

## Concept note for Chatham House & E3G dialogue:

### How should circular economy be embedded within green finance impact and risk reporting?

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#### Background

The sustainable finance regulatory landscape, particularly in the EU and UK, is undergoing a transformation due to growing risk to investments from climate breakdown and biodiversity loss (and other environmental risks). Key components of the transformation include green finance taxonomies, double materiality impact reporting and increased environmental and social due diligence requirements.

In parallel to sustainable finance developments, the transition to a circular economy is also increasingly recognised as an essential economic and industrial strategy to help businesses mitigate and adapt to the risks of growing environmental crises as well as economic instability. Despite being a relatively new topic, the perceived benefits of the circular economy have led to increasing attention on how circular principles should be embedded within sustainable finance regulations. As highlighted in a [recent event](#) hosted by Chatham House and E3G, the circular economy will be a core objective in both the EU and UK green finance taxonomies.

In addition to providing a framework for taxonomy disclosure, circular economy also promises to become key element to the discussion on double materiality and due diligence. This is, in part, due to it offering an overarching framework to measure, evaluate and create strategies for resource-mediated impacts and risks. Companies can apply circular economy principles to accelerate and deconflict the achievement of climate, biodiversity, water and pollution goals – all of which will increase in importance as taxonomies evolve and disclosure requirements grow in scope. Therefore, impact reporting, taxonomy alignment and due diligence will need to be underpinned by robust standardised circularity data gathering, monitoring and reporting processes (enabling relevant assurance).

To meet the demand for coherent and robust circularity metrics and reporting, several initiatives have emerged in recent years, including GRI's updated *306: Waste* standard, WBCSD's *Circular Transition Indicators* and the Ellen MacArthur Foundations *Circulytics*. As these developments are relatively new and reporting standards take time to evolve, awareness of circular metrics and reporting among businesses and regulators remains very low. Testimonies from early adopters of these tools and standards also demonstrate that despite the value offered by circularity metrics and reporting tools, there remains a significant capacity gap among businesses to meaningfully monitor and report on circularity. This is, in part, due to the complexities and costs associated with material flow accounting and gathering circular economy-relevant data across the value chain. As such, there is a potential risk of mismatch between regulatory ambition and capability to comply.

The purpose of this event is therefore to bring together relevant stakeholder communities (including those developing disclosure regulations and those developing and using circular economy tools and metrics) to discuss: (i) current developments in sustainable finance regulations<sup>1</sup>; (ii) what benefits the circular economy approach brings to double materiality and due diligence reporting; (iii) the evolving landscape of circularity metrics, standards and reporting; and (iv) how to address the regulatory and capability mismatch.

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<sup>1</sup> Including the European Financial Reporting Advisory Group's (EFRAG) continued work on Sustainability reporting standards under the EU Corporate Sustainability Reporting Directive (CSRD), International Sustainability Standards Board's (ISSB) work to further refine its Climate-related Disclosures Prototype and the UK's Sustainable Disclosure Requirements).

## Structure

The event will have two sessions:

- Session 1  
Public panel event aiming to raise awareness about the evolving landscape of sustainability disclosure requirements, reporting standards and the role for CE therein.  
With panellists from ISSB, EFRAG, UK Financial Conduct Authority, among others.
- Session 2  
Invitation-only policy dialogue under the Chatham House Rule to raise awareness about  
(i) new circular metrics and reporting tools;  
(ii) the challenges and opportunities of embedding circularity in emerging standards;  
(iii) the role of circular metrics and reporting tools in enabling taxonomy-alignment.

The second session of the event is a roundtable targeted to policymakers and experts advising on sustainability reporting standards in the EU and UK, as well as leading organisations on circular economy metrics and reporting. Please contact Chatham House's Project Manager, [Klas Wetterberg](#) for more details about this roundtable.

## Time

9th March 2022, 09:30-12:00 GMT

- 9:30 Soft start (5mins)
- 9:35 Session 1 (1h5mins)
- 10:40 Virtual networking / buffer (10 mins)
- 10:50 Session 2 (1h10mins)
- 12:00 Ends

## Location

Chatham House's virtual platform Conference+.

Please register to the event in advance:

<https://chathamhouse.cplus.live/event/circular-economy-in-sustainable-finance-policy>