G7 Workshop

Tools making value chains more circular and resource efficient
Voluntary agreements, standardisation & non-financial reporting
Key messages

Paris, 20-21 March 2019

The French Presidency of the G7, in cooperation with the European Commission, organised a workshop of the G7 Alliance on Resource Efficiency on 'Tools making value chains more circular and resource efficient. Voluntary agreements, standardisation & non-financial reporting' on 20-21 March 2019 in Paris.

The workshop took place against the background of the findings in the IRP's Global Resource Outlook 2019, welcomed at the 4th United Nations Environment Assembly (UNEA4) as well as in the OECD's Global Material Resources Outlook to 2060, which show that under a business-as-usual scenario, resource use at the global level would lead to unsustainable environmental pressures. The workshop followed the adoption by UNEA4 of a resolution on "Innovative pathways to achieve sustainable consumption and production" which underlines, inter alia, the importance of advancing sustainable consumption and production patterns, including, but not limited to through circular economy and other sustainable economic models, and which recognises the variety of policies that countries implement to move toward sustainable consumption and production, such as resource efficiency, circular economy, sustainable materials management, and 3Rs.

Participants at the workshop included those from industry, nongovernmental organisations, and G7 governments. The discussion at the workshop was open-ended and participants provided various fruitful insights without producing formal shared conclusions. The G7 members of the Alliance on Resource Efficiency identified the following **key messages** from the workshop.

Voluntary agreements

- Voluntary agreements, and similar approaches, in particular on the part of businesses, can effectively complement regulation in support of environmental outcomes;
- By allowing the creation of a common view, structured around shared objectives and by involving stakeholders among the different steps of value chains, voluntary agreements can facilitate the emergence and the implementation of new approaches, leading to more circular and resource efficient value chains in such a way as to ensure that materials are used more productively throughout their life cycle thereby reducing the environmental impacts;
- By facilitating and encouraging exchanges between policy makers, non governmental organizations and/or companies, voluntary agreements can contribute to relevant public policies;
- The involvement of public authorities and non governmental organisations in the governance and implementation of voluntary agreements can ensure a good ambition level and credibility;
- Voluntary agreements can have a beneficial impact on circularity and resource efficiency along value chains by bringing together all relevant companies and stakeholders involved in the same value chains, which may be global in their nature, around a common goal;
- A regular follow-up of the voluntary agreement's implementation as well as a transparent reporting with a well-designed communication to raise public visibility are essential for guaranteeing an effective implementation of the voluntary agreement which go beyond or complement existing legal requirements;
- Communication of economic, social, and environmental benefits associated with voluntary agreements can encourage more actors to get involved in ambitious voluntary agreements.

Standardisation

- Standard setting is an important tool for adopting, at the international level, common elements in particular specifications, definitions and principles that can facilitate removing barriers and improving efficiencies between actors in global value chains, thus facilitating trade;
- Standards generally address individual aspects of a product or service system. Some organizations are looking at how to integrate resource efficiency and circular economy into the development of horizontal standards that can provide a framework for more specific standards and guidance to help companies rethink their business models;
- Standard setting can facilitate the use of life cycle approach in identifying where most environmental progress can be achieved, both in terms of reducing environmental impacts and facilitating resource efficiency;
- The development of standards to fill needed gaps and the integration of circularity and resource efficiency in standards with the goal of reducing life cycle environmental impacts from materials would help make global supply chains more resource efficient. The ISO Technical Committee on the circular economy aims to facilitate this;
- The development of standards in the field of circular economy and resource efficiency at ISO and IEC levels should build upon the active participation of national standardisation bodies.

Non financial reporting

- Comparable, concise and consistent circular economy and resource efficiency metrics and reporting on value chains can help companies, including SMEs, identify their dependencies and exposures to environmental risks factors and their ability to improve the resilience of their business and enhance its economic performance;
- Business strongly underlined the need to develop a common and concise set of metrics and reporting protocols, and related environmental accounting principles to reduce the burden from different and divergent reporting frameworks while encouraging consistency, completeness, comparability, clarity, accuracy and reliability, in accordance with the materiality principle. Current differences and lack of comparability in the information that companies gather, use and disclose, reduce the value of information for company managers and investors
- Some participants noted that the level of harmonisation achieved by the IFRS (International Financial Reporting Standards) and the GAAP (Generally Accepted Accounting Principles) is a model in developing generally accepted environmental accounting principles, although it is necessary to achieve it in a shorter period of time;
- The Task Force on Climate-related Financial Disclosures (TFCD) recommendations on climate-related reporting and the Corporate Reporting Dialogue provide solid international examples for greater consistency and transparency in practices in non-financial reporting.
- Some businesses highlighted the usefulness of mandatory requirements for non-financial reporting in prompting the development of capacities for integrated Environmental, Social, and Governance (ESG) reporting and risk analysis in the private sector, and in ensuring a level-playing field;
- The development and application of digital technologies for gathering and processing large amounts of data could substantially enhance the capacity of companies, including SMEs, to improve management of resources along supply chains, and to report on resource efficiency and circularity;
- Policy makers could assist non-financial reporting efforts for example in convening and facilitating exchanges with clearly defined objectives between stakeholders involved in non-financial reporting, at national and international levels .