Enabling Corporate Plastics Disclosure

Unlocking private finance

World Business Council for Sustainable Development

earth action

Contents

Foreword

Addressing plastic pollution is at a critical moment as countries work to finalize a UN treaty on plastic pollution at the 5th Intergovernmental Negotiating Committee (INC-5) in Busan, Republic of Korea, from 25 November to 1 December 2024.

Countries at INC-5 will have to align on key topics to ensure they deliver an effective global treaty for plastics. The question of the financing sources to mobilize for the implementation of the instrument's objectives is important. Among these sources, private finance has an important role to play.

This paper discusses **the actions required to unlock private finance (equity and debt financing instruments) to transition to a circular economy and end plastic pollution.**

The answers we provide relate to what companies should do in the context of their performance and accountability, what financial markets should do with the information that comes from companies to inform their decision-making and, finally, what type of enabling framework the UN treaty should provide.

We demonstrate that by integrating plastic pollution-related risks and circularity opportunities in every part of their strategic and performance management process, companies can provide financial institutions with decision-useful information they can use in their valuation and capital allocation decisions. And by doing this, those institutions can redirect financial flows towards solutions for a circular economy for plastics and reduce plastic pollution.

This paper primarily focuses on plastic pollution, while also touching on the broader issue of resource use and the role of a circular economy in mitigating plastic waste. WBCSD and the One Planet Network, hosted by the United Nations Environment Programme (UNEP) will address the topic of circular economy in a comprehensive manner in the Global Circularity Protocol for Business (GCP) they are currently developing. The GCP will offer a comprehensive framework to help in target-setting, measuring, reporting and disclosing progress on resource efficiency and circularity. This is part of WBCSD's wider priority focus on aligning the Corporate Performance and Accountability System (CPAS).

With its focus on reporting and disclosure through a double materiality approach, this paper completes our series of publications on *Enabling corporate plastics disclosure* that we started at the beginning of the INC process.

Our first paper, ***Opening the debate for the adoption of universal metrics*** released in November 2022, reviews the plastic-related metrics that companies are using (for plastic put on the market and the fate of the plastic waste created) and for what purposes they are using these metrics. The second paper, on ***Building a corporate accountability system for plastic pollution*** and published in May 2023, shows how the metrics fit into a comprehensive corporate accountability system that could help companies comply with the future UN treaty on plastic pollution. Finally, ***Building a plastics protocol*** published in November 2023 aims to set the rules for companies to act on plastic pollution and circularity (baseline assessment, performance measurement, target-setting and mitigation plan development, disclosure of progress).

By analyzing the alignment between the plastic-related information companies disclose and the data investors need to inform their decision-making, this new paper complements the plastics protocol by shedding light on the disclosures targeted at the financial sector.

I hope you will find this publication useful for your journey to a plastic pollution-free world.

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1. Introduction

1.1. Financing the transition of companies to a circular economy for plastics

All industries use plastic. As their supply chains are global, their use of plastic is leading to rapid growth in plastic pollution worldwide. To end plastic pollution and realize their potential to achieve a circular economy – following the waste hierarchy of prevention, reduction, reuse, repair, recycling, recovery – companies need to transition to a circular economy by:[1]

- Narrowing the material loop (absolute reduction of the total amount of materials a company puts on the market, including the elimination of problematic and unnecessary plastic products);
- Slowing the loop (increased product longevity and the transition to reuse/refill models);
- Closing the loop (use of circular material inflows and outflows).

The transition requires, on the one hand, capital for companies to invest in innovation and transformation. On the other hand, financial institutions need to be in a position to assess how companies manage risks linked to plastic pollution and assess their circularity performance to guide their investment decision-making. Corporate valuations thus play a critical role in unlocking and directing financial flows to a circular economy for plastics, for instance by:

- Attracting investments – the integration of circular practices can lead to stronger financial performance;
- Incentivizing circular business models – valuations that recognize the financial value of circular economy practices create incentives for companies to adopt circular models;
- Reducing long-term financial risks – adjusting valuations to account for plastic pollution-related transition risks, such as policies regulating plastics, reputational risk, litigation risk and driving financial flows to companies with resilient and circular models.

As countries meet in Busan to conclude the negotiations on a global treaty for plastics, this paper explores the **actions required to unlock private finance (equity and debt financing instruments) to transition to a circular economy and end plastic pollution and how the UN treaty can help.**

It provides high-level guidance on what companies should do in the context of their performance and accountability through the disclosure of decision-useful information to financial markets, what financial markets should do with the information that comes from companies to inform their decision-making and, finally, how organizations can improve plastic-related data disclosure and what enabling framework a United Nations treaty on plastic pollution should provide.

This paper does not aim to be a complete guide for companies or financial institutions but rather to raise awareness on how alignment between companies and financial institutions could unleash private finance as countries meet at the 5th session of the International Negotiating Committee (INC-5) in Busan, Republic of Korea (25 November – 1 December 2024), to conclude the negotiations on this UN treaty.

In this paper, we define private finance as investments, loans and financial activities provided by private sector entities rather than by the government or public sector.

By taking a double materiality approach, it complements our previous ***Enabling Corporate Plastics disclosure, Building a plastics protocol*** publication (referred to here as the plastics protocol), which seeks to generate alignment among organizations to create common ground for plastic-related target-setting, accounting and roadmap development. The plastics protocol looks at metrics companies should use to measure their circularity performance (using WBCSD Circular Transition Indicators (CTI) for the *Close the Loop* module) and measure their impact on plastic pollution (plastic leakage metric, meaning the total volume of plastic in a corporate value chain leaving the technosphere (human environment) and accumulating in the natural environment).

1.2. Addressing the misalignment between financial markets and businesses

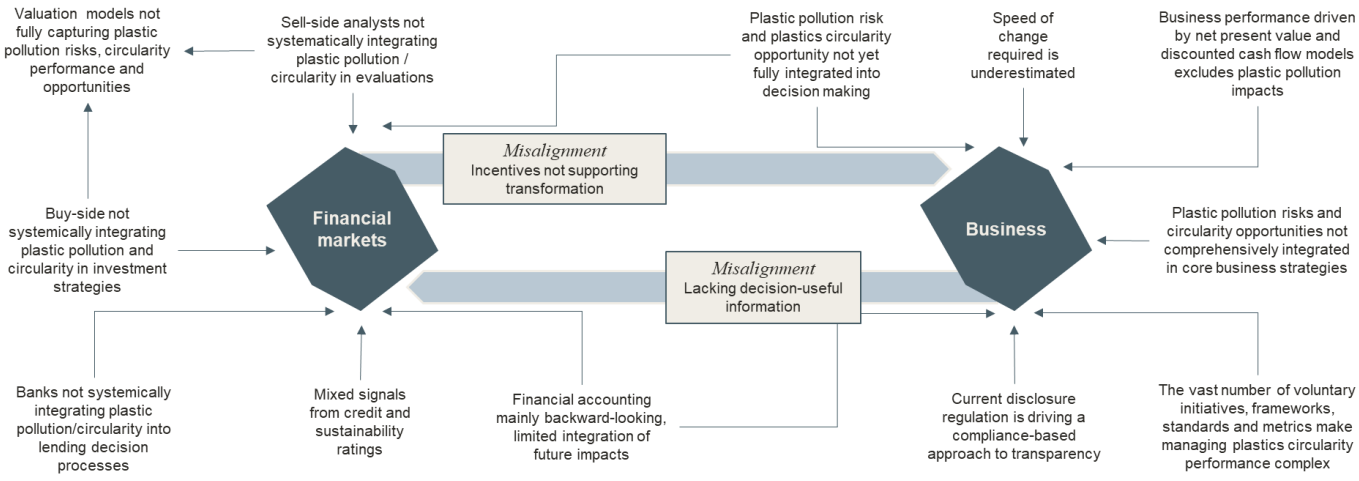
The investment gap to finance the transition to a circular economy for plastics ranges from USD $426 billion to USD $1.2 trillion by 2040 globally.[2] Redirecting capital flows can help fill the gap.

To do so appropriately, investors require the clear and transparent disclosure of plastic pollution-related matters to understand the implications for a company's value and associated risks. However, there is misalignment between financial markets and businesses.

- **From the financial market perspective**, valuation models do not fully capture plastic pollution risks, circularity performance and opportunities. Financial accounting limits the integration of future impacts due to its backward-looking nature. Furthermore, sell-side analysts do not systematically integrate plastic pollution and circularity in evaluations. Similarly, buy-side analysts do not consistently include plastic pollution and circularity in investment strategies and may perpetuate a belief of constant growth in plastic demand.
- **From the company side**, plastic pollution presents several risks (see section 2.3), including regulatory risks arising from bans, taxation and extended producer responsibility costs, reputational risks due to increased momentum in plastic-related litigation and heightened raw material costs. However, core business strategies do not always comprehensively integrate plastic pollution risks and circularity opportunities.

We take a deeper look at the financial materiality approach: how companies should integrate plastic pollution-related risks and circularity opportunities in their strategic and performance management process and provide financial markets – and other stakeholders – with well-managed, consistent and comparable data. This alignment will enable financial market players to connect their valuation and capital allocation models with actions that accelerate the transition to a circular economy for plastics.

Figure 1: Misalignment between financial markets and businesses (adapted from WBCSD's *CEO Guide to the Climate-related Corporate Performance and Accountability (CPAS)*)[3]



2. The role of companies

So how should companies provide decision-useful information to financial institutions? In the context of corporate performance and accountability, we recommend companies adopt a double materiality approach (impact and financial), identify and assess their impact, risks and opportunities and, finally, disclose.

2.1. The context of corporate performance and accountability

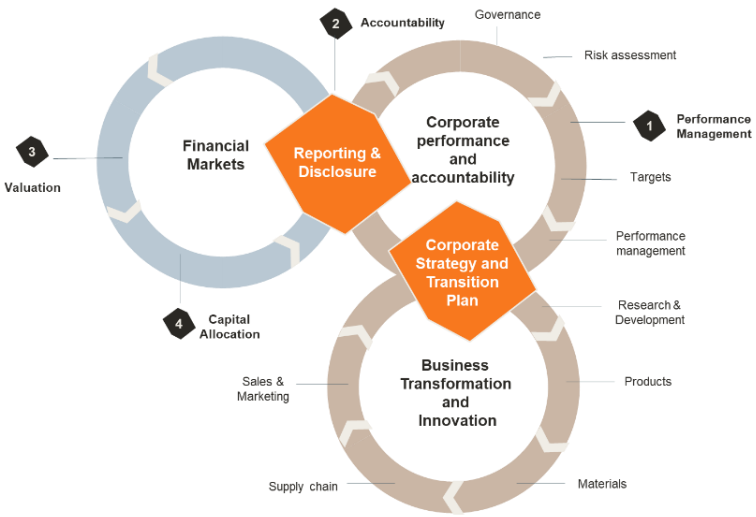
Reaching the objectives of the UN treaty on plastic pollution will require public and private sector actions. Consequently, companies will need to address their progress on corporate performance and accountability for plastic pollution. Building further on the plastics protocol – which aims to provide operable guidance for companies to identify, assess, manage and disclose their plastic pollution-related issues – will require deeper valuation and capital allocation elements (**see Figure 2**) of the corporate performance and accountability system.

The conceptual framework of a corporate performance and accountability system[4] applied to plastic pollution includes:

1. **Performance management** – Companies make better decisions by integrating risks and opportunities related to plastic pollution and the circular economy in core business strategies and decision-making. Companies select the right key performance indicators (KPIs) and metrics to manage decision-making and performance (like the WBCSD Circular Transition Indicators and plastic leakage metric).
2. **Accountability** – Companies report on decision-useful plastic-related risks and performance information for financial and other stakeholders.
3. **Valuation** – Financial market participants use this decision-useful information to price plastic pollution-related risks and circular economy performance in their valuation models.
4. **Capital allocation** – As a result, companies and solutions receive the capital they need to effectively transition to the circular economy.

Additionally, the foundation for the company's performance and accountability agenda is the transformation and innovation agenda (**see Figure 2**) under which the company will take actions that align with the circular economy principles, including developing new business models. Companies can refer to the ***Enabling corporate plastics disclosure: Building a plastics protocol*** (referred to here as *the plastics protocol*) for guidance on plastic accounting, target-setting, roadmap development and information disclosure (see Box 1).

Figure 2: Corporate performance and accountability to unlock the financial markets and business transformation[5]



Box 1: Guidance for companies on their transformation and innovation agenda

WBCSD plastics protocol

The plastics protocol seeks to generate alignment among organizations to create common ground for target-setting, accounting and roadmap development so that it ultimately simplifies and facilitates company measurement, tracking and disclosure.

The protocol strives to answer the following questions:

1. How should companies track their plastic design, management and pollution?
2. How should companies choose the targets they set?
3. How can companies link their targets to actions that improve plastic management and mitigate pollution?
4. How can companies leverage the protocol to publicly report plastic information in line with existing national and global disclosure requirements or on a voluntary basis?

The protocol creates a level playing field for companies to compete on performance instead of methodologies.

Roadmap for plastic leakage reduction and circularity

The Evaluating Progress on Plastic Pollution Mitigation: Circularity & Plastic Footprint case study, developed by Earth Action with the support of WBCSD, provides an assessment of the circularity strategy and performance measurement of a large sporting equipment producer. The case study showcases how actions to narrow, slow and close the plastic material loops, increase circularity and reduce plastic leakage provide a roadmap to end plastic pollution.

2.2. Adoption of a double materiality approach

Materiality assessments are essential for companies to understand and prioritize the environmental, social and governance (ESG) issues that matter most to their business and stakeholders. By adopting a double materiality approach to plastic pollution and circular economy issues, companies are able to address environmental impacts while securing their own financial and operational sustainability in a changing global landscape. This approach provides a comprehensive view by considering both *financial* materiality (how issues affect the company financially) and *environmental and social* materiality (how the company impacts people or the environment.

While there is a financial materiality perspective on the topic of plastic disclosure, trends show that plastic is increasingly a topic encompassing both impact and financial materiality.

The benefits of a double materiality approach for companies include:

1. **Enhanced risk management** – identifying and mitigating risks that stem from plastic pollution and linear waste systems to maintain resilience;
2. **Long-term financial prospects** – following the circular economy principles to reduce dependence on finite resources and protect against volatility in raw material prices;
3. **Alignment with regulatory requirements** – proactively meeting mandatory reporting like the European Sustainability Reporting Standards (ESRS);

4. **Innovation and circular economy transition** – encouraging companies to explore innovative, circular business models (redesigning products, investing in recyclable materials or developing closed-loop systems);
5. **Accountability to stakeholders** – pushing companies to be accountable to a broader group of stakeholders, including communities, customers and the environment itself.

A double materiality assessment includes:

- Understanding the context;
- Identifying actual and potential impacts, risks and opportunities related to sustainability matters;
- Assessing and determining the material impacts, risks and opportunities related to sustainability matters;
- Reporting.

2.3. Identifying impact, risks and opportunities

Companies need to understand the plastic pollution-related impact their operations have or could have on the environment and people. Plastic-related impacts entail:

- **Wider environmental impacts** – Mismanaged plastic waste contributes to waterway and ocean pollution, which clogs urban infrastructure and degrades natural systems, such as the ocean. Estimates conservatively show that the cost of such externalities to society, when considered alongside the greenhouse gas (GHG) emissions of plastic packaging production, amount to USD $40 billion annually.[6]
- **Climate-related impacts** – GHG emissions emitted over the life cycle of plastic are sizeable. Plastics emitted about 1.8 billion metric tons of CO_2 equivalent in 2020, which corresponds to 3.6% of global GHG emissions.[7] By 2050, GHG emissions from the primary production of plastic could amount to 31% of the remaining carbon budget under a of 1.5°C global warming scenario.[8]
- **Human health impacts** – Microplastics, detected in bottled water and the tissue of fish and other marine life,[9] may have negative health impacts when ingested or inhaled by humans. Additionally, studies have found microplastics in human semen,[10] placenta[11] and uterine tissue.[12] Note: the results of these and other studies lack full understanding of what this means for humanity. If they gain full understanding and evidence in the future, they may cause heightened societal concern and health-related restrictions on plastic use.

These impacts translate into risks for businesses, with negative financial effects. **Table *1*** summarizes these effects as physical or transition based.

Table 1*:* Plastic pollution-related risks (adapted from the recommendations of the Taskforce on Nature-related Financial Disclosures)[13]

Category	Type	Description
Plastic pollution-related physical risks	Acute risks	Short-term, specific events that change the state of nature, e.g. incident of plastic pellets released into the environment by freight containers.[14] Liable companies could be fined, sued or required to pay for cleanup costs.
	Chronic risks	Gradual changes to nature due to accumulation of plastic pollution, affecting ecosystems and biodiversity. Can lead to revenue loss from tourism due to the degradation of natural attractions; clean-ups costs.
Plastic pollution-related transition risks	Policy and regulatory risks	Regulations or bans on plastics, leading to potential higher taxation, extended producer responsibility fees and raw material costs for companies.
	Market risks	Changes in consumer preferences and overall market dynamics due to physical, regulatory, technological, reputational and stakeholder influences, leading to the loss of customers and reduced market share.
	Technology risks	Innovation in products or services to reduce nature impact or dependency, such as the replacement of plastics with biodegradable containers, [15] resulting in increased R&D costs/ capital expenditure (CapEx) to adapt to innovative products (for end-of-life treatment).
	Reputational risks	Reputational damage to companies reliant on plastics, as consumers become more aware of plastic pollution impacts; includes accusations of greenwashing, resulting in loss of customers.
	Liability risks	Forecasted corporate liabilities from plastic litigation, expected to rise above USD $20 billion from 2022-2030, with lawsuits involving greenwashing and environmental harm (see box 2).

Box 2: Recent plastic pollution-related litigation

In recent years, major corporations have faced legal challenges over alleged greenwashing and the failure to address plastic pollution. Recent litigation includes:

- 2023: Client Earth sued Danone in France under the Duty of Vigilance law, claiming the company hadn't sufficiently mitigated the environmental effects of its plastic use.[16]
- 2024: Earth Island Institute filed a lawsuit against Coca-Cola in Washington, D.C., accusing the company of misleading consumers about its environmental sustainability, particularly regarding plastic waste.[17]
- 2024: The state of California sued ExxonMobil for promoting the recyclability of plastics despite low actual recycling rates.[18]

Alternatively, the transition to a circular economy and the improvement of plastic pollution management can represent opportunities – with positive financial effects.

Opportunities cover:

- **Investments** – The integration of circular practices can lead to stronger financial performance and attract capital.
- **Cost reductions and new revenue streams** – Progressive companies can capitalize on extended producer responsibility (EPR) cost reductions, for instance through better product design, while simultaneously reducing their environmental impact. Additionally, developing products from recycled materials or offering services like product-as-a-service models can create new revenue opportunities aligned with circular principles thanks to resource efficiency.
- **Risk reduction** – Transitioning to a more circular business model implies avoided litigation and related settlements, as well as other costs, such as avoiding the removal of a product from the market for a few months, which would result in significant lost turnover.
- **Reputation** – As customers become more eager to understand the sustainability impact of products, frontrunners addressing plastic liabilities and opting for circular solutions face less criticism and target a new customer pool.
- **Regulations and compliance** – Importantly, progressive companies pre-empting regulations will avoid penalties.

To accelerate the transition to a circular economy, it is essential to redefine value, impact and risks.[19] The Global Circularity Protocol for Business currently under development by WBCSD and One Planet Network will address the integration of circular economy principles and practices into financial accounting and reporting (looking at residual resources as contingent assets, harvest value, circular revenue models, etc.)

2.4. Disclosure through mandatory and voluntary frameworks

Overview of disclosure requirements

Companies can use different disclosure frameworks, standards and guidelines to report on their plastic-related impact, risks, opportunities, targets, actions and metrics on material inflows and outflows.

In the case of carbon emissions, companies have used voluntary disclosure frameworks for the majority of the last decade. These frameworks have evolved over time to include other environmental issues, such as biodiversity, gradually moving towards a more comprehensive sustainability assessment, including coverage of resource use and the circular economy. Plastic is emerging as a topic for disclosure in a global context of interconnected environmental issues, with leading disclosure frameworks starting to include plastic-related disclosures, including CDP, Taskforce on Nature-related Financial Disclosures (TNFD) and the Sustainable Accounting Standards Board (SASB).

The disclosure frameworks, standards and guidelines can be mandatory for companies (like European Sustainability Reporting Standards (ESRS) for the Corporate Sustainability Reporting Directive (CSRD)) or voluntary (TNFD recommendations, Global Reporting Initiative (GRI)) or may depend on the jurisdiction (International Financial Reporting Standards (IFRS) S1). Some focus mainly on impact materiality (like GRI standards); others focus on financial materiality (like IFRS/SASB). Finally, some focus on the double materiality perspective, looking at both impact and financial materiality (like TNFD or ESRS).

Also, specifically for plastics, the New Plastics Economy Global Commitment, led by the Ellen MacArthur Foundation and the United Nations Environment Programme (UNEP), require signatories to report progress on plastic-specific goals for 2025. It allows for comparability of progress and industry benchmarking.

Taking them together and with a double materiality approach, the frameworks, standards and guidelines would require the following disclosure categories (plastic-specific or general materials):

- Identification of impact, risks, opportunities;
- Policies/strategy;
- Actions;
- Targets and what they cover;
- Total weight (packaging, durable goods/components, products);
- Raw material content (such as % virgin fossil, virgin renewable/bio-based, recycled);
- Circularity potential (reusable, recyclable, compostable; technically recyclable/designed for recycling; recyclable in practice and at scale);
- Weight of waste generated;
- End-of-life (prepared for reuse, recycling, composting, waste to energy, incineration, landfill, mismanaged, leakage);
- Anticipated financial effects.

See the **appendix** for details on disclosure requirements by framework, standard or guidelines.

Efforts to achieve framework alignment are on the way and correspondence tables currently help companies identify the commonalities and deviations between the different pieces of information requested – for instance between TNFD and ESRS or CDP with GRI, TNFD and the Ellen MacArthur Foundation and the United Nations Environment Programme (UNEP) Global Commitment.

Table 2: *Overview of the key characteristics of the assessment and disclosure approaches relevant for plastics-related issues*

Assessment and disclosure approach	Category	Mandatory/ voluntary	Materiality	Disclosure topics (impact and metrics relevant to plastics issues)
European Sustainability Reporting Standards (ESRS)	Sustainability reporting standards	Mandatory	Double	For each topical standard, disclosure on **policies, actions, targets and anticipated financial effects** Topical standards include: **ESRS E.5. Resource use and circular economy** with sub-topic on resource inflows, resource outflows (incl. waste). **ESRS E2. Pollution** with sub-topic on pollution of air, water and soil, incl. microplastics; and substances of concern.
Global Reporting Initiative (GRI)	Sustainability reporting standards	Voluntary	Impact materiality	Topic standards include: **GRI 306: Waste 2020** **GRI 301: Materials**
International Sustainability Standards Board (ISSB) Standards	Standards for sustainability-related financial disclosure	Expectations are for various jurisdictions to mandate ISSB Standards, similar to the IFRS Accounting Standards	Financial materiality	IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information. For impact and metrics, in the absence of an IFRS Sustainability Disclosure Standard, the entity shall apply judgment to identify relevant matters. Can refer to the applicability of the metrics associated with the disclosure topics included in the SASB Standards.
Sustainability Accounting Standards Board (SASB)	Standards for sustainability issues most relevant to financial performance in each of 77 industries	ISSB now maintains the SASB® Standards	Financial materiality	Disclosure topics include: • **Packaging life-cycle management** • **Product life-cycle management** • **Product sourcing, packaging and marketing** • **Management of single-use plastics** *(proposed in 2022 as part of the Chemicals Industry Standard)*
Taskforce on Nature-related Financial Disclosures (TNFD) framework	Risk management and disclosure framework	Voluntary	Flexible	Core disclosure indicators and metrics include: Indicator: **plastic pollution** (connects to target 7 of GBF) with **Metric no. C2.3: Plastic footprint** (weight of plastic per raw material content; plastic packaging, % that is reusable, compostable, recyclable technically and in practice and at scale.
CDP disclosure system	Global disclosure platform	voluntary	Impact materiality	Disclosure topics and plastic metrics cover: **plastic production, usage and waste management**, incl. production volume, recycled content. **Environmental impact and risk assessment** incl**.** plastic risk exposure and environmental impacts, quantitative reduction in plastic waste and plastic leakage.

Disclosing financial impacts

As seen before, financial materiality is important because it helps capital providers – such as investors, lenders and insurers – understand which factors may significantly affect a company's financial performance, position and value over time. By focusing on financially material information, companies disclose only the aspects of their operations or environment that are most likely to impact their profitability, cash flows, asset values or liabilities.

Under regulatory requirements like the CSRD, standards like IFRS or frameworks like TNFD (**see Table 2**) companies must report on the financial impacts of sustainability risks and opportunities, including their potential effects on cash flows, asset values and liabilities (see Figure 3). By transparently disclosing the financial impacts of plastic pollution, companies enable investors to better assess the financial implications of pollution-related risks, making the information more decision-useful. Such disclosures can also support more accurate risk pricing and may enhance access to capital by showcasing the company's commitment to circular economy initiatives and resilience.

Figure 3: Sustainability-related risks, opportunities and financial impacts[20]

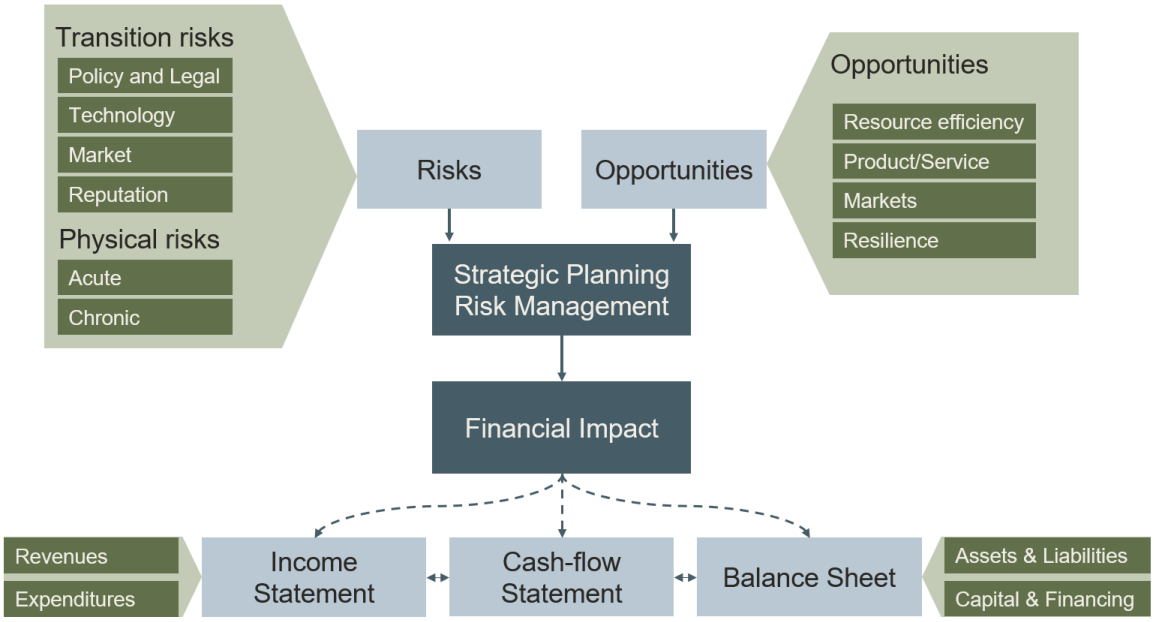


Table 3: TNFD core global disclosure indicators and metrics for nature-related risks and opportunities[21]

Metric	Category	Metric
C7.0	Risk	Value of assets, liabilities, revenue and expenses assessed as vulnerable to nature-related transition risks (total and proportion of total)
C7.1		Value of assets, liabilities, revenue and expenses assessed as vulnerable to nature-related physical risks (total and proportion of total)
C7.2		Description and value of significant fines/penalties received/litigation action in the year due to negative nature-related impacts
C7.3	Opportunity	Amount of capital expenditure, financing or investment deployed for nature-related opportunities, by type of opportunity, with reference to a government or regulator green investment taxonomy or third-party industry or NGO taxonomy, where relevant
C7.4		Increase and proportion of revenue from products and services producing demonstrable positive impacts on nature with a description of impacts

In addition, companies can use the criteria and metrics for sustainable activities as defined in sustainable finance taxonomies to enhance the relevance, comparability and transparency of financial disclosures related to sustainability. Sustainable finance taxonomies define what economic activities qualify as sustainable and offer guidance to understand the extent to which investments align with environmental objectives. Companies can use them to align their operations with the criteria to comply with to be environmentally sustainable economic activities (see Table 3). By disclosing to what extent they are in alignment with sustainable finance taxonomies – in the case of the EU taxonomy, how much of their turnover, capital expenditures (CapEx) and operating expenditures (OpEx) align with the EU Taxonomy's environmental criteria – companies can signal to investors their commitment to and progress on transitioning to a circular economy. These taxonomies may give issuers more confidence to issue things like green bonds across different sectors, without risking accusations of greenwashing.[22]

Recognizing that that plastics used for packaging are the biggest use of plastic and source of plastic waste in the EU, the EU taxonomy specifically addresses the manufacturing of plastic packing goods by introducing circular feedstock use criteria (recycled or biobased plastics, etc.) as well as the design for re-use and to be recyclable in practice and at scale.[23] (See Table 4)

Note: in Europe, companies need to include taxonomy-aligned disclosures in their ESRS reports to meet CSRD transparency requirements. This ensures that companies both disclose their sustainability performance and provide specific information on how their activities meet the EU Taxonomy's environmental criteria.

Table 4: EU Taxonomy for sustainable activities – examples of plastic-related activities

Activity	EU climate and environmental objectives	Criteria to comply with to have environmentally sustainable economic activities Extract of the technical screening criteria – see delegated regulation 2023/2486[24] for details including sustainability targets)
Manufacturing of plastic packaging goods	Contributing to circular economy	1. The activity complies with one of the following criteria: a) Use of circular feedstock (35% recycled material by 2028; at least 65% from 2028 for non-contact sensitive packaging) b) Design for reuse c) Use of bio-waste feedstock 2. The packaging product is recyclable in practice and at scale. 3. When the company produces the packaging material, it does not add substances presenting hazardous properties (listed in the delegated act) to the feedstock. 4.Companies use compostable plastic materials in packaging applications only for very lightweight plastic carrier bags, i.e., tea, coffee or other beverage bags; tea, coffee or other beverage pads; sticky labels attached to fruit and vegetables.
Manufacturing of plastics in primary form	Contributing to climate mitigation and adaptation	The activity complies with one of the following criteria: a) The plastic in primary form is fully manufactured by mechanical recycling of plastic waste. b) Where mechanical recycling is not technically feasible or economically viable, the plastic in primary form is fully manufactured by the chemical recycling of plastic waste and the life-cycle GHG emissions of the manufactured plastic, excluding any calculated credits from the production of fuels, are lower than the life-cycle GHG emissions of the equivalent plastic in primary form manufactured from fossil fuel feedstock c) Derived wholly or partially from renewable feedstock and its life-cycle GHG emissions are lower than the life-cycle GHG emissions of the equivalent plastics in primary form manufactured from fossil fuel feedstock.
Product-as-a-service and other circular use- and result-oriented service models	Preventing pollution Protecting water and marine resources Contributing to a circular economy	To qualify as environmentally sustainable, product-as-a-service activities must: 1. Demonstrate that the service leads to a reduction in the use of primary raw materials. 2. Ensure the design of products for durability, reparability and recyclability. 3. Implement take-back schemes to manage end-of-life products responsibly.
Repair, refurbishment and remanufacturing	Contributing to a circular economy	1. Ensure product design facilitates disassembly and reuse of components. 2. Ensure materials used are recyclable, with minimization of hazardous substances. 3. Optimize processes for the use of materials and energy, i.e., minimize waste generation, with a focus on reusing materials within the production cycle. 4. Activities should extend the useful life of products through maintenance, repair and upgrading.

		5. Ensure the provision of warranties and the availability of spare parts as essential components. 6. Implement robust environmental management systems to monitor and improve environmental performance.
Sale of second-hand goods	Contributing to a circular economy	1. Demonstrate that the sale of second-hand goods contributes to waste prevention by extending product life cycles and reducing demand for new products. 2. Implement environmental management systems to monitor and minimize the environmental impact of operations, including energy use and waste management.

2.5. Analysis: limited but growing plastic disclosure

Currently, plastic disclosure frameworks have two main limitations: inconsistency in metrics reported and inconsistency in mandatory reporting. On one hand, except for TNFD, most disclosure frameworks ask for limited plastic-related metrics and do not explicitly state plastic. Rather, they are part of a broader category such as waste. On the other hand, they mainly communicate plastic-related risks based on a materiality assessment where the communication only takes place when considered material.

Regarding the limited assessment of plastic metrics, the current share of those covered lack a comprehensive risk assessment. Notably missing from most frameworks are plastic-specific outflow metrics. Plastic leakage is a crucial metric to complement circularity and exhaustively assess risks. Circularity strategies capture material flows for recycling, while the plastic footprint approach focuses on avoiding environmental leakage (see **Evaluating Progress on Plastic Pollution Mitigation: Circularity & Plastic Footprint – A case study**). Overall, existing frameworks do not contain much data for the downstream management of plastic (e.g., plastic waste).

Regarding the communication based on materiality assessments, an added complexity is that materiality assessments lack standardization and differ from framework to framework. Consequently, that data is not comparable. For instance, some disclosure frameworks will rely on a double materiality assessment, meaning taking into consideration the impact of business activities on an extended range of stakeholders and the environment (inside-out) as well the impacts (both risks and opportunities) of sustainability-related factors on the business (outside-in). Other frameworks solely rely on financial materiality, which implies identifying risks, opportunities and other factors that could influence the company's financial performance, position or market valuation. A double materiality assessment provides a more comprehensive picture of a company's positioning on the sustainability spectrum for accurate risk assessment and coincides with the increasing importance given to non-financial reporting. Additionally, companies can leverage assessments based on other initiatives for their reporting under the CSRD.

Overall, plastic-specific disclosure frameworks and metrics are emerging for companies, as is the integration of plastic as a cross-related topic in broader disclosure and reporting initiatives. Furthermore, plastic is increasingly a topic of both environmental, social and governance (ESG) impact and financial materiality. Yet, the disclosure and reporting of plastic-related risks and opportunities is sporadic and inconsistent. Although some organizations are increasingly aligning for consistency in both mandatory and voluntary disclosure and reporting frameworks, such as CDP and TNFD, a lack of global rules that would allow for the standardization of metrics across plastic disclosures make it difficult to assess plastic-related risks and opportunities.

Additionally, to date, companies primarily disclose plastic-related issues through voluntary initiatives (such as the New Plastics Economy Global Commitment and CDP), missing the reliability and comparability of the data financial players need to determine the full extent of the physical, transitional, reputational and liability risks connected to a company's operations.

3. The role of financial institutions

Financial institutions are rallying behind efforts to address plastic pollution – the information they use to assess plastic-related risks in their corporate valuations and ways to further integrate a company's disclosure of plastic-related risks to inform their decision-making.

3.1. Increased mobilization of the financial sector on plastic pollution issues

Although the evidence of plastic-related risks is clear (see **section 2.3** on impacts, risks and opportunities), there is no evidence of a real risk of plastics having an effect on companies' prospects and financial results. As observed by Planet Tracker in its study on measuring investor risk in the plastic sector (2023),[25] so far investors are not pricing plastic risks into their investment decisions. This means the market is starting to perceive the inherent risks. While financial institutions are exploring plastic risks at varying degrees, frontrunners may pay attention to the topic of plastic due to an internal driver, such as institutional mission and principles. For instance, an insurance company may be more focused on the health impacts of plastics on the population.

Increasing awareness of plastic pollution risks has led groups of financial institutions to step up and call for an ambitious treaty to end plastic pollution. On one hand, financial institutions recognize that the risks companies face in their portfolio may be financially material and ask companies to disclose plastic-related risks and opportunities. On the other hand, financial institutions acknowledge their role in mitigating the material financial risks related to plastic pollution through their financed activities and investments (see **Table 4** for examples of investor-led awareness initiatives).

Answering a CDP consultation in 2022, 81% of responding capital market and supply chain members said that the information requested on plastics would be useful in informing financial or procurement decisions.[26] Therefore, further aligning with growing investor demand for transparency on plastic-related risks and driven by the financial, legal and reputational threats posed by plastic pollution, CDP opened its disclosure platform for companies to report plastic-related impacts for the first time in April 2023. This followed requests from over 740 investors managing USD $136 trillion in assets.[27] CDP invited some 7,000 companies to disclose their involvement with the most problematic plastics, including polymers, durable plastics and packaging, through its platform. It specifically targeted high-impact sectors, such as fossil fuels, food and beverage, fashion and packaging, due to their significant plastic usage. Companies can benefit from disclosing through CDP's disclosure platform to inform investors. CDP disclosures power financial products, indices and ratings (including Dow Jones Sustainability Indexes, Bloomberg and MSCI ESG Research).

The various initiatives showcased in Table 5 highlight that financial institutions are turning towards a sustainable plastic economy and care to mitigate their plastic-related risks.

Table 5: Examples of investor-led awareness initiatives

Initiative	Main points
The Finance Statement on Plastic pollution	• Prepared by United Nations Environment Programme Finance Initiative (UNEP FI), the Principles for Responsible Investment (PRI), Dutch Association of Investors for Sustainable Development (VBDO), CDP, Finance for Biodiversity Foundation and the Business Coalition for a Global Plastics Treaty • Signed by over 160 financial institutions, managing USD $15.5 trillion in assets, who recognize their role in mitigating financial risks related to plastic pollution through investments • Encourages integrating plastic pollution risks into investment and financing decisions, stewardship with companies and policymakers and demanding appropriate disclosures from businesses • Calls for a robust UN treaty on plastic pollution, mandating companies to assess and disclose plastic-related risks and opportunities (e.g., nature-related risks) • Advocates for mandatory disclosure standards based on existing frameworks like the TNFD and harmonized sustainable finance taxonomies to support financial flows toward a circular economy for plastics.
Planet Tracker Investor Statement	• Signed by 70 international financial institutions with $6.8 trillion in assets, urges petrochemical companies to adopt safer, environmentally friendly practices • Advocates for reduced reliance on fossil fuels and elimination of hazardous chemicals in plastic production to manage regulatory, reputational, litigation and consumer-driven risks related to plastic • Calls on petrochemical companies to transparently disclose plastic-related impacts, define clear strategies and set targets for transitioning to sustainable plastic production
As You Sow Plastic Solution Investor Alliance	• Coalition of over 50 institutional investors, representing USD $2.6 trillion in assets, focused on reducing plastic pollution risks by engaging with consumer goods companies • Encourages companies to reduce single-use plastic packaging, improve recyclability and adopt circular economy models • As of 2024, actively engages high-profile companies like Coca-Cola, Nestlé, Procter & Gamble, PepsiCo and Unilever, urging them to commit to reducing plastic footprints and implementing reusable packaging solutions
VBDO (Dutch Association of Investors for Sustainable Development)	• Launched an investor engagement initiative focused on addressing the ESG risks associated with plastic production, use and waste • Encourages investors to engage with companies on responsible plastic use, aiming to reduce the ecological impact of plastic pollution and promote circular economy principles

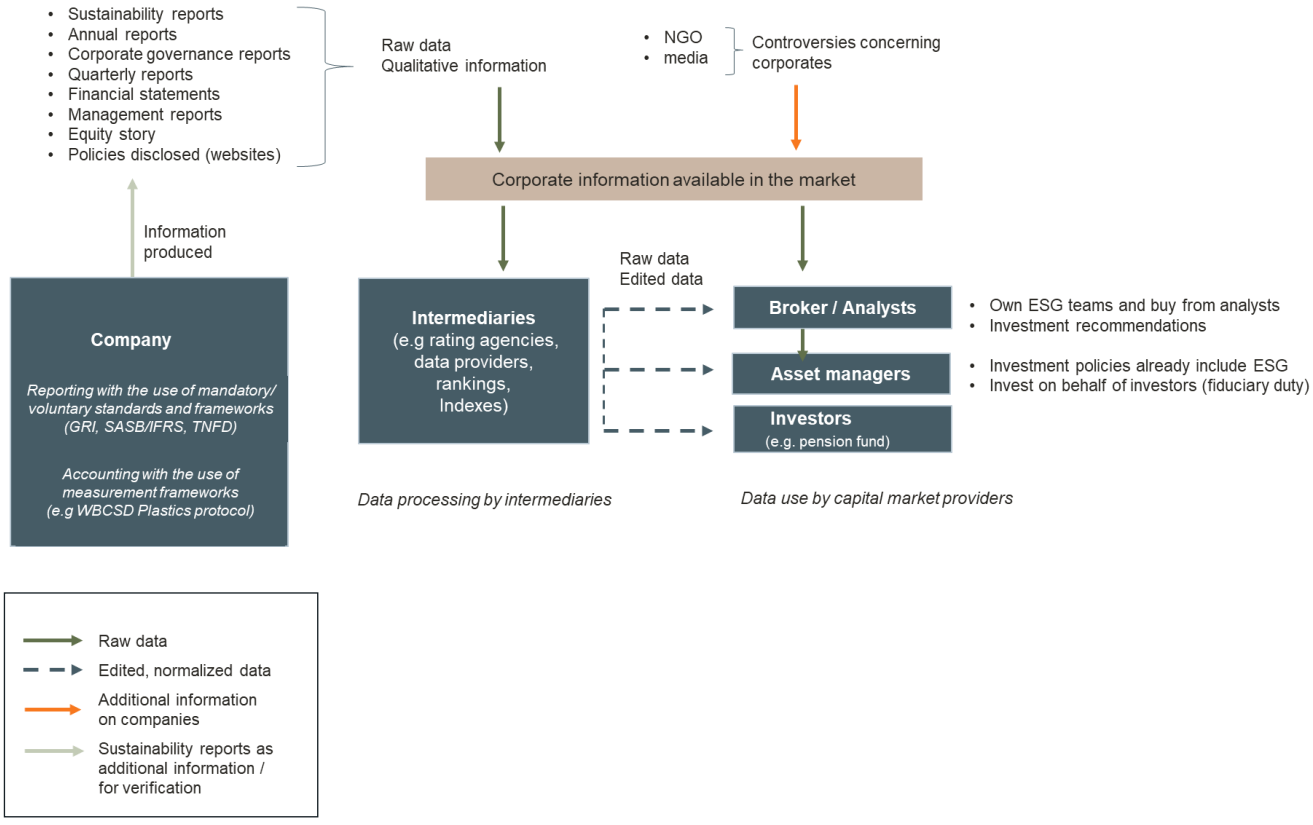
3.2. The data used by financial institutions

Investment decision-making is based on corporate information available in the market. Several groups of stakeholders digest the information disclosed by companies (see **Figure 4**). This has raised the question of the reliability of this information – how companies produce, process and offer this information to the market.

Box 3 provides a case study in how a Dutch pension fund used sector-level information combined with company-specific data points from ESG data providers to estimate the potential plastic leakage of a select group of companies in order to identify top companies for engagement. The case study illustrates how ESG data providers can provide relevant information even when the assessment is theoretical and derived from economic activities. While data is already available for interpretation to be able to assess plastic related risks, data harmonization and disclosure would improve comparability.

While investors usually develop their own research and analysis to guide their valuation process (like fundamental active equity investors), some (like institutional investors) also use ESG data and rating providers to source decision-useful data (data that can also come from alternative data sources (not disclosed by the rated entity). The ESG data and rating providers have increasingly focused on (plastic) packaging/plastic waste-related metrics in their ESG rating methodologies (see Box 4 for MSCI), reflecting a growing trend towards addressing plastic-related risks and opportunities in investment portfolios.

Figure 4: The information flow



Source: Adapted from European Federation of Financial Analysts Societies EFFAS (2020) [28]

Box 3: Case study on piloting a framework for financed plastic pollution

Overview

Driven by its commitment to health and sustainability, the insurance company a.s.r., together with the Plastic Soup Foundation and EA Earth Action, explored how to translate the concept of "financed carbon emissions" of the Partnership for Carbon Accounting Financials (PCAF) to plastic. The aim was to assess plastic pollution and the associated health risks from the activities of a select group of companies in a.s.r.'s investment portfolio. a.s.r. was looking for a basis on which to evaluate plastic associated environmental and health risks into financial decision-making.

Objectives

1. **Methodology development**: Create a framework to model financed plastic pollution using a model to calculate economic activity-based plastic pollution for each of the selected companies.
2. **Health risk assessment**: Evaluate indirect and direct health impacts of plastic pollution, focusing on pathways like microplastic inhalation and food contact.

Methodology

- **Data modeling**: Due to the lack of comparable reported plastic pollution data, a.s.r. modeled the plastic pollution intensity of each company using a combination of company-specific and sector-specific data.
    - **Company-specific data**: It built the company specific data using a combination of MSCI metrics related to packaging material waste and Sustainable Development Goal (SDG) 12 and SDG 14 alignment. Furthermore, it attributed a bonus score to companies providing a score on the MSCI pollution prevention data and the As You Sow overall action score.
    - **Sector-specific data**: Data on the economic activity of the industry and average product lifetime allowed the weighing of company-specific results.
- **Assumptions**: a.s.r. estimated plastic use intensity based on revenue and industry data, while health risk scores relied on expert assessments for exposure factors like skin and food contact, inhalation and microplastics.

Key finding: Eight companies were responsible for 82.3% of the total pollution, influenced by their revenue, operational regions and plastic use intensity.

Insights for investors: The pilot's findings suggest that it is possible to use a plastic footprint score to guide sustainable investment decisions, allowing investors to:

- Evaluate high-risk companies for targeted engagement on plastic reduction;
- Identify sector leaders for best practices in plastic management;
- Advocate for increased corporate transparency in plastic footprint reporting.

Future potential: While promising, the framework requires further refinement for broader application. Improved data accuracy, expanded sector coverage and industry-standard disclosures on plastic footprints could enhance its impact, helping financial institutions better assess environmental risks and support corporate accountability.

Box 4: Methodology behind the Packaging Material & Waste Key Issue Score, MSCI[29]

MSCI has designed its ESG ratings to look at the financial significance of ESG issues.

The Packaging Material & Waste Key Issue Score evaluates the company's level of exposure to and management of risks on this key issue. The score comes from the Exposure Score and the Management Score using a specific formula.

Management Score – evaluates the company's ability to manage its exposure to risks on this key issue.

Management Score calculation

Practices Score

- Disclosure of packaging material mix
- Scope of consumer programs to reduce waste
- Scope of recycling programs where not mandated by law
- Strategy to reduce the environmental impact of packaging
- Targets to increase recycled or renewable material content of packaging
- Scope of targets to increase recycled material content of packaging
- Targets for packaging material circularity or waste elimination
- Scope of targets for packaging material circularity or waste elimination

Performance score

- Achievements for packaging content
- Achievements for product recovery

Packaging waste controversies. A controversy deduction may be subtracted from the overall Management Score.

Exposure Score – evaluates the company's exposure to risks on this key issue. It comes from the Business and Geographic Exposure scores:

Business Exposure calculation

Weighted average of the Business Segment Exposure Scores of a company's business segments by the proportion of a company's total revenue in each business segment – through measurement of plastic use and plastic waste intensities in metric tons per EUR €1 million of economic output in the business activity and qualitative assessment of whether packaging plays a critical role in the delivery of products and services and whether plastic is a common form of packaging material used.

Geographic Exposure calculation

Weighted average of the Geographic Segment Exposure Scores of the countries and regions in which a company operates – with measurements per country on Recycling Mandates Score, Extended Producer Responsibility Score, Single-use Plastics and Plastic Waste Mismanagement Score.

3.3. Valuation

While the integration of plastic pollution can primarily take place in the screening process as shown in the case study (Box 4), the further integration of plastic pollution impacts and circular economy in valuation models can take different forms.

Equities and impact on financial statements

Plastic-related risks are sitting in the income statements, cashflows, balance sheets and capital portfolios across sectors and geographies. Effectively integrating the plastic pollution risk and plastic circularity opportunity in company valuations is a critical transition enabler, supporting capital allocation at scale. Considering plastic-related exposure can strengthen this integration in:[30]

- **Revenue and profit forecasts**, such as assessing potential impacts of regulatory changes and shifting consumer demand;
- **CapEx forecasts and cash flow forecasts**, evaluating the investment requirements for compliance and sustainability initiatives;
- **Time horizon forecasts**, allowing to adapt for long-term risk and opportunity scenarios;
- **Asset value adjustments**, based on plastic-related liabilities or sustainability transitions;
- **Growth rates and terminal values**, accounting for sustainable product lines and reduced waste impacts;
- **Discount rate and risk premium**, reflecting increased risk from plastic-related exposure and enhanced premium for circular solutions;
- **Cost of finance and access to capital**, optimizing capital structure through alignment with ESG principles and sustainability-linked financing.

Fixed income (bond) company credit worthiness and ability to generate cash flows

Companies' credit worthiness materializes in companies' ability to raise debt at lower interest rates. In this context, plastic disclosures can be increasingly meaningful, in particular for credit rating agencies and investors who are increasingly scrutinizing the transparency of environmental risks like plastic waste.

- Companies that disclose data on plastics and demonstrate the proactive management of plastic-related risks can strengthen their perceived resiliency. On the contrary, a company with high exposure to plastic pollution risks and poor disclosure may face downgrades in its credit rating due to increased operational, legal or regulatory risks.
- Companies that transition to a circular economy can also realize cost savings from reduced material inputs or waste management costs, which would improve their cash flow stability and attract ESG-focused debt investors. Such companies may even take advantage of green or sustainability-linked bonds (SLB), which often come with lower borrowing costs. For green bonds, investors accept to purchase bonds at a slightly higher price than conventional bonds when the companies commit to using the proceeds for investments or expenses for instance in their transition to a circular economy. For SLB, companies can use proceeds freely but investors may receive a higher interest rate if the companies do not reach quantified ESG targets (e.g., increase in plastic recycling).

3.4. Disclosure in the financial services sector

While sustainability reporting and disclosure requirements, like in the ESRS in Europe, ensure that companies provide reliable ESG data, similar requirements exist for financial institutions in some jurisdictions.

In Europe, the Sustainable Finance Disclosure Regulation (SFDR)[31] requires financial market participants and advisers to disclose how they consider sustainability risks and impacts in their investment decisions. Its main goal is to increase transparency on how financial products consider ESG factors, helping investors make informed decisions about sustainable investments.

The SFDR mandates disclosures based on double materiality principles. The "Sustainability risks" disclosure (a sustainability risk means a ESG event or condition that, if it occurs, could cause a

negative material impact on the value of the investment) captures financial materiality; and the "Principal Adverse Impacts (PAI) on sustainability factors" (PAI are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters) capture the impact materiality. Among the PAI indicators for disclosure by financial market participants and advisers, the one on *non-recycled waste ratio* (measured by the tons of non-recycled waste generated by investee companies per EUR €1 million invested, expressed as a weighted average) provides information to assess the progress of an investment portfolio on a circular economy. If disclosure were on plastic waste, this ratio could help assess the risk of plastic pollution. The SFRD framework is currently under review by the European Commission.

3.5. Analysis

Currently, financial institutions face limitations on evaluating plastic-related risks. Inconsistent and sporadic reporting of corporate disclosures complicate the integration of plastic risk considerations into investment decision-making. Issues of data quality and granularity compound the inconsistency as overreliance on estimates, disparate methodologies and insufficient transparency hinder the effective use of reported metrics for reliable and actionable insights.

Despite the challenges, there are opportunities for financial institutions to leverage emerging plastic disclosure metrics. By integrating comparable data, such as those disclosed under CDP, into valuation models and responsible investment strategies, financial institutions can already factor plastic pollution risk alongside circular economy opportunities.

Looking ahead, more consistent and harmonized data disclosure from corporations, coupled with wider and more rigorous adoption, would help improve financial market decision-making. For example, the harmonization of plastic accounting and footprinting methodologies by the Plastic Footprint Network[32] can enable data comparability and ensure transparency, standardization and validation,[33] facilitating the adoption of a consistent metric by ESG data providers. Furthermore, adopting a double materiality approach in company disclosures can allow investors to assess the impact of plastic pollution and identify circular economy opportunities. Ultimately, aligning mandatory and voluntary reporting frameworks, supported by comparable data, will be key to providing the consistency and rigor financial institutions need to optimize capital allocation.

Box 3: Examples of existing responsible investment approaches to plastic-related issues

Responsible investment involves considering ESG issues when making investment decisions and influencing companies or assets. It complements traditional financial analysis and portfolio construction techniques.[34] Overall, responsible investment approaches to plastic pollution are still at an early stage compared to topics such as climate (see **Table 6**).

Investors are showing significant interest in plastic waste management as an investment opportunity. This awareness can lead to identifying economic opportunities in innovative businesses and solutions that use wasted resources. As financial institutions play an instrumental role in reducing plastic waste by bringing innovations to market and scaling solutions across the plastic value chain, investor demand will likely increase and drive the development of new investment products focused on plastic waste management in the future.[35]

Equity funds like those listed in Table 7 answer an economic opportunity by engaging equity in circular economy solutions and sustainable alternatives to single-use plastics. An example is allowing them to pre-empt upcoming regulations and address consumer pressure simultaneously. These funds provide investors with access to scalable and innovative solutions in plastic waste management and circularity while capitalizing on environmental and financial returns.

For capital market investors, indices (see Table 8) and engagement tools provide key data and information for decision-making to minimize negative impacts and redirect investment towards companies that generate less plastic pollution. For example, the PRI Plastic Investor Working Group worked in collaboration with the Ellen MacArthur Foundation to develop a series of guides – for petrochemicals, manufacturing (of containers and packaging), fast-moving consumer goods and waste management – to equip investors with guidelines to constructively engage with companies in the plastic packaging value chain on the issue of plastic waste and pollution.[36]

Table 6: Plastic-related examples across responsible investment approaches

MINIMIZE NEGATIVE IMPACT → TARGET IMPACT

	PLASTIC ISSUES INCORPORATION			ACTIVE OWNERSHIP / INTEGRATION
	SCREENING (RESTRICTION/ NORMED-BASED/ BEST-IN CLASS)	ESG INTEGRATION	THEMATIC INVESTMENT & IMPACT INVESTING	ENGAGEMENT & VOTING
	Best-in class screening allows investors to include companies that are leaders in their sector or industry regarding ESG practices, including addressing plastic pollution *Restriction screening*: investors may consider **limiting exposure to companies that have significant reputational, revenue or cost at risks** due to intensive plastics usage or reliance on single use plastic product or packaging.	Investors may be interested in using **environmental metrics to identify companies with strong plastic waste reduction efforts**.	Investors interested in taking a more proactive approach to reducing plastic waste can explore specific themes or solutions at different stages of the plastics value chain: • Infrastructure funds • Private equity and venture capital • Private market investments *Indices* Indices allow investors to choose stocks of companies based on the **performance of specific indicators** linked to addressing plastic waste and transition to a circular economy for plastics.	*Engagement* Shareholder engagement can provide investors the opportunity to discuss and influence corporate strategies to manage plastic footprints (e.g. increase recycled content in packaging and drive product and business model innovation). *Voting* Investors can also affect corporate action on plastic waste through proxy voting and filing resolutions
EXAMPLES	A financial institution can consider that a company operates in an activity which is compatible with long-term sustainability and development goals if it does not have significant expose to single-use plastic production.	Key indicators can include: • Product innovation and impact minimization scores • Resource use scores • Strong take-back and recycling initiatives • Percentage of raw materials used from recycled sources • Packaging waste management scores	*Equity funds:* • Closed Loop Partners – Circular Plastics Fund • AXA – Plastic & Waste transition fund *Indices:* • MSCI Plastics Transition Index • Solactive ISS ESG Future of Plastic • Solactive ISS ESG Beyond Plastic Waste *Impact investing*: • Lombard Odier Investment Managers – Circular Plastic Fund • Circulate Capital *Investment banking advisory:* • Morgan Stanley Circular Economy & Waste reduction	• Engagement guides by the Plastic Investor Working Group of PRI for petrochemicals, manufacturing (of containers and packaging), fast-moving consumer goods and waste management companies. • Shareholder resolutions from As You Sow

Table 7: Plastic pollution related equity funds

Company	Fund name	Capital	Scope
Closed Loop Partners	Circular Plastics Fund	US$ 45 million	• Has as its goal to increase the amount of **recycled plastic** (PP and PE plastics). • Supports the development of plastics **recycling and recovery infrastructure** in North America • Provides **catalytic debt and equity financing.**
AXA Investment Managers	Plastic & Waste transition fund	-	• Supports the aim of **UN SDG Goal 12**: Responsible consumption & production • Invests in companies that are **limiting their plastic use or have efficient waste management practices**.
Lombard Odier Investment Managers	Plastic Circularity Fund	US$ 500 million (objective)	• Supports collection and sorting infrastructure, technology-enabled recycling infrastructure and design solutions for improved plastic durability, reuse and recyclability. • Engages in impact investing
Circulate Capital	Ocean Fund I	US$ 106 million	• Dedicated to preventing plastic pollution and advancing the circular economy in South and Southeast Asia
Infinity Recycling	Circular Plastics Fund	€135 million (Feb. 2024)	• Empowers cutting-edge recycling technologies and drives the scaling up of solutions, ensuring the creation of ample capacity for a sustainable and circular plastic economy
Repurpose Global	Reuse Outcomes Fund	$1 million	• Coalition of brands, retailers and more to catalyze equitable access to reuse and refill solutions through outcome-based financing, with a focus on India, the US and Canada

Table 8: Plastic pollution-related criteria currently available in ESG indices

Data provider	Index name	Criteria used to select the companies in the index
MSCI	Plastics Transition Index	Technologies (“circular technologies”) or those that help enable the transition to a circular economy (“circular transition”), as defined using the following measures: • Plastic Alternatives • Plastic End-of-life Solutions • Packaging Material & Waste
Solactive ISS ESG	Future of Plastic	Plastic Waste Solutions Score calculated combining plastic-related corporate rating factors and a score for sustainable revenue
Solactive ISS ESG	Beyond Plastic Waste Index	Companies deemed eligible for inclusion if they fall under any of the three main categories: Reduce, Reuse and Recycle

4. The opportunity for the UN treaty to provide enabling policies

Th UN treaty on plastic pollution is a unique opportunity to provide an enabling policy framework that investors can consider in corporate valuations and investments and consequently enable the redirecting of financial flows to a circular economy for plastics.

As countries aim to finalize the UN treaty on plastic pollution at the 5th INC session in Busan (25 November to 1 December 2024), financial institutions have called to include in the text an objective to align financial flows – public and private – with the objectives of the treaty (see the Finance Statement on Plastic pollution in table 5). The report developed in October 2023 by the Finance Leadership Group on Plastics[37] a core group of banks and insurers with total assets of USD $9.8 trillion convened by UNEP FI, provided recommendations on how the UN treaty on plastic pollution could enable the systemic change needed to redirect global financial flows to end plastic pollution (recommendations include: a clear, measurable and time-bound overarching objective; core obligation to align financial flows and create the mandatory framework and enabling environment for finance mobilization; harmonized sustainable finance taxonomies and metrics; mandatory disclosure requirements on plastic related risks, dependencies and impacts; incorporation of plastic pollution into financial regulatory and supervision frameworks). The INC Chair expects that the article on Finance would "catalyze and align public and private financial flows with the objective and provisions of the Convention" (article 11 in the INC Chair's Non-paper 3)[38]

4.1. Global rules for a level playing field

The UN treaty is a chance to harmonize the policy landscape, strengthen national legislation and help businesses scale proven solutions for priority sectors such as packaging.[39]

For instance, barriers such as price and quality hamper the use of secondary materials. High-quality primary materials are less expensive than secondary materials, due in part to subsidies distorting the price of virgin resins. To scale up circular supplies, governments must incentivize companies to include secondary materials and sustainable resources in their products. By setting global criteria for the circular design of plastic products (such as packaging), the UN treaty can enable the reuse, recycling or composting of products in practice and at scale. The treaty can set the rules of the game that will support investors in their capital decision-making, such as directing their financial flows to companies with non-virgin material solutions.

By helping demonstrate the economic viability and resilience of companies' circular economy business models and practices, corporate valuations can make it easier for investors and lenders to channel capital into plastic circularity initiatives.

The UN treaty on plastic pollution offers the opportunity to correct market failures and the related negative externalities stemming from plastic pollution. The treaty can play an essential and timely role in incentivizing market signals that point to ending plastic pollution. Private capital can be a crucial enabler of the UN treaty's success, provided the treaty capitalizes on its opportunity to affect corporate valuation and investment decisions.

4.2. Call for mandatory corporate disclosure

The UN treaty on plastic pollution can provide an enabling policy framework by making corporate disclosure mandatory. As explained by CDP, mandatory corporate disclosure would enable companies and financial institutions to understand how they contribute to plastic pollution and the financial, commercial, legal, reputational impacts, opportunities and risks they face as a result.[40] It would also empower financial institutions and government decision-makers with the comparable, high-quality information needed to redirect capital flows and enact effective legislation, while accurately tracking progress against targets.

As companies and investors face significant financial risks related to plastic pollution, mandatory disclosure would ensure transparency, allowing both companies and policymakers to take

informed action. Disclosure requirements are therefore critical to unlocking capital and must be integral parts of the treaty. Only then can all stakeholders adequately understand and mitigate the risks, deploy investments, adopt best practices at scale and trade recycled plastics globally. The approach to monitoring and disclosure can build on SDG 12.6 – Encourage companies to adopt sustainable practices and sustainability reporting – and target 15 of the Kunming-Montreal Global Biodiversity Framework (see Box 4).

Box 4: Kunming-Montreal Global Biodiversity Framework

Target 15 – Businesses Assess, Disclose and Reduce Biodiversity-Related Risks and Negative Impacts

"Take legal, administrative or policy measures to encourage and enable business and in particular to ensure that large and transnational companies and financial institutions:

a) Regularly monitor, assess and transparently disclose their risks, dependencies and impacts on biodiversity, including with requirements for all large as well as transnational companies and financial institutions along their operations, supply and value chains and portfolios;
b) Provide information needed to consumers to promote sustainable consumption patterns;
c) Report on compliance with access and benefit-sharing regulations and measures, as applicable; in order to progressively reduce negative impacts on biodiversity, increase positive impacts, reduce biodiversity-related risks to business and financial institutions and promote actions to ensure sustainable patterns of production."

Source: Convention on Biological Diversity[41]

5.Conclusion

The three main actions required to unlock private finance (equity and debt financing instruments) to transition to a circular economy and end plastic pollution are 1. corporate disclosure, with companies committing to report on plastic pollution; 2. financial markets, with clear signals for investors on the metrics and methodologies to use to evaluate corporate performance and 3. an enabling policy framework through the opportunities afforded by the UN treaty on plastic pollution to affect corporate valuations and investment decisions.

5.1. Corporate disclosure

Companies should commit to reporting on plastic pollution.

Core business strategies do not yet integrate plastic pollution risks and circularity opportunities, though corporate disclosure and accountability is growing. This trend will help fulfil the needs of financial markets. Companies should commit to reporting on plastic pollution, which includes assessing materiality, disclosing risks and leveraging opportunities. Through this process, they can achieve better risk management and long-term financial stability, align with regulations and initiate their innovation and circular economy transition while offering accountability to their stakeholders. Corporate frontrunners can reap the benefits of early disclosure by receiving additional investment and ensuring risk management.

To actively engage with capital providers, companies can:

- Look into how their largest investors are integrating sustainability into valuation; and
- Proactively disclose information on their plastic exposure and management practices in a way that supports further integration.

5.2. Financial institutions

Investors need clear signals on what metrics and methodologies to use for their evaluation of corporate performance.

Investors need decision-useful data stemming from corporate disclosures fed by business performance management and accountability to inform their investments.

Such information puts capital providers in a position where they are able to assess how companies manage risks linked to plastic pollution and how they perform on circularity in order to guide their investment decision-making. This information needs to be:

- Widely disclosed in a standardized and harmonized way and thus comparable across companies and sectors;
- Broadly adopted through common disclosure metrics by companies that allow intermediaries such as data providers to present these metrics to investors;
- Determined by experts and backed by regulation, so as to point investors in the right direction;
- Easily understandable and with straightforward integration into financial risk assessment models.

Today’s valuation models do not fully capture plastic pollution risks, circularity performance and opportunities. The time is ripe to improve such data on plastic pollution and plastic circularity to help financial institutions in their decision-making processes.

Investors can play an active role in the transition to a circular economy for plastics and reduce plastic pollution by seizing the opportunity to act early on upcoming regulations or to ensure their values are equal to their self-defined motivation. These financial players can:

- Actively seek to integrate plastic-related risks and opportunities in their valuation models;
- Clearly communicate their approach to elicit better data from companies and lead market practice.

5.3. Enabling policy framework

The opportunity for the UN treaty on plastic pollution to affect corporate valuations and investment decisions.

For **financial institutions**, an enabling policy framework provides global alignment and guidance on optimal capital allocation. Investors need clarity and confidence on what type of businesses to invest in. Global rules can highlight business activities that might be a future litigation risk. A global policy framework could facilitate a comparable metric to use to measure corporate performance with regard to plastic risk exposure and circularity opportunities. Regulations defining clear plastic disclosures are therefore an important catalyst for financial markets to unlock capital and scale investment for the transition.

Furthermore, such a policy framework would enhance data comparability on plastics across sectors and industries, thus offering new value creation opportunities. These policies would additionally contribute to reducing the investment requirements to manage plastic pollution by redirecting capital flows and filling this investment gap.

For **companies**, an enabling policy framework for plastic disclosure levels the playing field and streamlines disclosure processes, in turn enabling more effective and relevant disclosure.

Mandatory plastic disclosure offers protection against the physical, transitional, reputational and liability risks connected to a company's operations. At the same time, standardized disclosure can streamline the process and reduce the burden of data collection and reporting for companies.

Altogether, the treaty should take the opportunity to send a clear, positive market signal that there is a path to end plastic pollution, addressing both finance and corporate players. In doing so, the treaty would unlock private finance and act as a critical enabler for the market shift driving the transition.

Appendix

A. Mandatory and voluntary disclosure frameworks and standards

Disclosure regulation and standards	Disclosure topics/indicators and resource/plastic-related metrics
Corporate Sustainability Reporting Directive (CSRD)/European Sustainability Reporting Standards (ESRS) The objective of ESRS is to specify the sustainability information that an undertaking shall disclose in accordance with Directive 2013/34/EU of the European Parliament and of the Council, as amended by Directive (EU) 2022/2464 of the European Parliament and of the Council.[42] It targets large EU companies and non-EU companies with significant revenue generated in the EU. Listed small and medium-sized enterprises (SMEs) (by 2026) with significant revenue generated in the EU. **Scope of disclosure**: Wide range of environmental, social and governance (ESG) information. Product-level and corporate-level. **Flexibility of scope**: materiality dependent;[43] sector-specific.	ESRS 2. General disclosures Impact, risk and opportunity management Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities **ESRS E.5. 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 Anticipated financial effects from resource use and circular economy-related impacts, risks and opportunities **ESRS E2. Pollution** E2-1 Policies related to pollution E2-2 Actions and resources related to pollution E2-3 Targets related to pollution E2-4 Pollution of air, water and soil, incl. microplastics generated or used in operations E2-5 Substances of concern and substances of very high concern E2-6 Anticipated financial effects from material pollution-related risks and opportunities Pollution of water and marine resources, incl. microplastics generated by activities (in particular water consumption, water recycling and storage). Microplastics generated or used by the undertaking in its own operations

Framework presentation and standards	Disclosure topics/indicators and resource/plastic-related metrics
Global Reporting Initiative (GRI) The GRI standards provide companies with a framework to report on their economic, environmental and social performance. Companies can integrate the GRI standards into their sustainability reporting. The standards apply to a wide range of companies from multinational companies to government-owned of public sector companies as well as small and medium-sized enterprises (SMEs) and NGOs **Scope of disclosure**: Company-level and product-level impacts. **Flexibility of scope**: Materiality-dependent (based on industry, geography and stakeholder priorities.	**GRI 306: Waste 2020** Disclosure 306-1 Waste generation and significant waste-related impacts Note: Guidance on how to assess inputs and outputs includes the criteria on “Known potential negative threats associated with specific materials when they are discarded. For example, the potential threat of marine pollution resulting from leakage of discarded plastic packaging into waterbodies.” Disclosure 306-2 Management of significant waste-related impacts (Note: Includes actions, including circularity measures taken to prevent waste generation) Disclosure 306-3 Waste generated Disclosure 306-4 Waste diverted from disposal

	Disclosure 306-5 Waste directed to disposal **GRI 301: Materials** Disclosure 301-1 Materials used by weight or volume (Note: Materials for packaging purposes includes paper, cardboard and plastics) Disclosure 301-2 Recycled input materials used Disclosure 301-3 Reclaimed products and their packaging materials
Sustainability Accounting Standards Board (SASB)* The SASB has designed its standards for companies to identify sustainability issues that are most material to their industry and business. Companies can integrate the SASB® Standards into their sustainability reporting (integrated into ISSB since 2022). The SASB standards apply to a wide range of companies across different industries and jurisdictions. **Scope of disclosure**: Industry-specific with both company-level (primary) and product-level (secondary) disclosures. **Flexibility of scope**: Financial materiality dependent; industry-specific. ***** *The International Sustainability Standards Board (ISSB) now maintains the SASB® Standards*	SASB® Standards include disclosure topics – that vary from industry to industry – that describe specific sustainability-related risks or opportunities associated with the activities conducted by entities within a particular industry; with associated quantitative and qualitative metrics. Disclosure topic and related metrics: **Packaging life-cycle management** **Product life-cycle management** **Product sourcing, packaging and marketing** **Management of single-use plastics**[44] (part of Chemical Industry Standard) See Appendix B for details.
International Financial Reporting Standards (IFRS) The IFRS focuses on investor and financial stakeholder understanding of how sustainability-related risks and opportunities affect a company's enterprise value. Companies of any size, industries and in many jurisdictions can voluntarily disclose through the IFRS. **Scope of disclosure**: Main focus on company-level information, also includes product-level data. **Flexibility of scope**: Financial materiality dependent; industry-specific disclosure topics	**S1 General Requirements for Disclosure of Sustainability-related Financial Information** Disclosure of information about all sustainability-related risks and opportunities where there could be reasonable expectations that it will affect the entity's cash flows, access to finance, or cost of capital over the short, medium or long term. Disclosure about governance, strategy, risk management, metrics and impact For metrics and impact, in the absence of an IFRS Sustainability Disclosure Standard that specifically applies to a sustainability-related risk or opportunity, an entity shall apply judgement to identify information that (paragraph 57): (a) is relevant to the decision-making of users of general-purpose financial reports; and (b) faithfully represents that sustainability-related risk or opportunity. In making the judgement described in paragraph 57 an entity shall refer to and consider the applicability of the metrics associated with the disclosure topics included in the SASB Standards (paragraph 58).

Taskforce on Nature-related Financial Disclosures (TNFD) The TNFD develops recommendations and guidance that allows businesses and finance to assess, manage and disclose their dependencies and impacts on nature. It aims to integrate nature-related risks and opportunities into financial decision-making. The TNFD applies to both businesses and financial institutions across various sectors. It encourages organizations to integrate nature into their risk management and financial planning. **Scope of disclosure**: Company-level data primarily, although also encompasses some product-level information. **Flexibility of scope**: Materiality-dependent	Pillars include: Governance, Strategy, Risk Management and Metrics and Targets. Nature-related factors in direct operations, across the value chain and in financed activities and assets. Indicator: plastic pollution (connects to target 7 of GBF) **Metric no. C2.3: Plastic footprint** as measured by total weight (metric tons) of plastics (polymers, durable goods and packaging) used or sold broken down into the raw material content. For plastic packaging, percentage of plastics that is: • Reusable; • Compostable; • Technically recyclable; and • Recyclable in practice and at scale.
CDP CDP provides a global disclosure system that enables companies, cities, states and regions to voluntarily report environmental data related to climate change, water security, deforestation CDP incentivizes companies across all sectors and sizes to disclose their environmental data through a questionnaire-based reporting. **Scope of disclosure**: Primary focus on company-level information, some product-level disclosure. **Flexibility of scope**: Materiality-dependent; sector-specific; size-specific; proposes tailored questionnaires for larger companies and SMEs, respectively	Plastic use: value chain mapping of plastic production, commercialization, use and disposal in the value chain. Impact of plastic use and production on the environment and human health. Plastic-related targets. Total weight, raw material content and potential for circularity potential of plastics sold/used (for plastic polymers, plastic durable goods/components and plastic packaging). • % virgin fossil-fuel feedstock; • % post-consumer recycled feedstock; • % post-industrial feedstock; • % virgin renewable feedstock. Total weight of waste generated by the plastic produced, commercialized, used and processed and end-of-life management pathways. End-of-life management: preparation for reuse; recycling; composting (industrial/home); waste to energy; incineration; landfill; mismanaged waste; leakage; other end-of-life management pathway.

B. SASB disclosure topics with metrics by selected sector

Topic	Metric	Sectors: Processed foods	Household & Personal Products	Alcoholic Beverages	Non-alcoholic Beverages	Containers & Packaging	E-commerce	Multiline and Specialty Retailers & Distributors	Food retailers and distributors	Chemical industry
Packaging Lifecycle Management	(1) Total weight of packaging, (2) percentage made from recycled and/or renewable materials, and (3) percentage that is recyclable, reusable, and/or compostable	•	•	•	•					
	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	•	•	•	•					
Product Lifecycle Management	Percentage of raw materials from: (1) recycled content, (2) renewable resources, and (3) renewable and recycled content					•				
	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle					•				
Product Packaging & Distribution	Discussion of strategies to reduce the environmental impact of product delivery						•			
Product Sourcing, Packaging & Marketing	Discussion of strategies to reduce the environmental impact of packaging							•	•	
Management of Single-use Plastics *(proposed in 2022)*	Revenue from products sold for use in the manufacture of single-use plastics									•
	Revenue associated with products that intend to reduce the environmental impacts associated with single-use plastics throughout the product lifecycle									•
	(1) Research and development expenditures and (2) capital expenditures associated with business activities that intend to reduce environmental impacts associated with single-use plastics throughout the product lifecycle									•
	Percentage of total raw materials processed for use in the manufacture of inputs for single-use plastics products, by (1) virgin fossil fuel (hydrocarbon) content, (2) recycled content, and (3) renewable materials									•
	Discussion of actual and potential environmental and social impacts from business activities intended to reduce the environmental impact of single-use plastics occurring at each key phase of the product lifecycle: production, transportation, use-phase, and end-of-life									•

C. Acronyms and abbreviations

CPAS	Corporate Performance and Accountability System
CSDD	Corporate Sustainability Due Diligence Directive
CSRD	Corporate Sustainability Reporting Directive
EPR	extended producer responsibility
ESG	environmental, social and governance
ESRS	European Sustainability Reporting Standards
EU	European Union
GBF	Kunming-Montreal Global Biodiversity Framework
GCP	Global Circularity Protocol
GHG	greenhouse gas
GRI	Global Reporting Initiative
INC	Intergovernmental Negotiating Committee
IFRS	International Financial Reporting Standards
ISSB	International Sustainability Standards Board
KPI	key performance indicator
PAI	principal adverse impact
PRI	Principles for Responsible Investment
SASB	Sustainability Accounting Standards Board
SDG	Sustainable Development Goal
SFDR	Sustainable Finance Disclosure Regulation
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
UNEP	United Nations Environment Programme
UNEP FI	UNEP Finance Initiative
WBCSD	World Business Council for Sustainable Development

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Acknowledgements

Disclaimer

This publication is the result of a collaboration by WBCSD stakeholders and EA. A range of stakeholders was interviewed. Input and feedback from stakeholders were incorporated in a balanced way. This does not mean, however, that every stakeholder agrees with every view.

Acknowledgements

This guide is the result of a collaborative effort by the WBCSD members of the Plastics and Packaging project, EA and other supporting organizations. We would like to thank Luke Blower, Senior Manager, Corporate Performance & Accountability, WBCSD for his insights and review of the paper.

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From the beginning EA was envisioned as a place where the world's current path towards exceeding planetary boundaries could be addressed at multiple levels. EA builds robust research, services, solutions and expertise to create positive impact and transformative change for clients and partner organizations. EA combines research, intuition, and passion to develop, test, and implement solutions that will quickly address the most significant sustainability challenges facing the world.

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