

 EXPOSURE DRAFT

ESRS E5

RESOURCE USE AND
CIRCULAR ECONOMY

 JULY 2025

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Revised structure and drafting conventions

As compared to the ESRS Set 1 (Delegated Regulation (EU) 2023/2772 adopted by the European Commission in July 2023), the structure of the Standards has been revised and streamlined.

- All the ‘shall disclose / shall include / shall report / shall describe / shall explain’ are presented in the main body of the Standard. They have been counted as separate datapoints.
- Below the text of each Disclosure Requirement (‘DR’) in topical standards (or chapter for ESRS 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is still named ‘Application Requirements’ (‘ARs’). This includes ‘shall consider’ as element of methodology for preparing the disclosure, and ‘may (present)’ for presentation options – which does not represent voluntary disclosure but brings flexibility on how to present the disclosure.
- All the ‘may’ disclosures have been either eliminated or redrafted as application requirements (which do not include separate datapoints but methodology content).
- A minority of the deleted datapoints is gathered in a document named ‘Non-Mandatory Illustrative Guidance’ (‘NMIG’) and has been redrafted to fit this classification. While the content of ‘shall disclose’ datapoints in the main body of the standard and of application requirements are drafted to become part of the delegated act, the legal status of the NMIG (either as appendices in the Delegated Act or as document to be issued by EFRAG independently of the Delegated Act) will be considered by the European Commission (‘EC’) in due course. EFRAG recommends NMIG not to be part of the Delegated Act.
- The ESRS use several terms to indicate similar concepts: matters, topic, sub-topic, sub-subtopic. In Amended ESRS ‘sub-subtopics’ have been eliminated. In addition, to simplify the content and eliminate one term (matter), the Standards only refer to topics and sub-topics. For this reason, in all the documents the term ‘matter’ has been replaced by ‘topic’ where ‘topic’ is meant to refer either to topic or sub-topic depending on the context of the relevant disclosure. When used in this way, the bold italic format is used (***topic***), as this is a defined term. When used to express one of the 10 topics in Appendix A of [Draft] Amended ESRS 1, a normal font is used.
- The paragraph numbering has been revised to reflect the draft amendments. Where applicable, the paragraph number of the 2023 Delegated Act is indicated in brackets—for example, ‘4. (24)’ or ‘4. (24 amended)’ in paragraph [Draft] Amended ESRS 1.

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Objective

1. When reporting in accordance with the ESRS, the **sustainability statement** shall cover information in relation to [Draft] Amended ESRS E5 '**Resource use** and **circular economy**', when this **topic** is related to **material impacts, risks** and **opportunities**. The disclosure on the material impacts, risks and opportunities is expected to cover **policies, actions** and **targets** (if in place), **dependencies** when relevant, **metrics** and the related **financial effects**.
2. The objective of this Standard is to specify Disclosure Requirements ('DRs') in relation to the items of information mentioned in para. 1 that are not covered in [Draft] Amended ESRS 2.
3. When only one of the sub-topics covered by this Standard is material, the undertaking shall report only on that sub-topic.
4. This Standard sets out DRs related to the sub-topics:
 - (a) **resource inflows** (including mineral and biotic **marine resources**);
 - (b) **resource outflows**: products and services;
 - (c) resource outflows: **waste**.
5. The undertaking shall apply the provisions of [Draft] Amended ESRS 2 paras. 30 - 33 and GDR-P, GDR-A, GDR-T. In particular:
 - (a) if the undertaking has not adopted policies, actions and targets with reference to a topic related to material impacts, risks and opportunities, it shall disclose this fact;
 - (b) the undertaking may present the description of its material impacts, risks and opportunities, in accordance with [Draft] Amended ESRS 2 IRO 2, alongside information about its policies, actions, targets and metrics through which it addresses them, to avoid duplication and support a coherent narrative.
6. In this Standard, each DR is introduced by a disclosure objective, with the exception of policies, actions and targets, for which the provisions in GDR-P, GDR-A and GDR-T provides the necessary framing for the relevant DRs.
7. Circular Economy represents a key pillar in the European Green Deal (2019), which sets ambition for the EU to become a global leader in circular economy practices by 2030.
8. The objective of this standard shall also enable **users** of the sustainability statement to understand the plans and capacity of the undertaking to adapt its strategy and business model in line with the EU Circular Economy Action Plan (2020), the Eco-design for Sustainable Products Regulation (ESPR) (Regulation (EU) 2024/1781), the Waste Framework Directive (WFD) (Directive 2008/98/EC), and the Right to Repair Directive (R2R) (Directive (EU) 2024/1799).

Interaction with other ESRS

9. Social and environmental **topics** closely interact with each other. The main points of interaction between [Draft] Amended ESRS E5 and the different ESRS topical standards are the following.
 - (a) [Draft] Amended ESRS E1 *Climate Change* (**GHG emissions** & energy consumption) – E5 related activities (resource extraction, production & transformation) are, by nature, energy-intensive ones and generate high levels of **greenhouse gases (GHG)** emissions. Collecting energy efficiency in own operations and the upstream and downstream **value chain** can lead to reduction in carbon footprint.

- (b) [Draft] Amended ESRS E2 *Pollution* (emissions to **water**, air and **soil** as well as **substances of concern**) – E5 related activities can have extensive **pollution** related effects. For example, industrial **waste** disposal that may pose significant pollution **risks**, particularly when it contains **substances** or is not subject to appropriate treatment.
- (c) [Draft] Amended ESRS E3 *Water* (use and management of water resources) – E5 related activities require large volumes of water, often operating in water-stressed areas. This puts pressure on local water systems and may exacerbate water scarcity. A **circular economy** approach can significantly reduce water-related **impacts** by improving water use efficiency, implementing closed-loop water systems, and enabling **water reuse** and **recycling**.
- (d) [Draft] Amended ESRS E4 *Biodiversity and Ecosystems* (**ecosystems** and species) – E5 related activities can cause habitat destruction and ecosystem fragmentation (mainly due to the upstream and downstream value chain-related issues), resulting in **biodiversity loss**. Transitioning to a circular economy, helps alleviate these pressures by reducing the need for virgin material extraction and ensuring proper waste treatment.
- (e) [Draft] Amended ESRS S1 *Own operation* (working conditions and health and safety) – E5 related activities often involve intensive resource extraction, manufacturing, or waste processing, which can expose workers to hazardous conditions and low-wage labour, especially in lower tiers of the value chain. A circular economy approach can support safer and more sustainable employment by promoting local **repair**, **remanufacturing**, and recycling sectors, improving job quality and creating green employment **opportunities** in more regulated environments.
- (f) [Draft] Amended ESRS S4 *Consumers and end-users* (information-related impacts on **consumers** and/or **end-users**) – E5 related activities endorses collaboration with consumers by promoting durable, repairable, and recyclable products, increasing transparency about environmental impacts, and enabling more sustainable consumption patterns through models such as product-as-a-service, reuse, and sharing systems.

Disclosure Requirements

Impact, risk and opportunity management

Disclosure Requirement E5-1 – Policies related to resource use and circular economy

- 10. (14 amended) The undertaking shall disclose its **resource use** and **circular economy policies** in accordance with the provisions of [Draft] Amended ESRS 2 GDR-P.
- 11. (15 amended) In addition to the information required by [Draft] Amended ESRS 2 GDR-P, if the undertaking integrates **circularity** and **eco-design** principles in its **key products** and **services**, it shall explain how this is done.

Disclosure Requirement E5-2 – Actions and resources related to resource use and circular economy

- 12. (19 amended) The undertaking shall disclose its **resource use** and **circular economy actions** in accordance with the provisions of [Draft] Amended ESRS 2 GDR-A.

Metrics and Targets

Disclosure Requirement E5-3 – *Targets related to resource use and circular economy*

13. (23 amended) The undertaking shall disclose its **resource use** and **circular economy targets** in accordance with the provisions of [Draft] Amended ESRS 2 GDR-T.

Disclosure Requirement E5-4 – *Resource Inflows*

14. (29 amended) The objective of this DR is to provide an understanding on the **resource inflows** of the undertaking. This includes information on the types and quantities of resources entering the organisation, with a focus on their **circularity**.
15. (30-31 amended) When ‘Resource Inflows’ is assessed as a material **topic**, the undertaking shall disclose the following information about the **key materials** used to manufacture, were put on the market or were part of the delivery of the undertaking’s products and services during the reporting period:
- (a) the key materials used to manufacture products, deliver them and/or provide services;
 - (b) the total weight of key materials with a breakdown per key material (in weight or percentage of total weight);
 - (c) the percentage of total weight of **critical** and **strategic raw materials**;
 - (d) the percentage of total weight of **secondary resourced** materials;
 - (e) the percentage of total weight of key **biological materials** sustainably sourced.

APPLICATION REQUIREMENTS

<p>AR 1 for para. 15(c)–(e)</p> <p>(Resource inflows)</p>	<p>The denominator of the percentage indicator required under paragraph 15(c) and 15(d) is the overall total weight of the key materials used during the reporting period.</p> <p>The denominator of the percentage indicator required in paragraph 15(e) is the total weight of key biological materials.</p>
<p>AR 2 for para. 15(a)</p> <p>(Resource inflows)</p>	<p>When identifying the key materials in paragraph 15(a), if the characteristic of being a technical or a biological material is a driver of impacts, risks or opportunities, the undertaking shall designate the material in such a way as to identify this characteristic, e.g. the undertaking can refer to ‘synthetic fibres’ and ‘natural fibres’ instead of just ‘fibres’.</p>

Disclosure Requirement E5-5 – *Resource outflows*

16. (34 amended) The objective of this DR is to provide an understanding of how the undertaking implements **circular economy** by designing, manufacturing and providing goods and services in accordance with **circular economy principles**, and by effectively managing **waste**.

Products and services

17. (36 amended) The undertaking shall disclose:
- (a) information on the expected **durability** of its **key products**;
 - (b) information on the **scope of reparability** of its key products;

- (c) the rate of recyclable materials included in its key products and in their **packaging**;
- (d) (31 amended) the rate of recycled materials used in its key products.

Waste

18. (37-38 amended) The undertaking shall disclose the following information on waste from its own operations:
- (a) a description of the **waste streams** relevant to its sector or activities;
 - (b) the total weight of waste generated;
 - (c) the percentage and/or total weight diverted from disposal, with a breakdown between **hazardous waste** and **non-hazardous waste**, and a breakdown by the following **recovery** operation types:
 - i. preparations for **reuse**;
 - ii. **recycling**;
 - iii. other recovery operation;
 - (d) the percentage and/or total weight directed to disposal, with a breakdown between hazardous waste and non-hazardous waste, and a breakdown by the following disposal operation types:
 - i. thermal-based disposal;
 - ii. **landfill**;
 - iii. other disposal operation;
 - (e) the percentage and/or total weight for which the final destination is unknown.
19. (39 amended) If the undertaking generates radioactive waste, according to the definition of radioactive waste in Article 3(7) of Council Directive 2011/70/Euratom, it shall disclose the total amount of it.

APPLICATION REQUIREMENTS

AR 3 for para. 17 (c)) (Products and services)	(AR 26 amended) When disclosing paragraph 17(c), packaging is to be disclosed separately.
AR 4 for para. 18 and 19 (Waste)	Waste weight is expressed in tons or kilograms.
AR 5 for para. 18 (Waste)	When describing its waste streams , it is sufficient to provide a name and an indication of the key materials that are included in the waste stream. An illustrative example - for a wood furniture producer a waste stream could be

‘wood waste’ composed of offcuts, sawdust and defective wooden components of the key material ‘wood’.
