

EFRAG SRB agenda item 10 Educational session

**Exposure Draft  
ESRS E5 – Resource use and circular  
economy**

20 May 2022



**EFRAG**

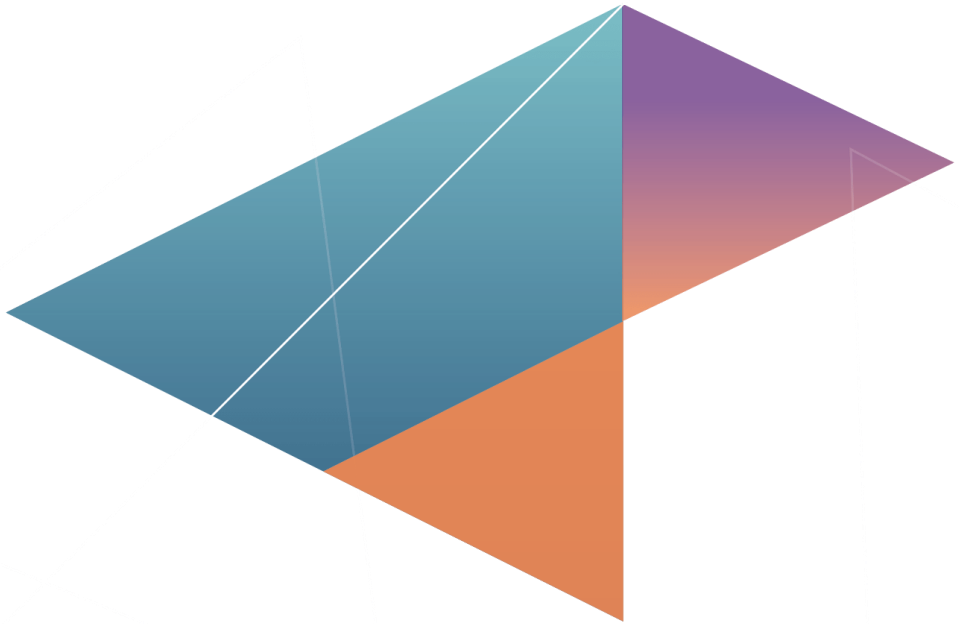
European Financial Reporting Advisory Group



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## Agenda

1. Objective of the [draft] standard and overview
2. Deep dive on Disclosure Requirements
3. Questions

## Objective and Overview

### Objective of ESRS E5

Specify Disclosure Requirements (DR) which will enable users of sustainability reporting to understand:

A. How the undertaking affects resource use in terms of positive and negative material actual or potential adverse impacts

B. The undertaking's actions taken to prevent, mitigate or remediate adverse impacts arising from resource use and circular economy

C. The plans and capacity of the undertaking to adapt its business model(s) and operations in line with circular economy principles

D. Any other actions taken and the result of such actions to prevent, mitigate or remediate actual or potential adverse impacts

E. The nature, type and extent of the material risks and opportunities related to the undertaking's impacts and dependencies arising from resource use and circular economy, and how it manages them

F. The effects of resource use and circular economy-related risks and opportunities on the undertaking's development, performance, position over the short, medium and long term and its ability to create enterprise value in the short, medium and long term

# Objective and Overview

## Content of ESRS E5

### STRATEGY (complemented by ESRS 2)

AG on ESRS 2-SBM3 & 4: Resource use and circular economy integration in the **business model** CSRD

AG on ESRS 2-IRO: Resource use and circular economy-related **impacts, risks and opportunities** CSRD

### IMPLEMENTATION

DR E5-1: **Policies** implemented to manage resource use and circular economy CSRD

DR E5-2: Measurable **targets** for resource use and circular economy CSRD

DR E5-3: Resource use and circular economy **action plans** CSRD

### PERFORMANCE MEASURES

DR E5-4: **Resource inflows** CSRD

DR E5-5: **Resource outflows** CSRD

DR E5-6: **Waste** SFDR CSRD

DR E5-7: **Resource use optimisation** CSRD

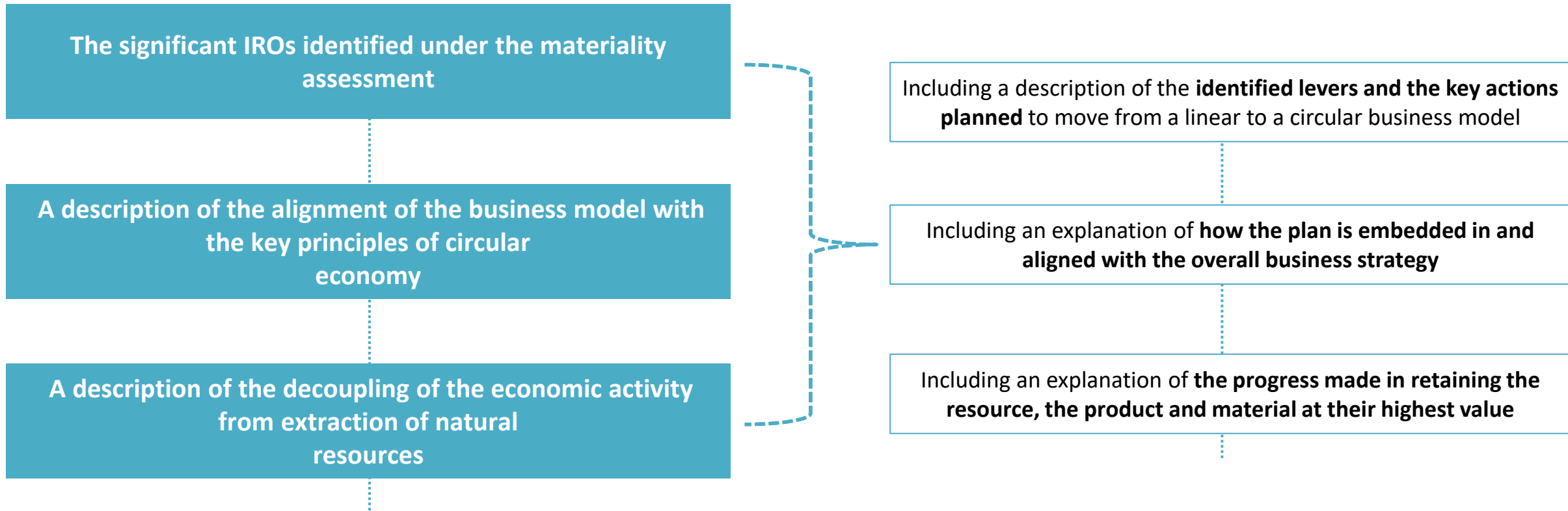
DR E5-8: **Circularity support** CSRD

DR E5-9: **Financial effects** from resource use and circular economy-related impacts, risks and opportunities CSRD

## Deep dive on Disclosure Requirements

### AG on ESRS 2-SBM3 & 4: Resource use and circular economy integration in the business model

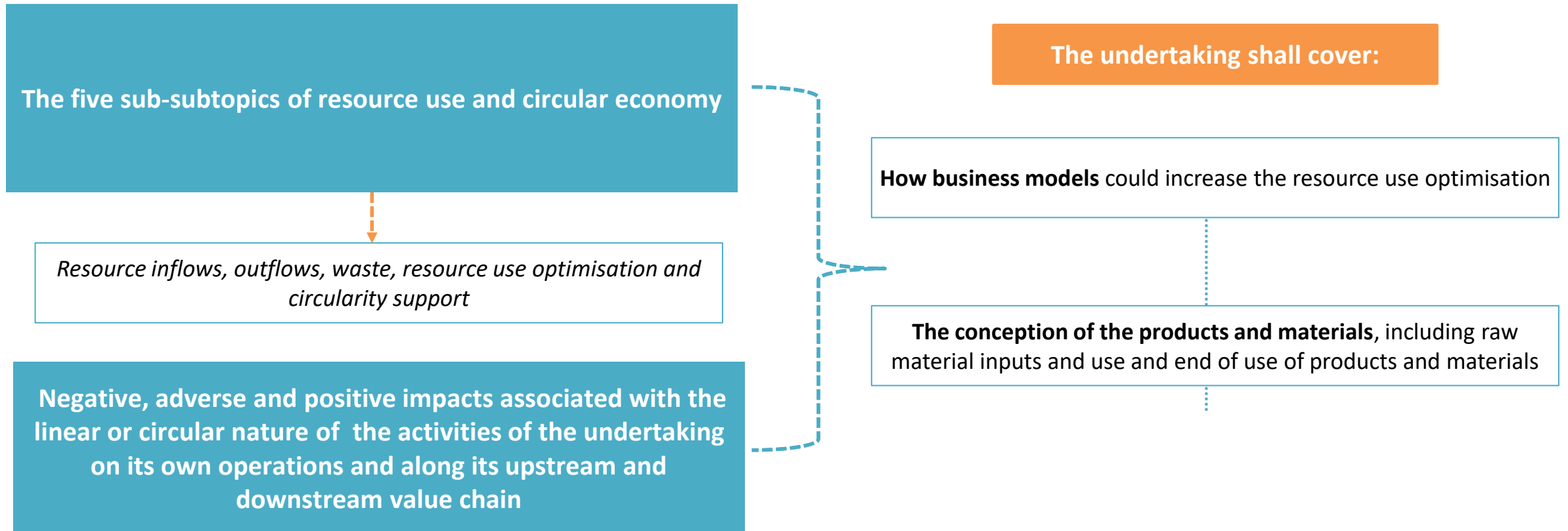
The description of the integration of **material IROs** in the business model should include:



## Deep dive on Disclosure Requirements

### AG on ESRS 2-IRO: Resource use and circular economy-related impacts, risks and opportunities

The description of the process to identify and assess IROs shall cover:



## Deep dive on Disclosure Requirements

### DR E5-1 Policies implemented to manage resource use and circular economy

The undertaking shall disclose separately its policies:

(i) To decouple economic activity from extraction of non-renewable resources

(ii) For regeneration of renewable resources and ecosystems

Shall include a **description of how the policy commitments are implemented** within its own operation and value chain

#### **If it is not material for the undertaking:**

- Need to disclose that it's not material/not implemented
- Need to provide the reasons for not having adopted a policy or objective
- May report a timeframe in which it aims to have such policy or objective in place.

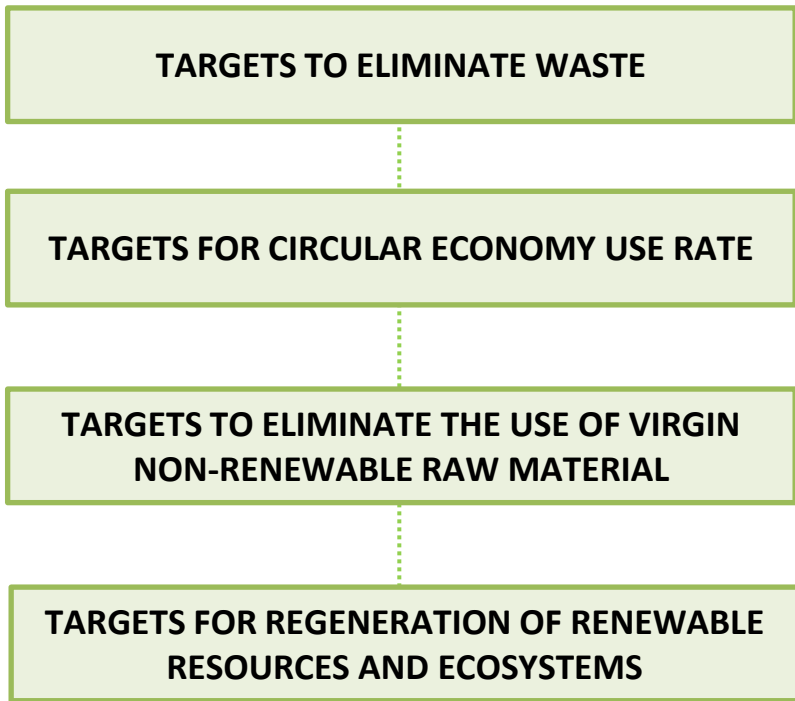


# Deep dive on Disclosure Requirements

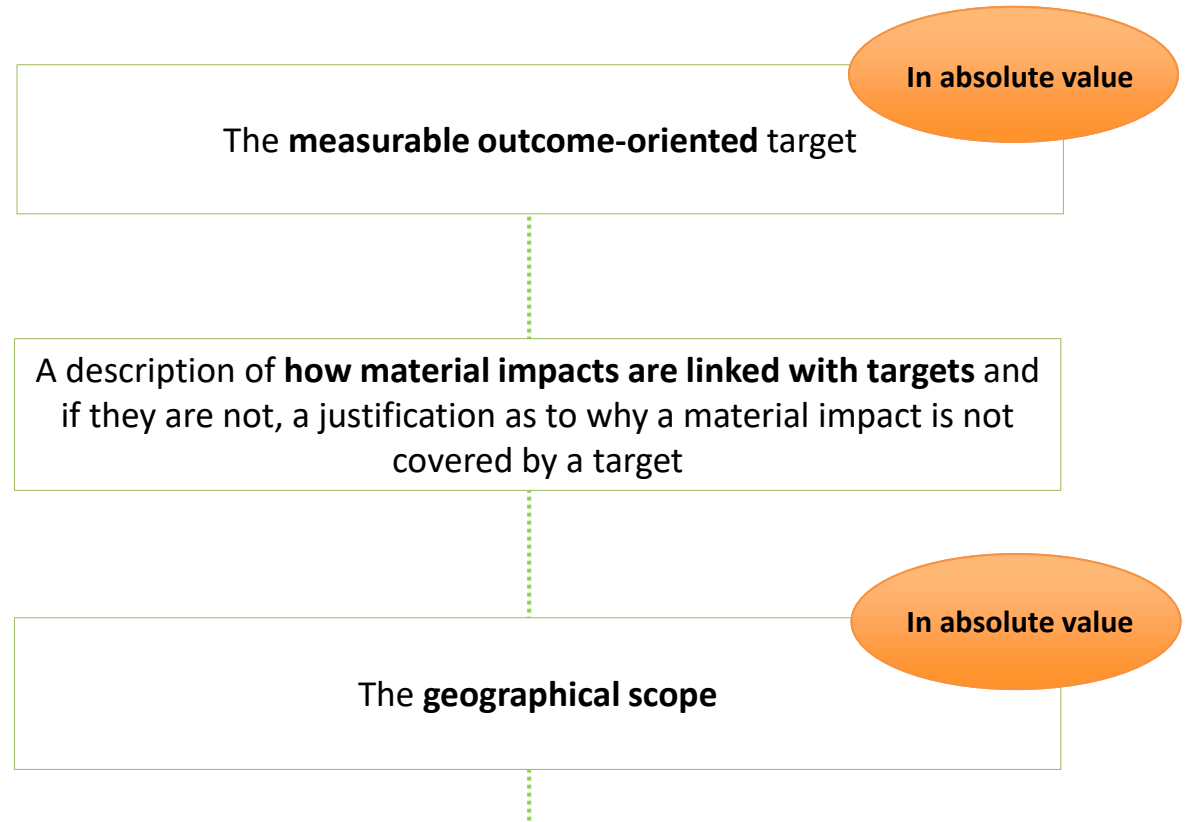
## DR E5-2 – Measurable targets for resource use and circular economy

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

The targets have to be classified under:



Their description shall include:

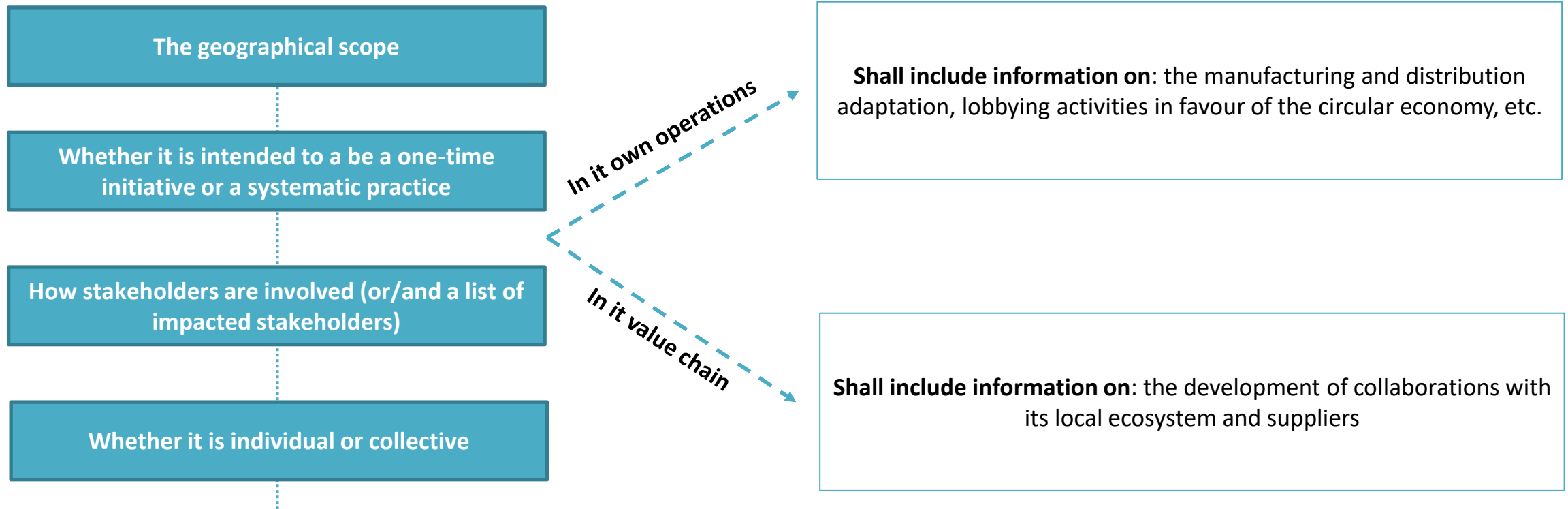


## Deep dive on Disclosure Requirements

### DR E5-3 – Resource use and circular economy action plans

*“The undertaking shall disclose the resource use and circular economy-related action plans and the resources allocated to their implementation.”*

Their description shall include:



# Deep dive on Disclosure Requirements

## DR E5-4 Resource inflows

### ELEMENTS to disclose:

The overall total weight of materials used during the reporting period

The weight in both absolute value and percentage of **renewable input materials** used to manufacture the undertaking's products and services

The weight in both absolute value and percentage of **reused or recycled input materials** used to package the undertaking's products

### MATERIALS include:

Raw materials

Semi-manufactured goods or parts

Associated process materials

# Deep dive on Disclosure Requirements

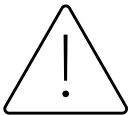
## DR E5-5 Resource outflows

### ELEMENTS to disclose:

The total weight and percentage of **materials coming out of the undertaking's production process**

The total weight and percentage of **products containing substances of concern**

Additional information on the **materials that are recirculated in practice after their first use**



**Waste**, even diverted, coming out from the production process have to be **disclosed under DR E5-6 Waste**

*Materials designed according to:*

Recycling

Other potential optimisation

Durability

Reusability

**Circular principles**

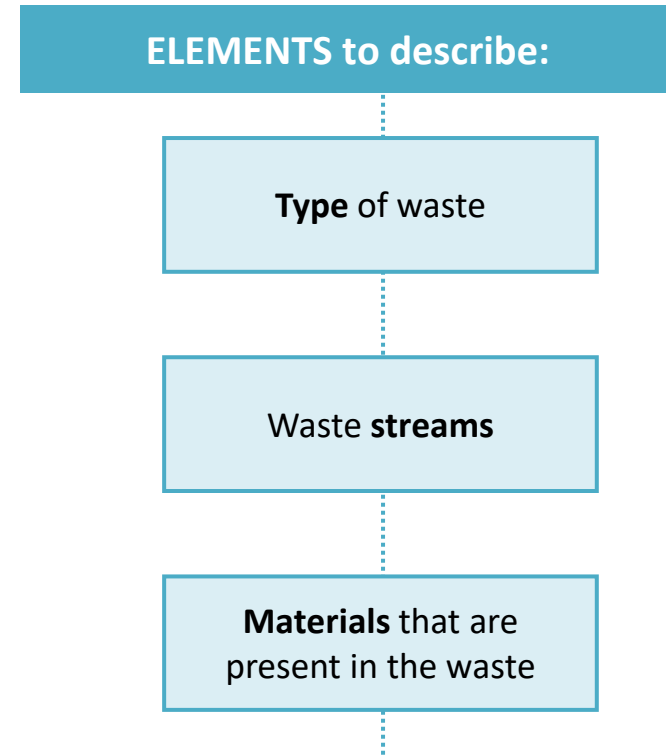
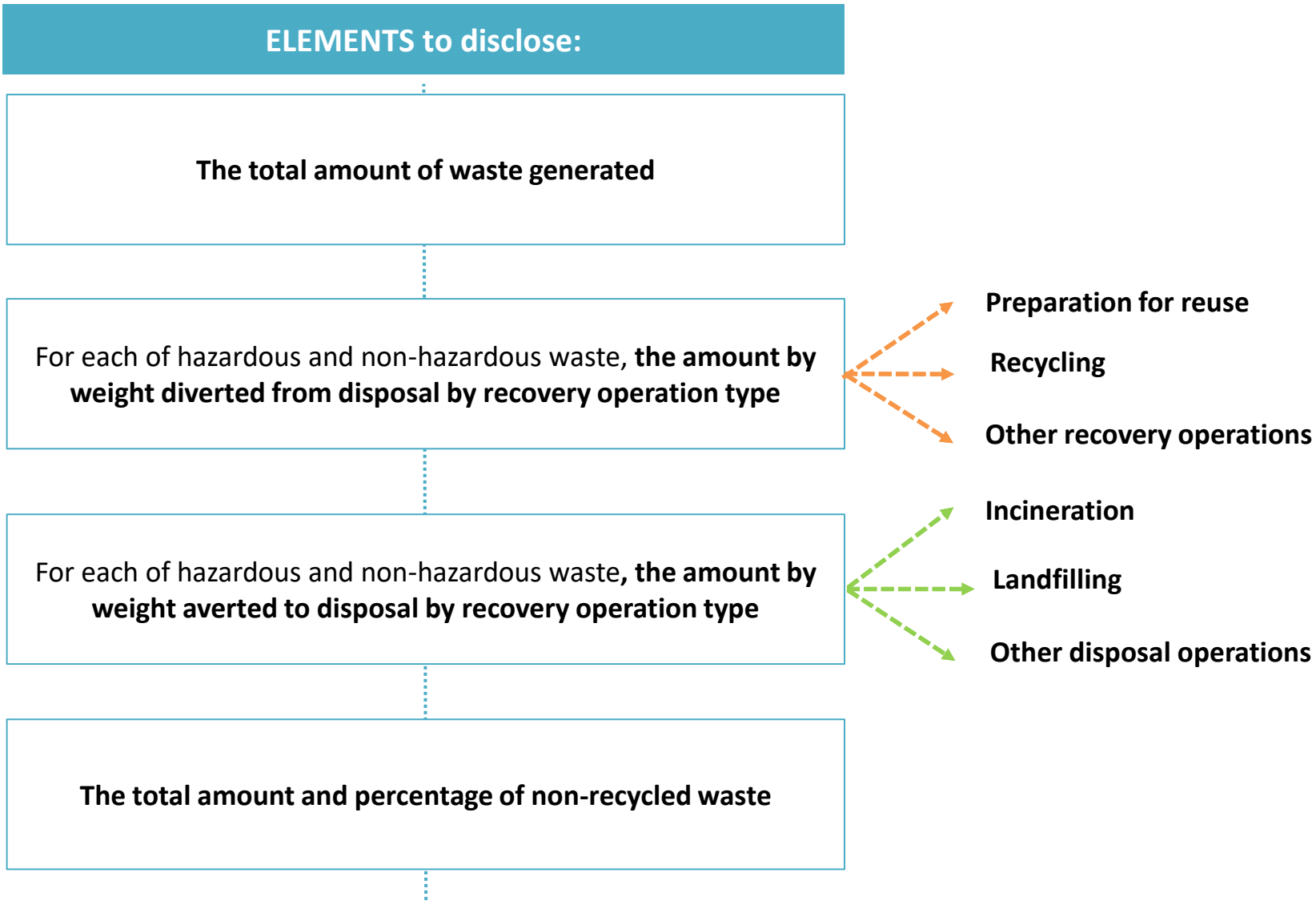
Remanufacturing

Repairability

Disassembly

# Deep dive on Disclosure Requirements

## DR E5-6 Waste

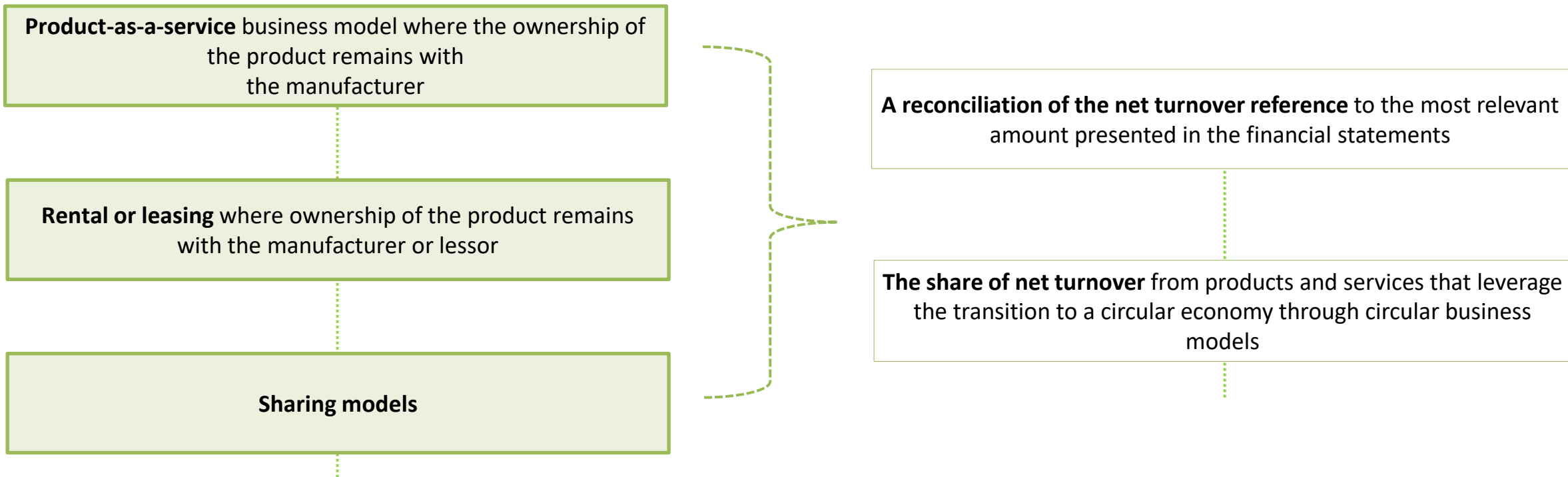


## Deep dive on Disclosure Requirements DR E5-7 – Resource use optimisation

*“The undertaking shall provide information on its strategy to optimise resource use in creating circular business models.”*

The undertaking may consider **the following circular business models:**

**The undertaking shall disclose:**



## Deep dive on Disclosure Requirements DR E5-8 – Circularity support

*“The undertaking shall provide information on its ability to create partnerships to accelerate the transition from linear to circular economy.”*

Their description shall include:

**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**

The extent to which the undertaking **engages with customers** on advancing circular economy topics

The extent to which the undertaking **engages with suppliers** on advancing circular economy topics

Scope:

**Undertaking’s value chain**

**Products and materials not covered by E5-4 and 5**

## Deep dive on Disclosure Requirements

DR E5-9 financial effects from resource use and circular economy-related impacts, risks and opportunities

*“...the undertaking is expected to provide an understanding of the effects of material risks and opportunities, related to the undertaking’s resource use and circular economy-related impacts and dependencies, on the undertaking’s development, performance and position over the short-, medium- and long-term and therefore on its ability to create enterprise value.”*

The undertaking may include:

An assessment of the **market size of related products and services at risk** over the short-, medium-, and long-term

How these are defined

How financial amounts are estimated

Which critical assumptions are made





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