposal to add application guidance on the use rate required under para 25 (b).	Draft to be amended.	No.
3	The undertaking should have targets to reduce the use of virgin materials, both non-renewable and renewable	Missing		Renewable resources are addressed under (d) with a proposed objective not to eliminate use but to ensure regeneration.	No action.	No.

EFRAG SECRETARIAT ANALYSIS OF THE COMMENTS

Q66: Please share any comment and suggestion for improvement of DR E5-3 – Resource use and circular economy action plans

n.	Comment	Type	Already in TEG survey/GRI alignment	EFRAG Secretariat comments	EFRAG Secretariat conclusion (*)	Issue paper needed ?
1	<p>Step by step disclosure of business areas [ASCG]</p> <p>Circular economy action plans should have a limit of time</p>	Phase-in	No	<p>PTAPR harmonization will help better clarify articulation and focus on material IROs.</p> <p>As long as information is material, EFRAG Secretariat is convinced that transparency on PTAPR is needed, at least on what does exist.</p> <p>Hence proposal not to phase in PTAPR.</p>	No action.	No, PTAPR issue paper.
2	Too granular and extensive	Granularity	Yes	Action plans is not very granular with only information required to make the link with the Policies and Targets and the subtopics from ESRS E5 and the key concepts in AG12.	No action.	No.

				Main body and AG13 will be part of environmental and CCS harmonization.		
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EFRAG SECRETARIAT ANALYSIS OF THE COMMENTS

Q67: Please share any comment and suggestion for improvement of DR E5-4 – Resources inflows

n.	Comment	Type	Already in TEG survey/GRI alignment	EFRAG Secretariat comments	EFRAG Secretariat conclusion (*)	Issue paper needed ?
1	Difficulties to disclose the weight and percentage of input material	Operational complexity	Yes	<p>Inflows is a DR which makes a lot of sense for manufacturing companies producing products or selling services which are resource intensive as clarified in AG15 (materials used for “production” and “packaging”).</p> <p>Acknowledging comments on complexity, EFRAG Secretariat proposes 3 options:</p> <ul style="list-style-type: none"> - Option 1: move the DR to sector-specific, but this is not the view of majority RAR with 64% approval - Option 2: propose some qualitative information to be provided regarding value chain information which would make more sense for some undertakings which do not manufacture products and which though they use materials as secondary input may not have any information on quantity. - Option 3: same as option 2 but phase-in of quantitative information on value chain information at a later stage 	Draft to be amended	No, see template 2.
2	Inflow should account for all material use and clearly differentiate between renewable (sustainable vs. regenerative), non-renewable, virgin, and non-virgin	Clarification / definitions		Differentiation between renewable on one side and reused/recycled on the other side is clear. (though there was a typo in para 33).	No action.	No.

				<p>This is consistent with GRI 301-1 and GRI 301-2.</p> <p>Given comments on granularity in general, EFRAG Secretariat proposes not to add additional information on virgin / non virgin for this first set of standard, even though this level of disaggregation is also mentioned by the Ellen MacArthur Foundation. This could better sit in sector-specific standards.</p>		
3	Structure: split measures for products and packaging	Structure	No	<p>Packaging included for alignment with GRI. Packaging could be separated for more granular information in sector-specific standards.</p>	No action.	No.

EFRAG SECRETARIAT ANALYSIS OF THE COMMENTS

Q68: Please share any comment and suggestion for improvement of DR E5-5 – Resources outflows

n.	Comment	Type	Already in TEG survey/GRI alignment	EFRAG Secretariat comments	EFRAG Secretariat conclusion (*)	Issue paper needed ?
1	Split measures for products and packaging	Structure	No	<p>Packaging could be separated for more granular information in sector-specific standards.</p>	No action.	No.
2	<p>Missing: the concept of eco-design</p> <p>Critical materials should be added to the outflows as it is key that an undertaking understands whether and how critical materials are being recovered.</p> <p>Outflow must address two issues: design and actual circulation or recovery. Design should get at the undertaking's capacity to design products following circular economy principles. Recovery will show the undertaking's capacity to keep materials in the system. It is also of crucial importance for the undertaking to account for the use of</p>	Missing	No	<p>In the context of overall harmonization of concepts within the standard, consistency will be ensured for E5-5.</p> <p>Proposal to add illustrations in application guidance to help undertaking implementing the DR in a right manner.</p> <p>In this context, proposal not to add the concept of "Critical materials".</p>	Draft to be amended.	No.

	both renewable and nonrenewable materials. Critical materials should be added to the outflows as it is key that an undertaking understands whether and how critical materials are being recovered.					
3	<p>Too granular and extensive</p> <p>Concerns related to added value of disclosed data Consider redirected this DR to sector-specific ESRS</p>	Granularity / Sector-specific	Yes	<p>Similarly, to inflows, outflows is a DR which makes a lot of sense for manufacturing companies producing products or selling services which are resource intensive as clarified in AG15 (materials used for “production” and “packaging”).</p> <p>Acknowledging comments on complexity, EFRAG Secretariat proposes 2 options:</p> <ul style="list-style-type: none"> - Option 1: move the DR to sector-specific, but this is not the view of majority RAR with 65% approval - Option 2: propose some qualitative information to be provided regarding both own operations and value chain and phase-in quantitative information over time. - Option 3: retain the DR and reword/restructure, with possibly a split of the turnover rather than of the weight and percentage of products and services for greater connectivity. <p>In the cases of options 2 and 3, proposal to merge this DR with E5-7 on Resource use optimization.</p>	Draft to be amended	No, see template 2.
4	Metrics in absolute value might be questionable	Content	No	<p>EFRAG Secretariat is of the view that the standard is rightly focus on absolute value is general.</p> <p>See above, proposal to give less focus to decoupling. This would be more consistent with ESRS E1 too, where the main focus is also on absolute value.</p>	Draft to be amended?	No, template 2.

EFRAG SECRETARIAT ANALYSIS OF THE COMMENTS

Q69: Please share any comment and suggestion for improvement of DR E5-6 – Waste

n.	Comment	Type	Already in TEG survey/GRI alignment	EFRAG Secretariat comments	EFRAG Secretariat conclusion (*)	Issue paper needed ?
1	<p>Missing : Waste prevention</p> <p>Missing: post-consumer waste</p> <p>Recommend to focus on the waste prepared or sorted for recycling, as the recycling process itself is in general not performed by the undertaking reporting.</p> <p>Recycling of dangerous waste must be differentiated and prioritized over recycling of non dangerous waste</p>	Missing	No	<p>Given the numerous comments in general on granularity, EFRAG Secretariat is of the view to limit as much as possible adding granularity.</p> <p>The concept of waste prevention should be embedded in PTAPR. To ensure consistency across environmental standards, proposal to add elements on the mitigation hierarchy which will indeed embed waste prevention. More specifically, the “categorization system for the circular economy” from the EC should be added as useful application guidance and considerations. In a similar manner, proposal to add the concept of post-consumer waste in application guidance of PTAPR rather than in this DR.</p> <p>Regarding the focus on dangerous waste, EFRAG Secretariat assessed that same emphasize should be given to both. This is consistent with GRI 306-4.</p>	Draft to be amended.	No.
2	Include value chain waste in the DR	Value chain		Proposal not to add granularity at this stage of the process given the numerous comments on the need for simplification.	No action.	No.
3	<p>Too granular and extensive</p> <p>Possible high costs</p> <p>Allow phased-in approach and minimum information requirement for small businesses</p>	Granularity	No	<p>DR is virtually aligned (and will be even more) to GRI 306. This seems reasonable and really addresses all sectors.</p> <p>EFRAG Secretariat acknowledges concerns on granularity and complexity and proposes 3 options:</p> <ul style="list-style-type: none"> - Option 1: no phase-in - Option2: phase-in of breakdowns under 41 (b) and 41 (c) 	No action.	No, see template 2.

				- Option 3: full phase-in of the DR to allow time for undertakings to get prepared and implement process to trace the data.		
4	GRI recommends aligning Disclosure Requirement E5-6 more closely with the disclosures in GRI 306 which represent best practice for reporting on waste.	GRI alignment	Yes	Noted and agreed.	Draft to be amended.	No, see template 2.

EFRAG SECRETARIAT ANALYSIS OF THE COMMENTS

Q70: Please share any comment and suggestion for improvement of DR E5-7 – Resource use optimization

n.	Comment	Type	Already in TEG survey/ISSB alignment/GRI alignment	EFRAG Secretariat comments	EFRAG Secretariat conclusion (*)	Issue paper needed ?
1	Structure: Combine E 5-5 Resource outflows and E 5-7 Resource use optimization	Architecture	No	Agreed. EFRAG Secretariat agrees that E5-5 Resource outflows and E5-7 Resource use optimization could be merged. In this merging, proposal to keep at least the turnover KPI which may be easier to trace than weight and percentage (see above).	Draft to be amended.	No, see template 2.
2	Change the metric from reporting turnover to reporting material productivity (ie dividing revenue by the mass of linear inflow) or calculate circular revenue (ie adjusting a company's revenue for the % material circularity of its portfolio)	Structure/Metrics		See DR E5-5 which is on percentage of products or weight. However, proposal not to add granularity at this stage of the process.	No action.	No.
3	Missing: end-of use solutions such as buy-back / trade-in [DASB]	Missing	No	Illustrative guidance can be added indeed with concrete examples.	Draft to be amended.	No, see template 2.

EFRAG SECRETARIAT ANALYSIS OF THE COMMENTS

Q71: Please share any comment and suggestion for improvement of DR E5-8 – Circularity support

n.	Comment	Type	Already in TEG survey/GRI alignment	EFRAG Secretariat comments	EFRAG Secretariat conclusion (*)	Issue paper needed ?
1	Structure: Combine with DR E5-1 & E5-3	Architecture	Yes	Agreed. Proposal to merge E5-8 with PTAPR.	Draft to be amended.	No, see template 2.
2	Progressivity should be ensured for the collection of this data along the value chain	Phase-in	No	No data per se is required under this DR. Since it is very close to PTAPR and focus on collective actions along the value chain, EFRAG does not foresee phase-in. This is anyway subject to rebuttable presumption and materiality assessment.	Draft to be amended.	No, see template 2.

EFRAG SECRETARIAT ANALYSIS OF THE COMMENTS
Q72: Please share any comment and suggestion for improvement of DR E5-9 – Financial effects from resource use and circular economy-related impacts, risks and opportunities

n.	Comment	Type	Already in TEG survey/GRI alignment	EFRAG Secretariat comments	EFRAG Secretariat conclusion (*)	Issue paper needed ?
1	<p>Missing : financial indicators are not defined and any application guidance is provided</p> <p>Provide more guidance in the AG and the BfC on the definition of the respective effects as well as on the reconciliation to financial reporting, while also considering that the potential effects might not be reflected in the financial statements, but might be reflected in the budget (i.e., effects on Opex, depreciation, Capex, future revenue considered in impairment test models)</p> <p>Align DR timeline with the one for financial planning [</p> <p>This DR is very poor with no AG. "shall" is used in par 53 but then it is only followed by a "may" in Par 55 about risks. This seems to be inconsistent.</p> <p>It is required that the undertaking disclose its "opportunities arising from resource use and circular economy-related impacts and dependencies". We don't see any opportunities</p>	Clarification / definitions	<p>See dedicated issue paper on Financial effects</p> <p>EFRAG Secretariat proposes two options: - Option 1: move to sector-specific - Option 2: phase-in and bring in qualitative information</p>	<p>See dedicated issue paper on Financial effects</p> <p>EFRAG Secretariat proposes two options: - Option 1: move to sector-specific - Option 2: phase-in and bring in qualitative information</p>	<p>See dedicated issue paper on Financial effects</p> <p>EFRAG Secretariat proposes two options: - Option 1: move to sector-specific - Option 2: phase-in and bring in qualitative information</p>	Yes, Financial effects paper.

<p>neither in the following paragraph nor in the AG. The word "opportunities" should be deleted.</p> <p>it is required that the undertaking assesses the market size related to risks over products and services but the market size is used to assess an opportunity not a risk. We recommend to replace the market size evaluation by the disclosure of the current year turnover made with harmful products. Here we refer to the concept of business activities at risk or to the so called "brown Taxonomy".</p> <p>Limited data & methodology maturity</p> <p>Excessive granularity & complexity</p> <p>Phase-in and prioritization</p>					
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