GETTING READY FOR ESRS E5 DISCLOSURE

GATE C

WHAT IS ESRS E5, RESOURCE USE AND CIRCULAR ECONOMY?

HOW TO PREPARE FOR ESRS E5 DISCLOSURE?

HOW WE CAN HELP

THE CORPORATE SUSTAINABILITY REPORTING DIRECTIVE (CSRD) IS ONE OF MANY INCOMING EU REGULATIONS ON CIRCULARITY

-50% *from 2015 to 2030*	**Reduction of the material footprint** *Ambition for the EU taxonomy on circularity (2022 proposal)*
25% *in 2030*	**Agricultural land using regenerative production methods** *Ambition for the EU taxonomy on circularity (2022 proposal)*
30% *in 2030*	**Recycled content** *Ambition for the EU taxonomy on circularity (2022 proposal)*
-15% *from 2018 to 2040*	**Reduction of packaging waste** *Proposal for a revision of EU legislation on Packaging and Packaging Waste*
70% *in 2030*	**Packaging recycling** *Proposal for a revision of EU legislation on Packaging and Packaging Waste*
65% *in 2035*	**Municipal waste recycling or reuse** *Waste Framework Directive*
Most physical goods *by 2027*	**Digital product passport** *Proposal for a new Ecodesign for Sustainable Products Regulation*
New product categories *from 2023*	**Extended producer responsibility expansion** *Revision of the Waste Framework Directive*
50,000 companies *from 2024*	**Mandatory reporting on sustainability** *Corporate Sustainability Reporting Directive (CSRD)*

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- The **Corporate Sustainability Reporting Directive (CSRD)** requires 50,000 companies in the EU to disclose data on the impact of their activities on people and the planet and any sustainability risks they are exposed to.
- Companies will have to disclose data according to **European Sustainability Reporting Standards** (ESRS) established by the **European Financial Reporting Advisory Group** (EFRAG).
- The set of **12 reporting standards** covering the full range of sustainability matters: environment, social and governance.
- Among them, the standard **ESRS E5** covers **Resource use and circular economy**.

ESRS E5 COVERS SEVERAL DISCLOSURE REQUIREMENTS

Standard		Disclosure requirement	
ESRS 2	General disclosure	SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model(s)
		IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities
ESRS E5	Resource use and circular economy	E5-1	Policies related to resource use and circular economy
		E5-2	Actions and resources related to resource use and circular economy
		E5-3	Targets related to resource use and circular economy
		E5-4	Resource inflows
		E5-5	Resource outflows
		E5-6	Potential financial effects from resource use and circular economy-related impacts, risks and opportunities

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THE ESRS DISCLOSURE RELATED TO RESOURCES USE AND CIRCULAR ECONOMY REQUIRES 4 ACTIONS

Standard		Disclosure requirement		Actions required	
ESRS 2	General disclosure	SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model(s)	1	Perform a (double) materiality assessment
		IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities		
ESRS E5	Resource use and circular economy	E5-1	Policies related to resource use and circular economy	2	Define policies, actions, resources and targets for the transition to a circular economy
		E5-2	Actions and resources related to resource use and circular economy		
		E5-3	Targets related to resource use and circular economy		
		E5-4	Resource inflows	3	Collect information on material resource inflows and outflows
		E5-5	Resource outflows		
		E5-6	Potential financial effects from resource use and circular economy-related impacts, risks and opportunities	4	Assess the financial effects due to material risks and opportunities

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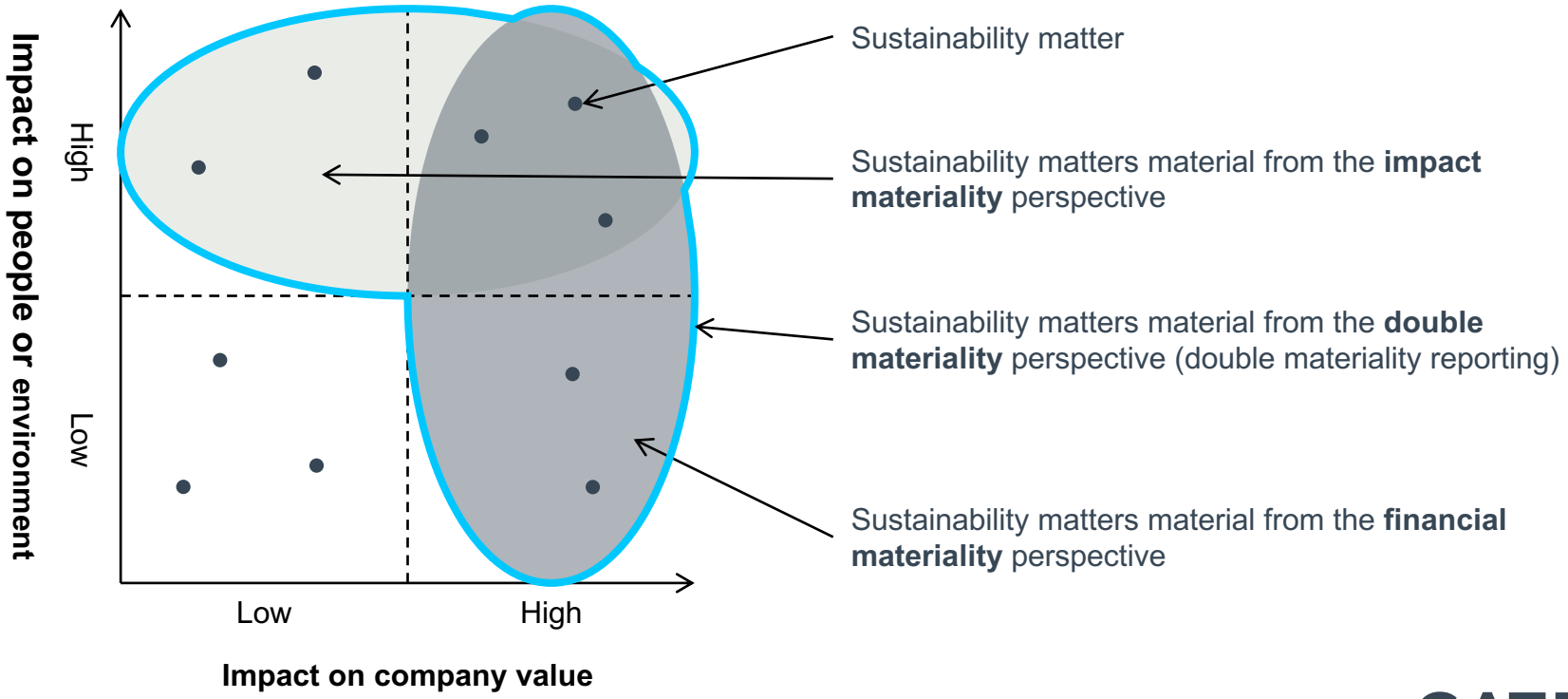
COMPANIES ARE REQUIRED TO PERFORM A DOUBLE MATERIALITY ASSESSMENT



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IMPACT MATERIALITY IS ASSESSED BASED ON IMPACTS, FINANCIAL MATERIALITY ON RISKS AND OPPORTUNITIES

1

Examples of resource use and circular economy-related impacts, risks and opportunities

Sustainability matter

Impacts

- Depletion of non renewable ressources
- Decrease of renewable resources
- Generation of waste (hazardous and non-hazardous)

Risks and opportunities

- Risks of a transition to a circular economy (policy and regulation, technology, market, reputation)
- Risk of staying in a business-as-usual scenario
- Physical risks (depletion of stock and use of virgin and non-virgin renewable resources, decrease of virgin and non-virgin renewable resources)
- Resource efficiency (decoupling activity from extraction of materials, intensifying circular material use, creation of a system that allows for dematerialization,)
- Markets (development of less resource-intense products and services, diversification of business activities, new business models such as product-as-a-service)
- Financing (access to green funds, bonds or loans)
- Resilience (diversification of resources and business activities, investing in green infrastructures, adopting recycling and circularity mechanisms that reduce the dependencies)

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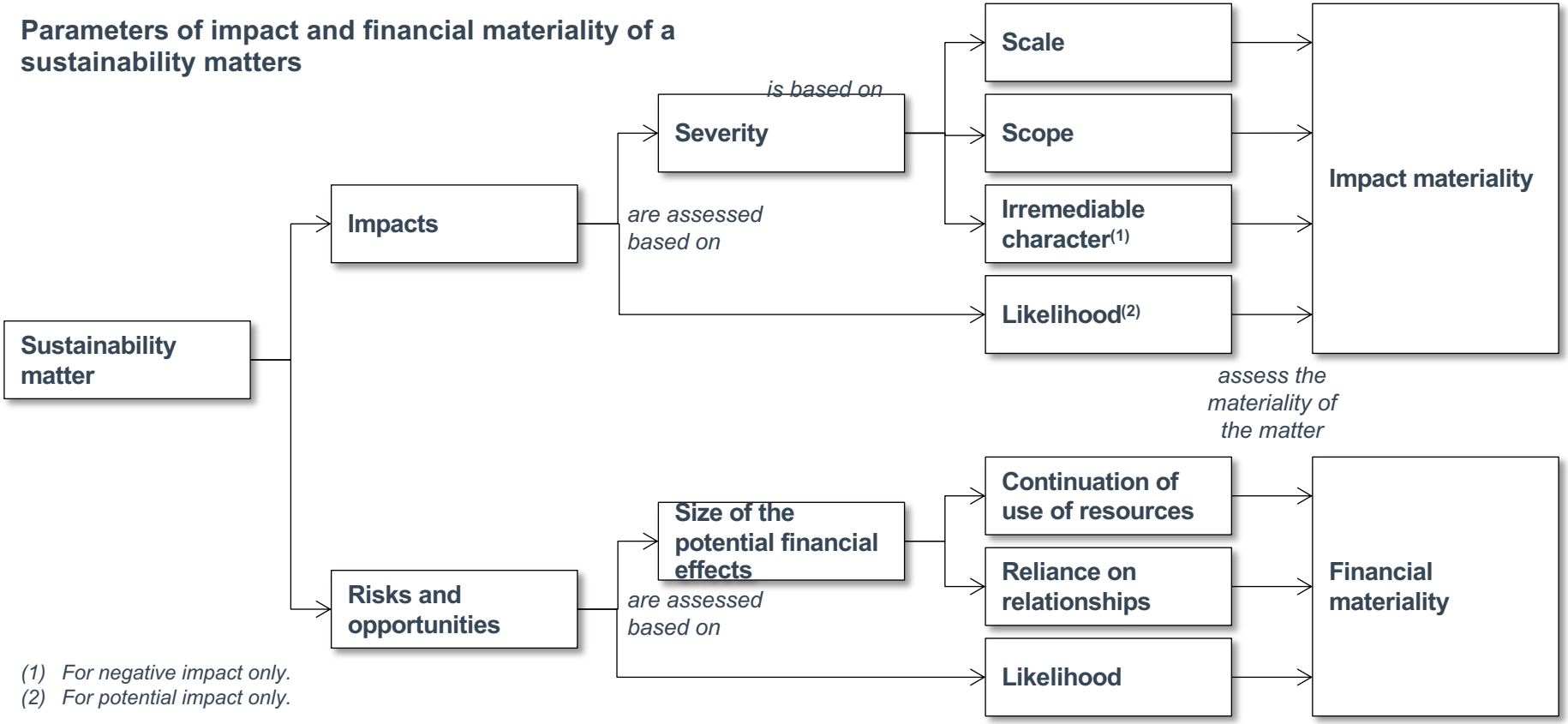
ESRS GUIDELINES PROVIDE STEP-BY-STEP GUIDANCE TO ASSESS EACH SUSTAINABILITY MATTERS

1

Parameters of impact and financial materiality of a sustainability matters



(1) For negative impact only.
(2) For potential impact only.

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ESRS PROPOSES A LIST OF SUSTAINABILITY MATTERS

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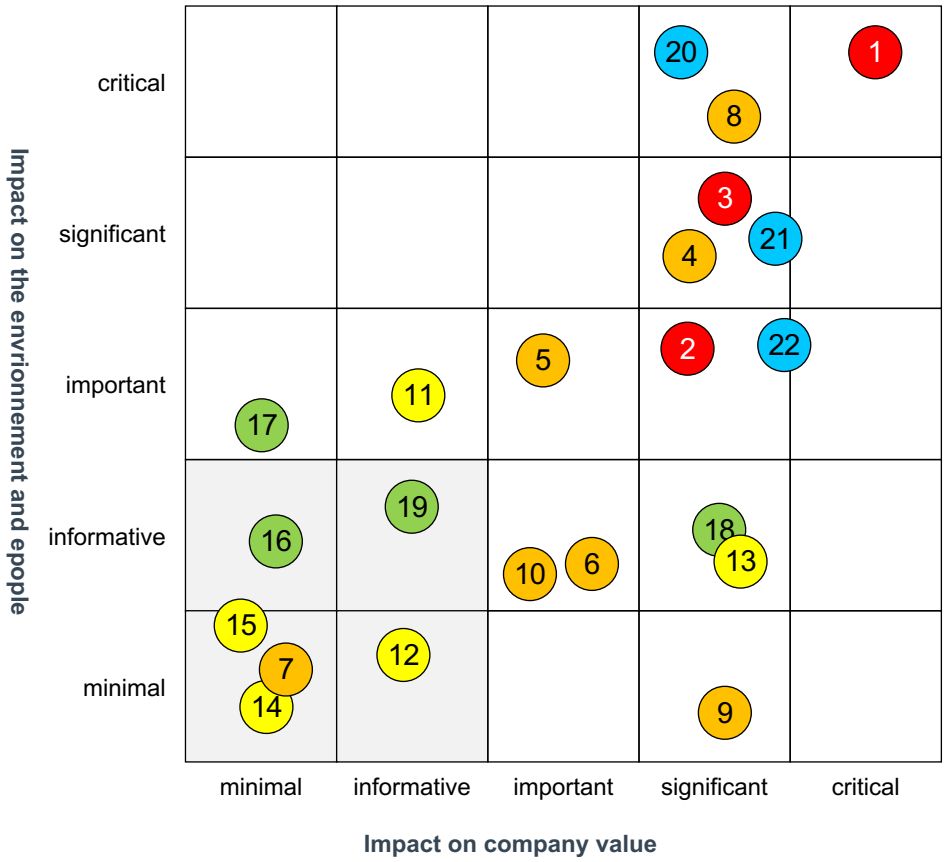

Climate change *ESRS E1*	1	Climate change mitigation
	2	Climate change adaptation
	3	Energy
Pollution *ESRS E2*	4	Pollution of air
	5	Pollution of water
	6	Pollution of soil
	7	Pollution of living organisms and food resources
	8	Substances of concern
	9	Substances of very high concern
	10	Microplastics
Water and marine resources *ESRS E3*	11	Water consumption
	12	Water withdrawals
	13	Water discharges
	14	Water discharges in the oceans
	15	Extraction and use of marine resources
Biodiversity and ecosystems *ESRS E4*	16	Direct impact drivers of biodiversity loss
	17	Impacts on the state of species
	18	Impacts on the extent and condition of ecosystems
	19	Impacts and dependencies on ecosystem services
Circular economy *ESRS E5*	20	Resources inflows, including resource use
	21	Resource outflows related to products and services
	22	Waste

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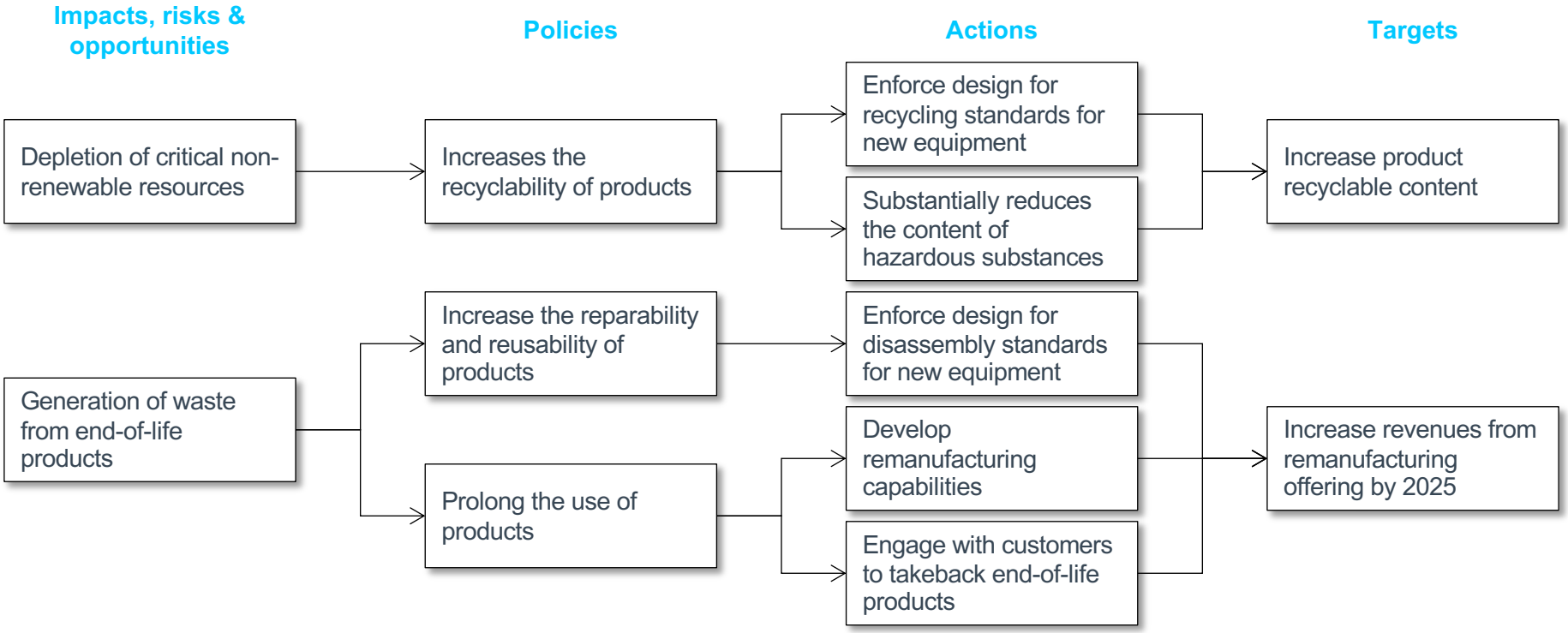
TO MANAGE IMPACTS, RISKS AND OPPORTUNITIES, POLICIES, ACTIONS AND TARGETS RELATED TO CIRCULAR ECONOMY SHOULD BE DEFINED AND DISCLOSED

2

Examples of policies, actions and targets related to resource use and circular economy



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DISCLOSURE REQUIREMENT ON RESOURCES INFLOWS AND OUTFLOWS REQUIRES IS VERY SIGNIFICANT

Resource inflow		• A description of products (including packaging) and materials (specifying critical raw materials and rare earths), water and property, plant and equipment used in by operations and along the value chain. • The overall total weight of products and technical and biological materials used during the reporting period, in tonnes or kilogrammes. • The percentage of biological materials (and biofuels used for non-energy purposes) used to manufacture products and services (including packaging) that is sustainably sourced, with the information on the certification scheme used and on the application of the cascading principle. • The weight in both absolute value and percentage, of non-virgin reused or recycled components, intermediary products and materials used to manufacture products and services (including packaging). • Information on the methodologies used to calculate the data (data sourced from direct measurement or estimations).
Resource outflow	**Products and materials**	• A description of the key products and materials that come out of the undertaking's production process and that are designed along circular principles, including durability, reusability, repairability, disassembly, remanufacturing, refurbishment, recycling, recirculation by the biological cycle, or optimisation of the use of the product or material through other circular business models. • The expected durability of the products placed on the market, in relation to the industry average for each product group. • The reparability products, using an established rating system, where possible. • The rates of recycled content in products and their packaging.
	Waste	• The composition of the waste including the waste streams relevant to its sector or activities and the materials that are present in the waste (e.g. biomass, metals, non-metallic minerals, plastics, textiles, critical raw materials and rare earths). • The total amount of waste generated. • The amount by weight diverted from disposal by recovery operation type (preparation for reuse, recycling, and other recovery operations) and the total amount summing all three types, with a breakdown between hazardous waste and non-hazardous waste. • The amount by weight directed to disposal by waste treatment type (incineration, landfill, and other disposal operations) and the total amount summing all three types, with a breakdown between hazardous waste and non-hazardous waste. • The total amount and percentage of non-recycled waste. • The total amount of hazardous waste and radioactive waste generated. • Contextual information on the methodologies used to calculate the data and in particular the criteria and assumptions used to determine and classify products designed along circular principles.

WHAT WE LEARNED

- Companies will probably need to review their CSR strategy to report on double materiality.
- Mostly likely, companies' circular economy policies, actions, and targets will have to be revised substantially (or developed from scratch) to meet the standards requirements.
- Since reliable value chain sustainability data is needed, companies will need to request data from their value chain parties (upstream and downstream).
- The lack of a robust information system will complicate the reporting process and makes reporting even more labour-intensive.

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WE HELP SEVERAL CUSTOMERS TO REPORT RESOURCES USE AND CIRCULAR ECONOMY INFORMATION ACCORDING TO ESRS E5

Prepare ESRS E5 disclosure

For a chemical company, we organised a one-day workshop to prepare ESRS E5 disclosure.

Perform a materiality assessment

For a global industrial equipment manufacturer, we conducted a materiality assessment through 4 workshops and 2 validation meetings with the board.

Define circular economy policies, actions, and targets

For a construction material company without a circular economy strategy, we help define policies, actions, and targets related to circular economy.

Prepare material resource inflows and outflows disclosure

For a consumer packaging goods manufacturer, lacking a solid IT system, we helped prepare and design the collection of resource inflows and outflows disclosure.

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We are a consulting firm helping businesses to capture the value of the circular economy

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