

Circular companies have a lower risk profile than linear models

Analysis & conclusions of 100+ Circular Risk Scorecard assessments

Leadership collective on circular finance (Kopgroep Circulair Financieren)

Amsterdam, December 2024

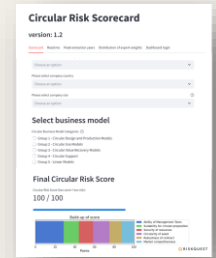


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Executive Summary

Circular companies have a lower risk profile than linear models (1/2)

Executive summary of the first 100+ Circular Risk Scorecard assessments



Current status



100+ assessments



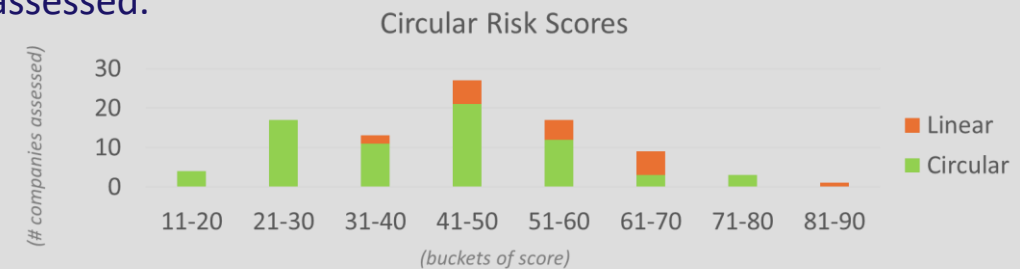
Unique viewers Circular Risk Scorecard: >1.000



15+ countries involved

Results

Our analysis shows that circular design & production, circular use and circular value recovery companies have a lower circular risk score than linear companies. This is the end result from data from 100+ circular and linear companies assessed.



The analysis leads to six conclusions:

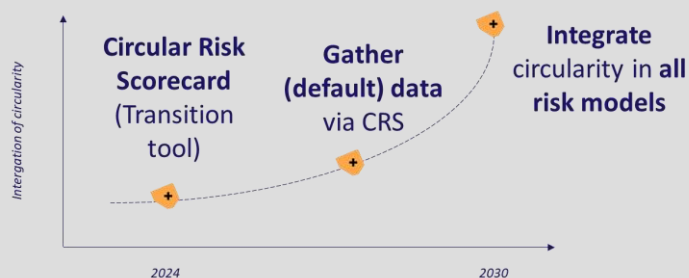
1

The management team at circular companies is **deemed better capable to run an innovative / circular business** than linear companies, and is **more divers**.

2

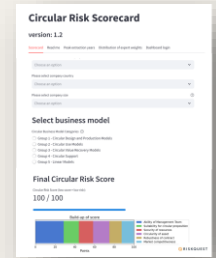
Circular companies **use more suited products for circularity**. However, we do see an opportunity for linear companies to upgrade their products, if they use **circular design principles**.

Our path to integrate circularity in risk models



Circular companies have a lower risk profile than linear models (2/2)

Executive summary of the first 100+ Circular Risk Scorecard assessments



Results

- 3 Resources/materials are **better managed** with a circular business model, due to a) circular companies **creating loops in their business model**, to prevent resource scarcity and avoid price fluctuations and b) circular companies **working with their value chain partners in a collaborative or strategic way**.
- 4 There is **not a significant difference** between linear and circular products in **design and upgradability**. This means that there is **potential** in products within linear companies to become more circular.
- 5 **Contracts** are **most robust** in Circular Use and Circular Support Models. Contracts in linear companies are not yet ready for circularity.
- 6 Circular companies are in a good position to succeed in a (future) circular market, as they a) are **better positioned to conquer the (niche) circular markets** and b) are **more ready for future sustainable regulations** than linear companies.

Next steps



Our target: **250 companies assessed** by the end of 2025



Deep dive into **construction & real estate sector** in 2025



Integrate (parts of) circular risk scorecard in **current (risk) models**

Contact & links

If you are interested in a further discussion, please contact:

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Jeroen Derkx - jeroen.derkx@invest-nl.nl

Additional information

Circular Risk Scorecard - [link](#)

Kopgroep Circulair Financien - [link](#)

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Details & analysis

Circular Risk Scorecard

version: 1.2

[Scorecard](#) [Read me](#) [Peak extraction years](#) [Distribution of expert weights](#) [Dashboard login](#)

Choose an option ▼

Please select company country

Choose an option ▼

Please select company size ?

Choose an option ▼

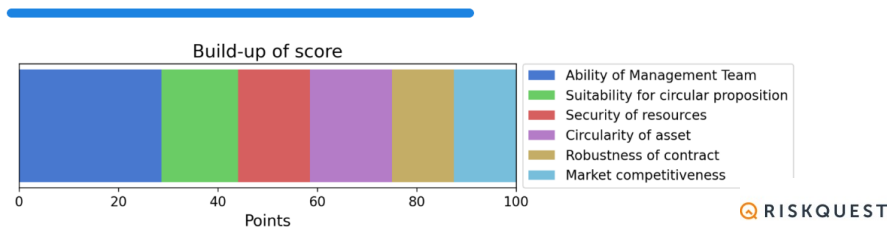
Select business model

- Circular Business Model Categories ?
- Group 1 - Circular Design and Production Models
 - Group 2 - Circular Use Models
 - Group 3 - Circular Value Recovery Models
 - Group 4 - Circular Support
 - Group 5 - Linear Models

Final Circular Risk Score

Circular Risk Score (low score = low risk):

100 / 100



Scorecard has been developed by :

The stats



Unique viewers Circular Risk Scorecard: >1.000



100+ assessments



99% NL



Just getting started, need to scale-up

Europe

EIB (Sep 24)



ECB (Aug 24)



Germany (Sep 24)



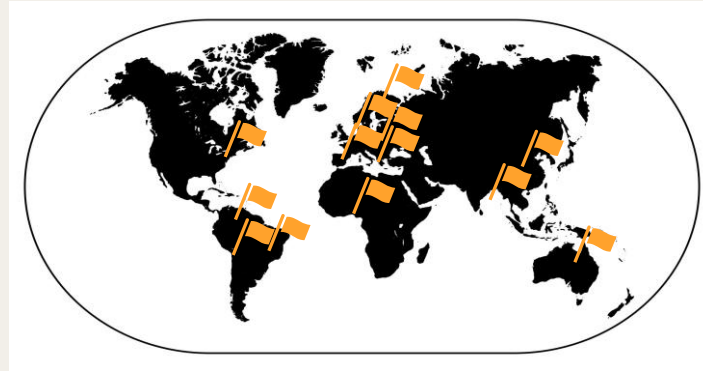
Italy (Jul 24)



Sweden (Aug/Oct 24)



Dutch parliament (Jun/Dec 24)



Spain (Jul 24)



Belgium (Sep/Dec 24)



South America

Colombia (Jun/Sep 24)



Global

UNEP FI (Jul 24)



Oceania

Australia (Jun/Sep 24)

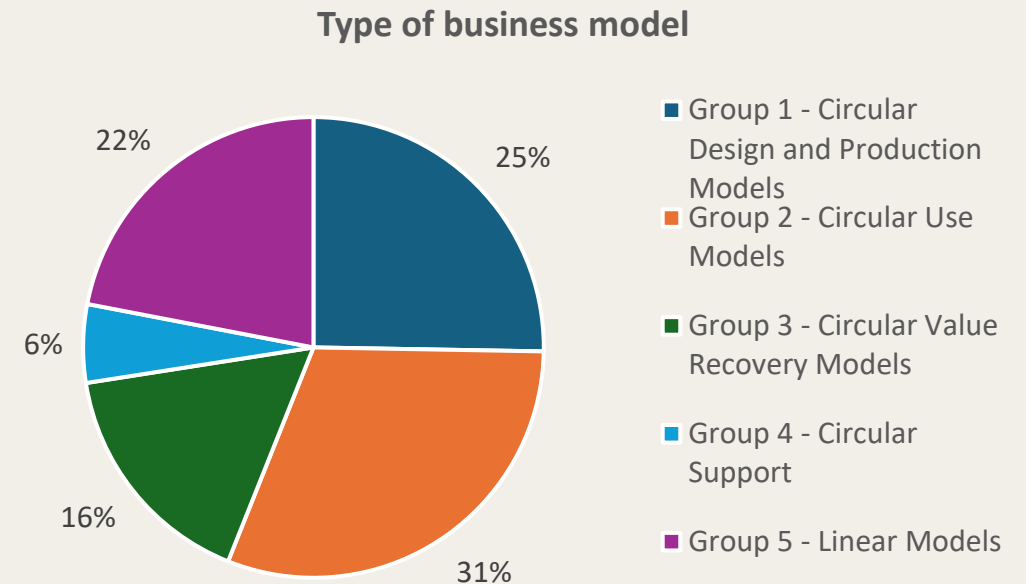


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+ Worldwide interest

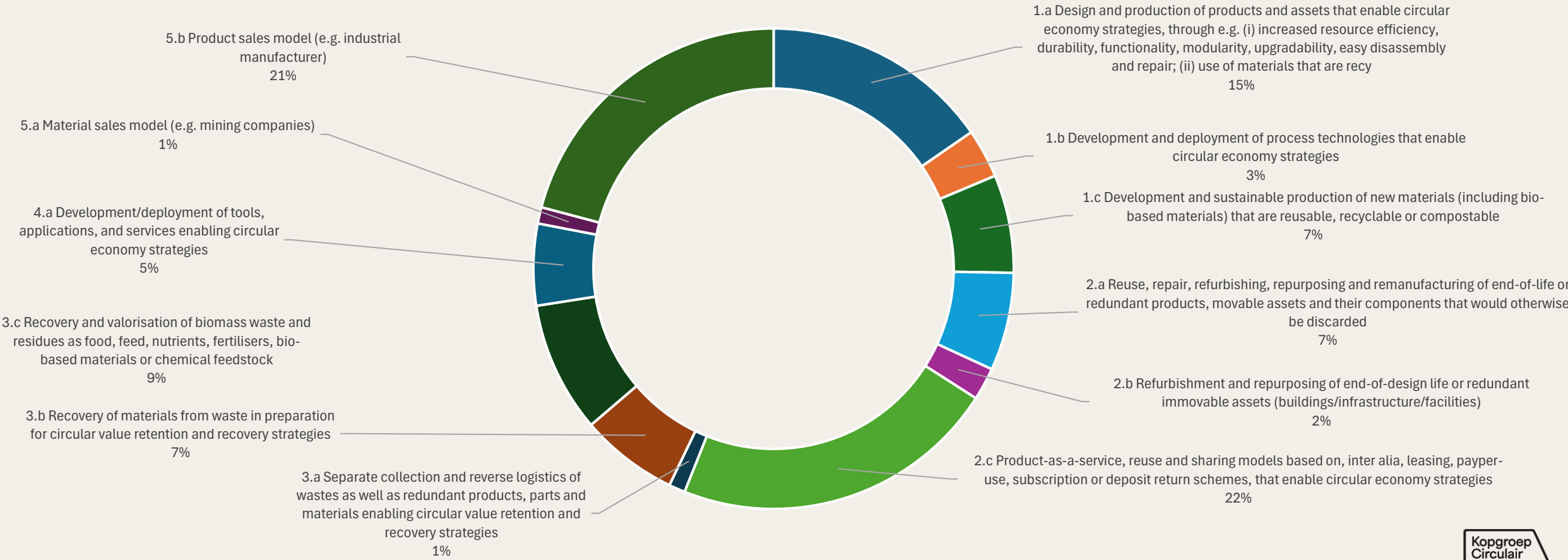
The analysis will be performed over circular and linear business models

- **3/4** of the assessments (78%) has a **circular business model**
- **1/4** of the assessments (22%) has a **linear business model**
- **Circular Use Models** form the majority (31%). However, **Circular Value Recovery Models, Circular Design and Production Models** and **Circular Support Models** are also part of the assessments.



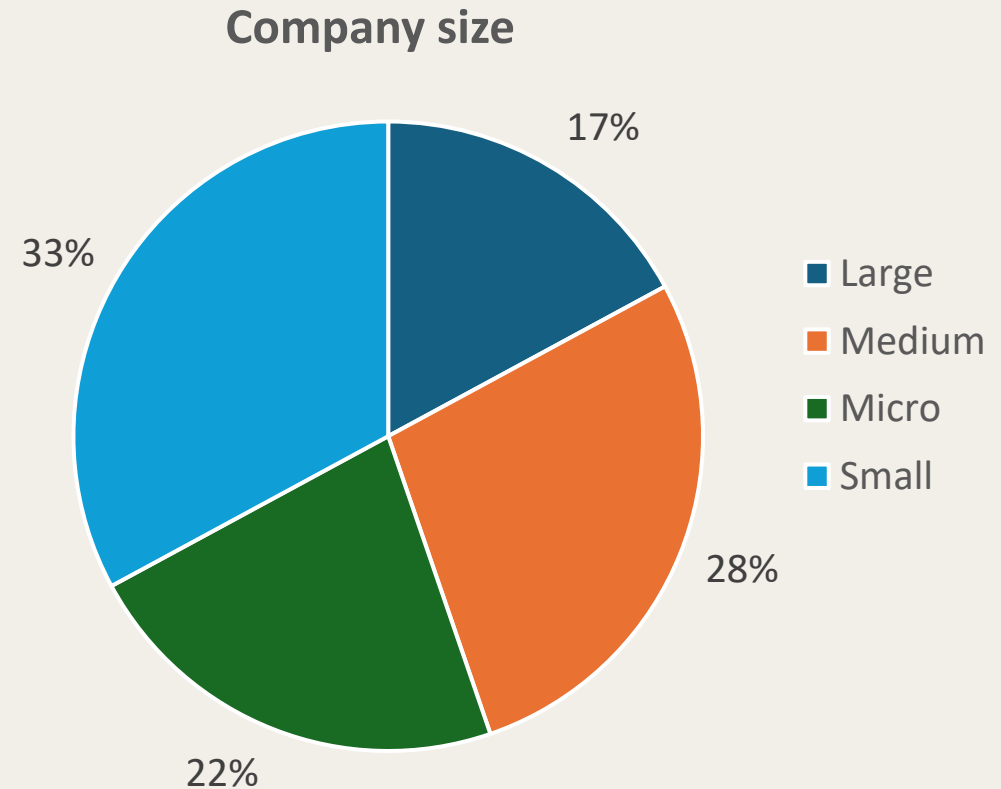
Various circular business models are assessed

EU categorisation of circular business models

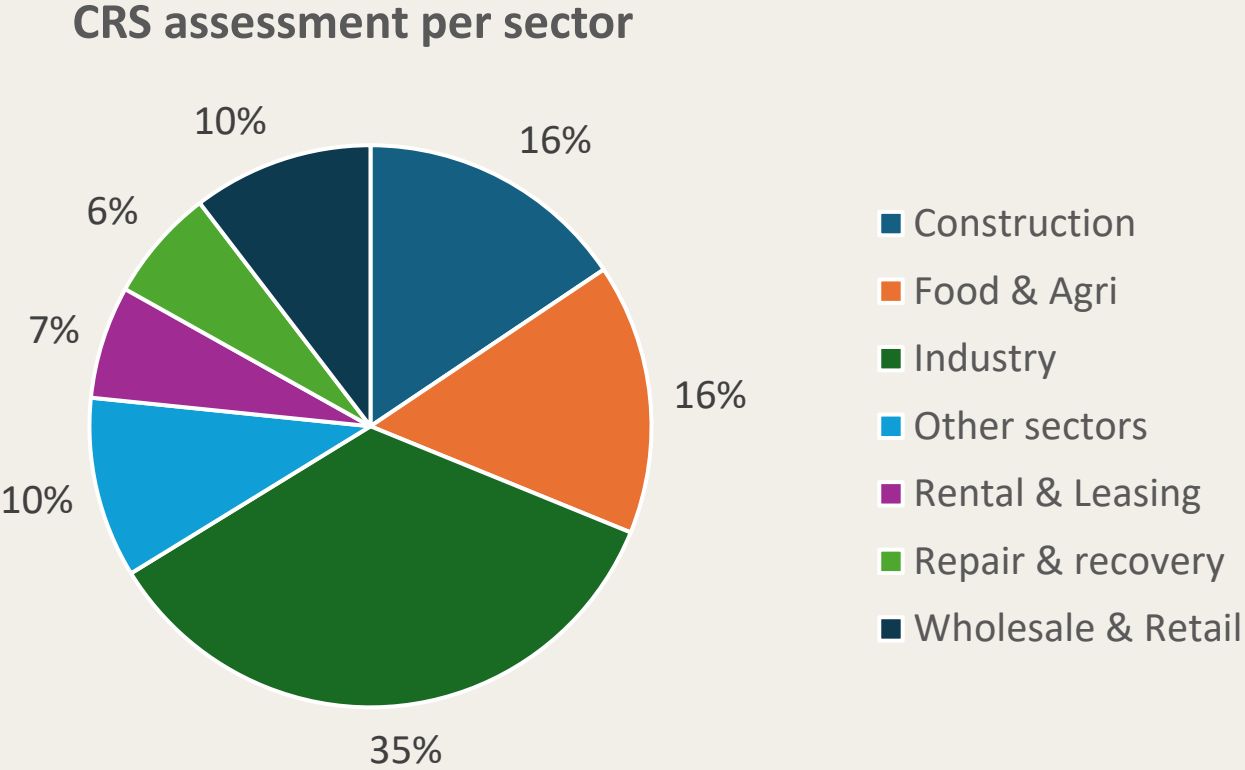


Companies from large to micro are being assessed

- There is a **balance** in assessed companies between small / micro (55%) and medium / large (45%) companies



Companies from various sectors are being assessed

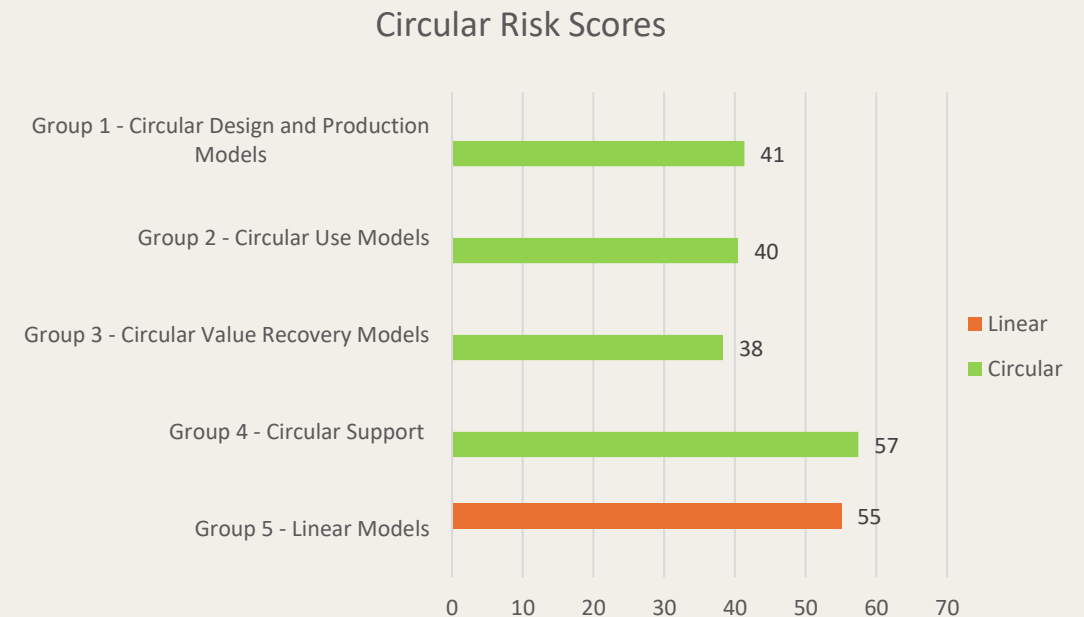


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Analysis CRS data

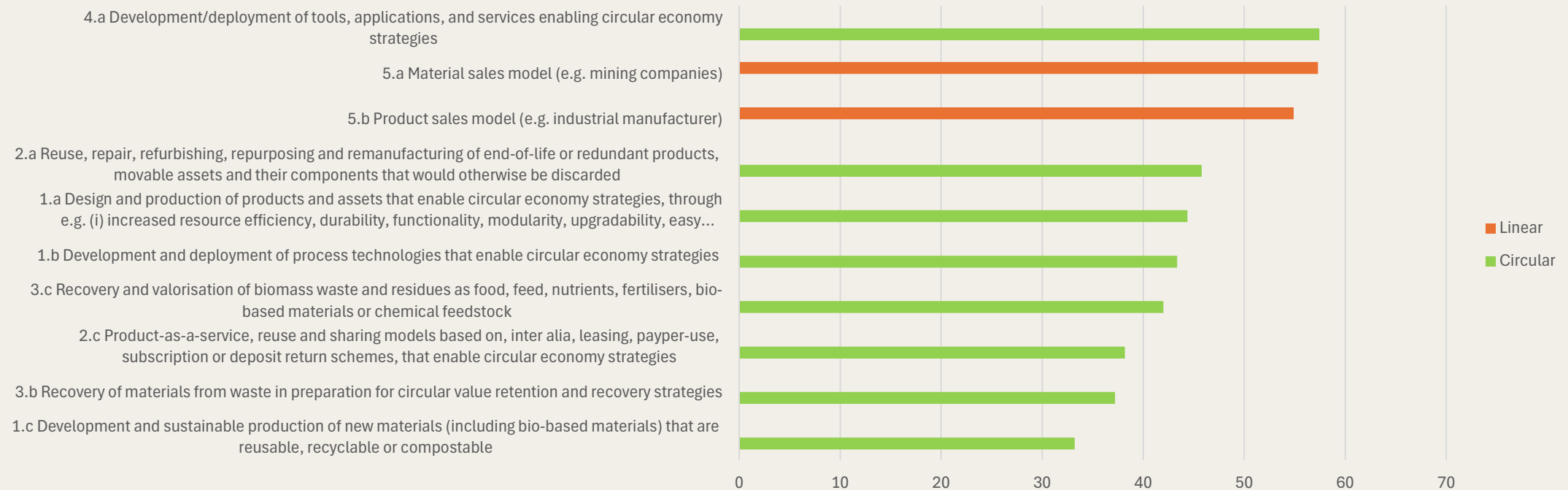
Circular Business Models have a lower circular risk score than linear models

- **Circular Business Models** have an average score between **38-41**
- **Linear Models** have an average score of **55**
- Assessment results show that for **Circular Support Models** (group 4) the **assessments' risk drivers do not (fully) match** (mainly software instead of physical products)



The circular risk score differs per company / subsector

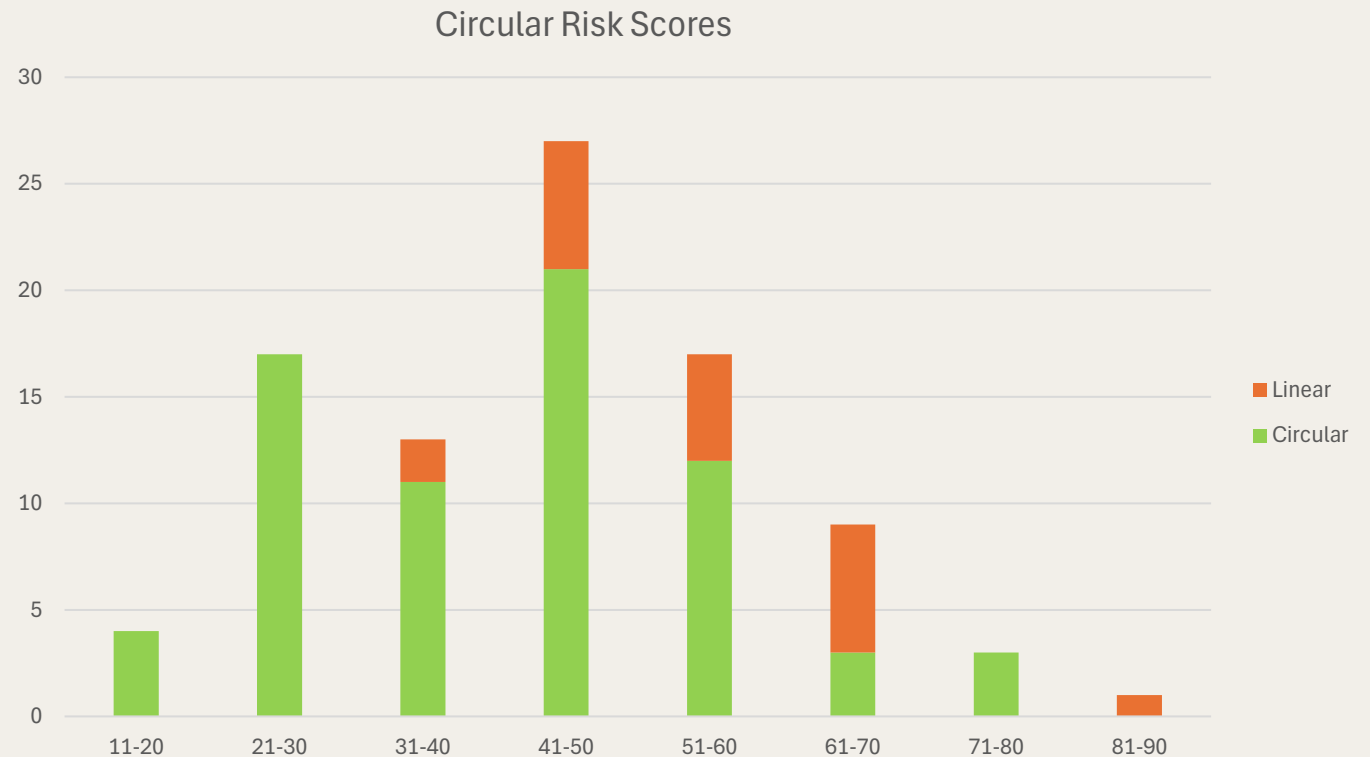
Circular Risk Score per Business Model *



* Only Circular Business Models with 3 or more entries are shown

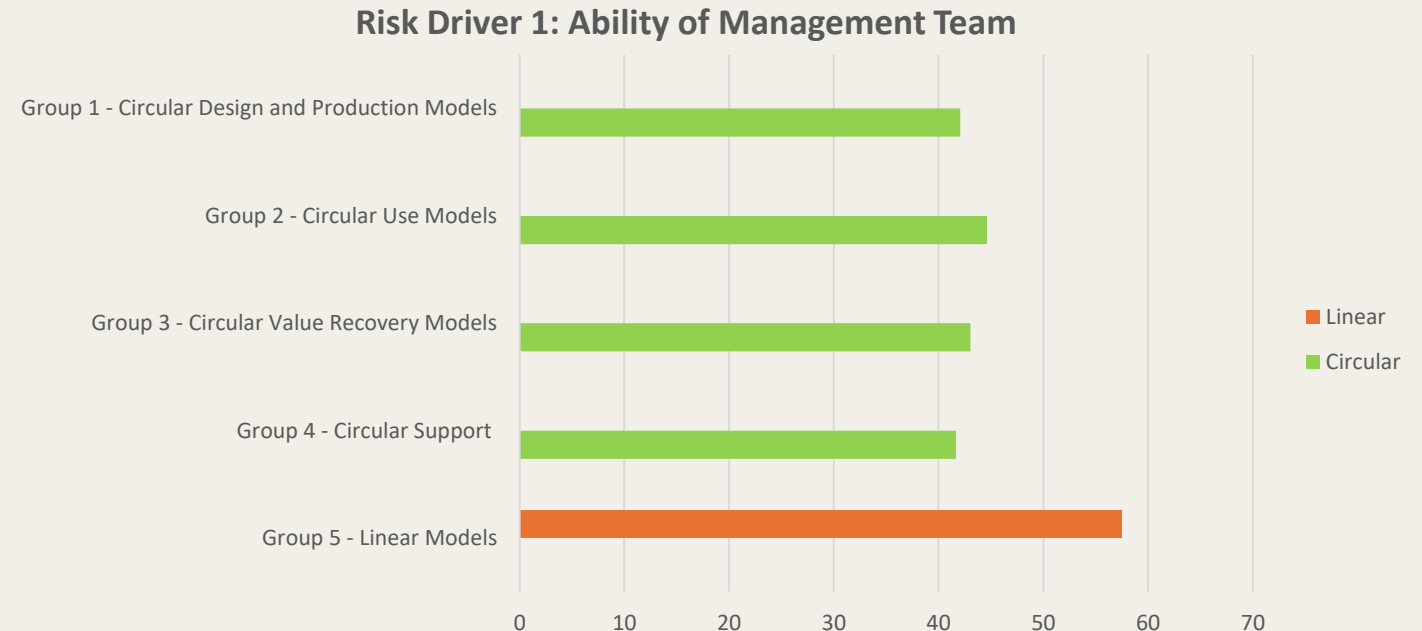
The results show a wide range of circular risks at the assessed companies

- There is a **wide spread** of **circular risk scores** in the assessments
- **Circular companies** score **better** than linear companies
- The **average score** of all assessments is **44**



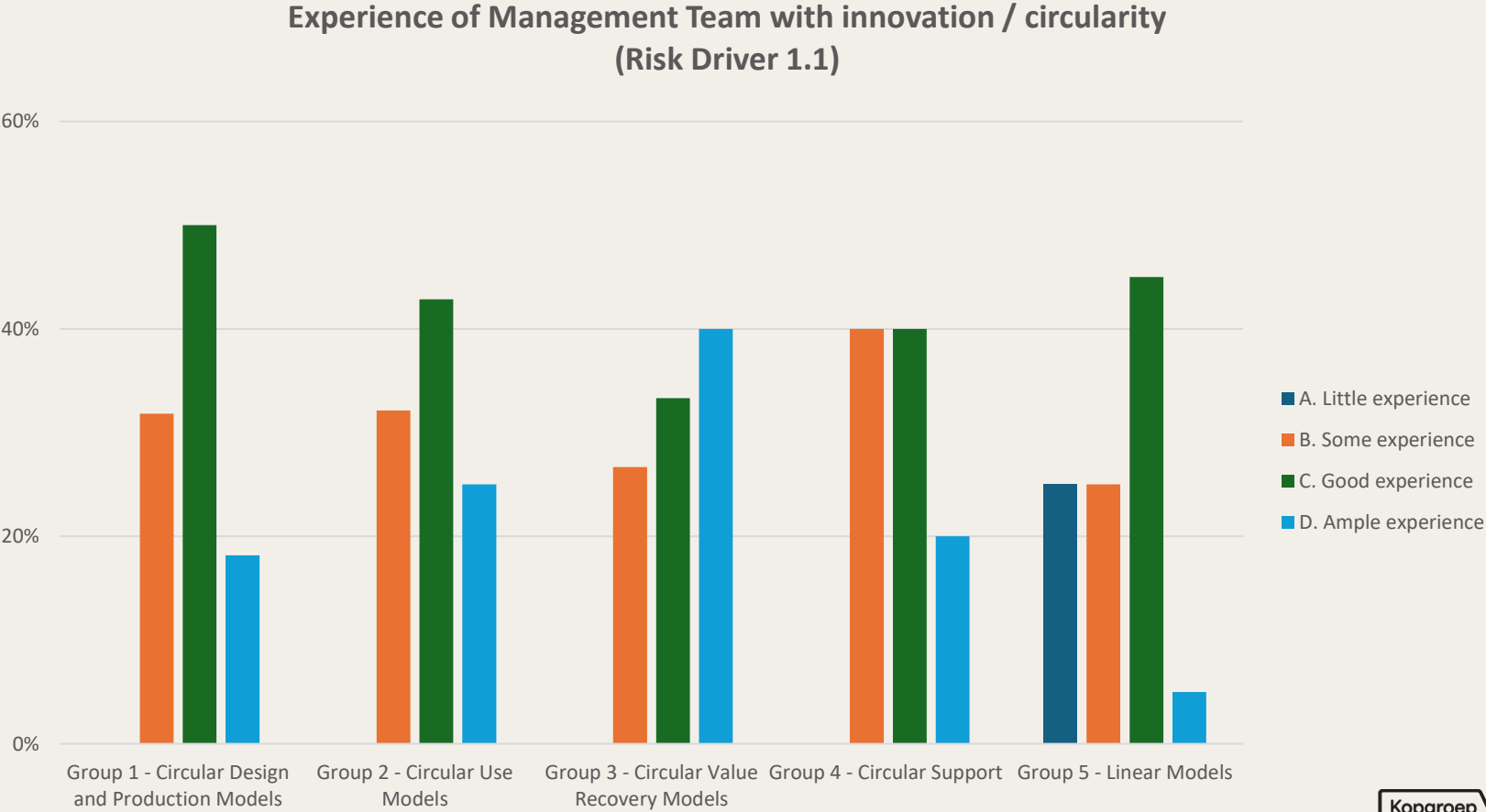
The ability of the Management Team to drive circularity and innovation is better at circular companies (Risk Driver 1)

- Management Team at circular companies is deemed **better capable to run an innovative / circular business** than linear companies
- Management Team at circular companies is **more diverse** than at linear companies



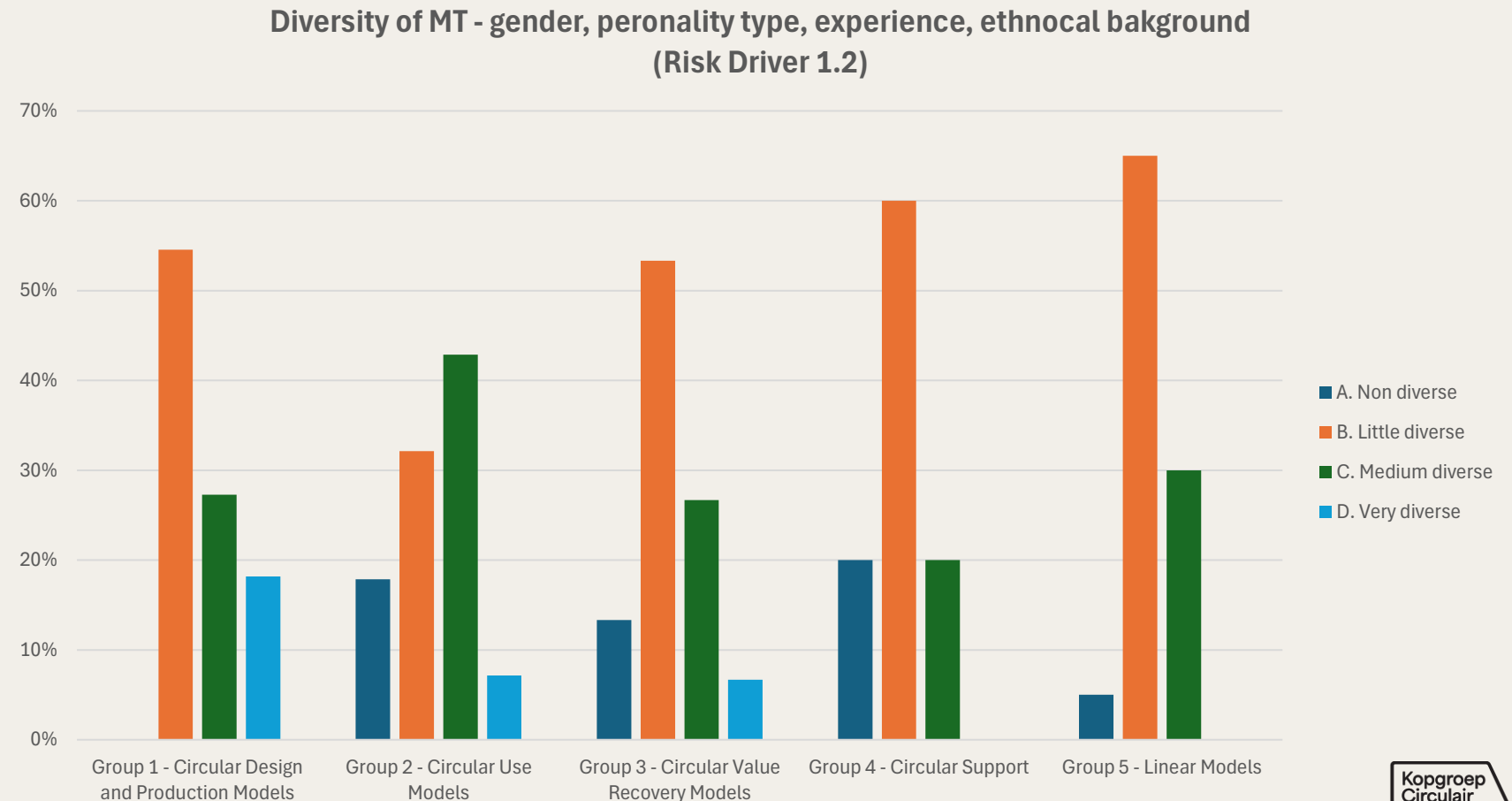
Management Team at circular companies is deemed better capable to run an innovative / circular business

- Management Team of circular companies has for >65% 'good and/or ample experience'
- Linear companies have for 25% 'little experience'



Management Team at circular companies is more diverse than at linear companies

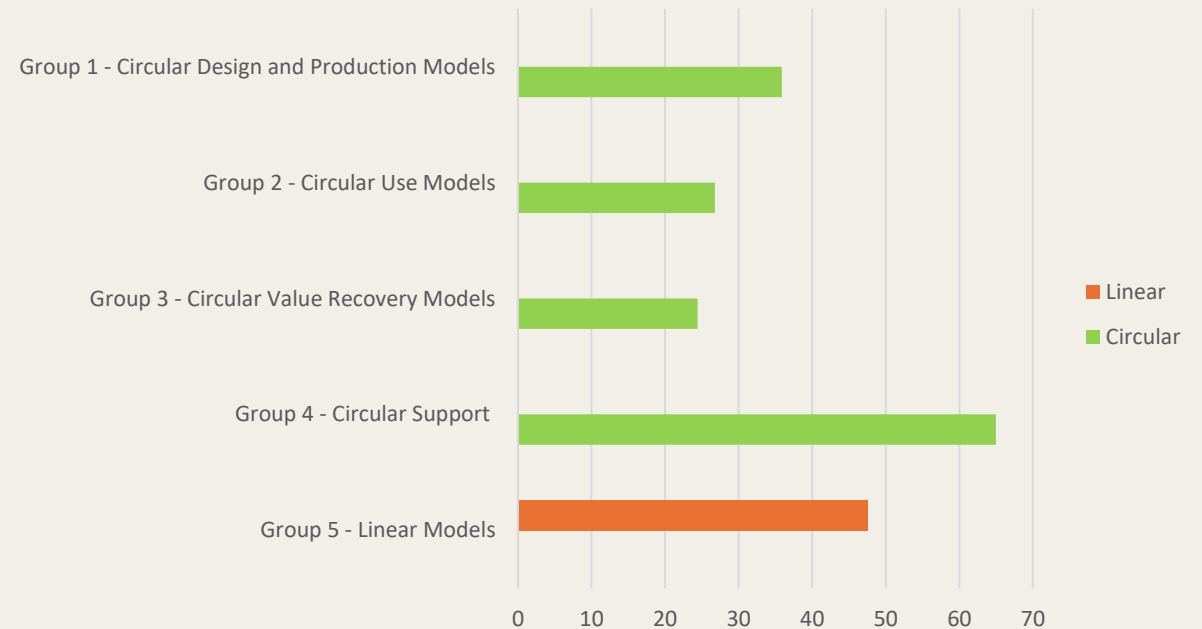
- Some of the circular companies have a 'very diverse' MT, in contrast with linear companies
- However, 'non-diverse' MTs are present in both circular and linear companies



Circular business models use more suited products for circularity (Risk Driver 2)

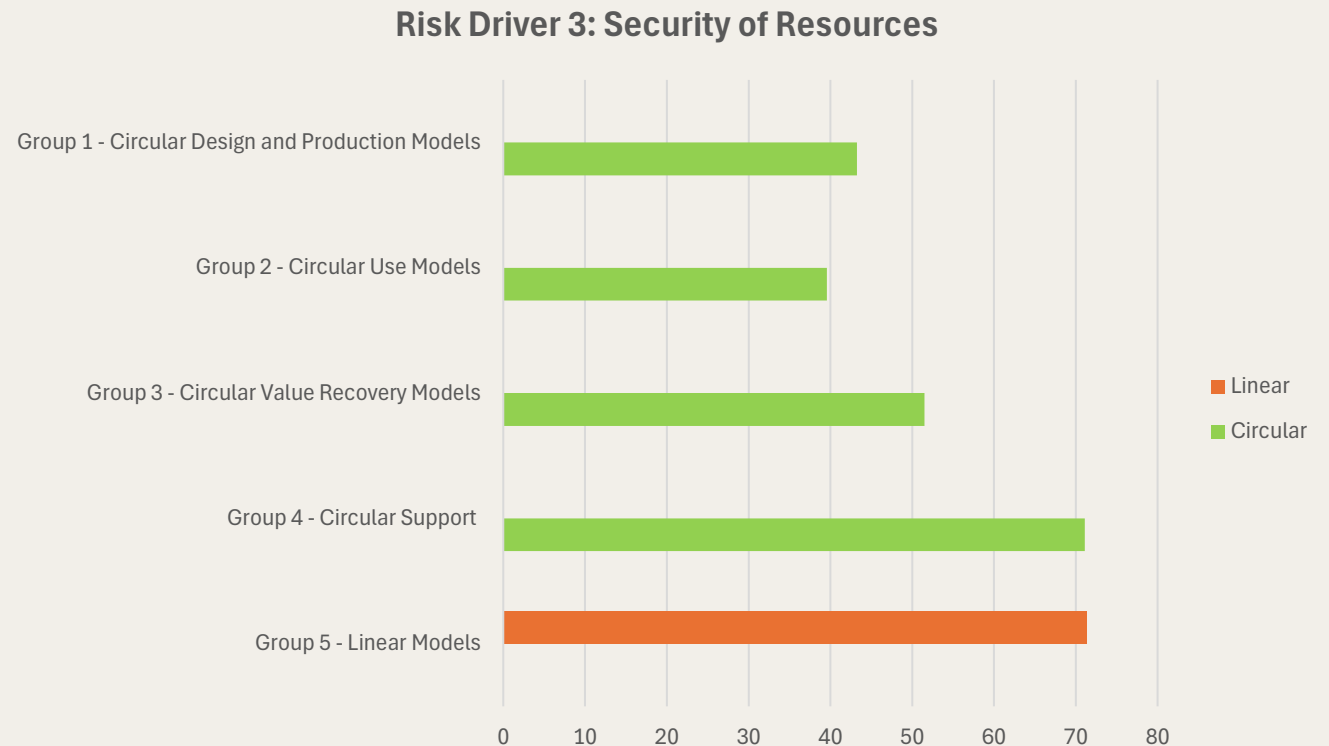
- There is a **clear difference** between the suitability of products for circular business models (group 1-3) versus linear business models
- However, linear companies are certainly able to upgrade their products, if they use **circular design principles**

Risk Driver 2: Suitability for Circularity



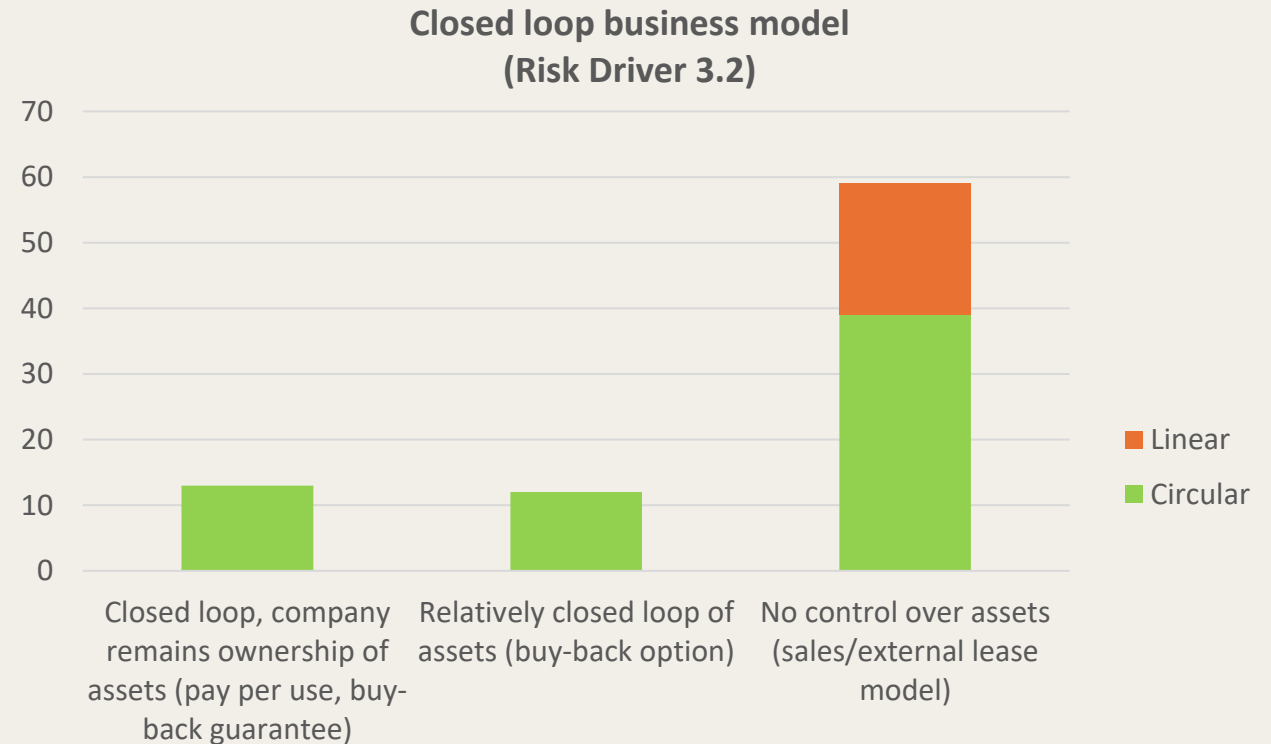
Security of Resources is better managed with a circular business model (Risk Driver 3)

- **Circular design & production models (group 1), Circular Use Models (group 2) and Circular Value Recovery Models (group 3)** score **higher** on the security of resources than other circular models (group 4) and linear models (group 5)



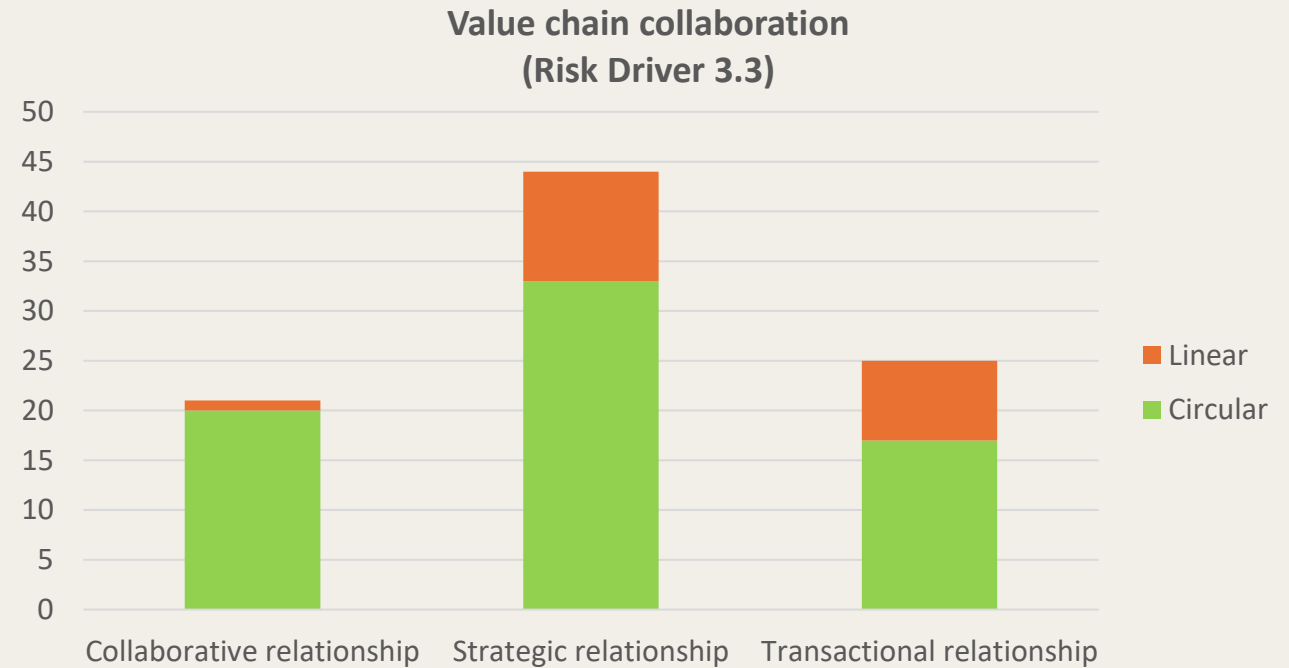
Circular companies create loops in their business model, to prevent resource scarcity and avoid price fluctuations

- **Circular companies (partly) close loops**, via e.g. pay-per-use and/or buy-back options
- Linear companies do not close loops



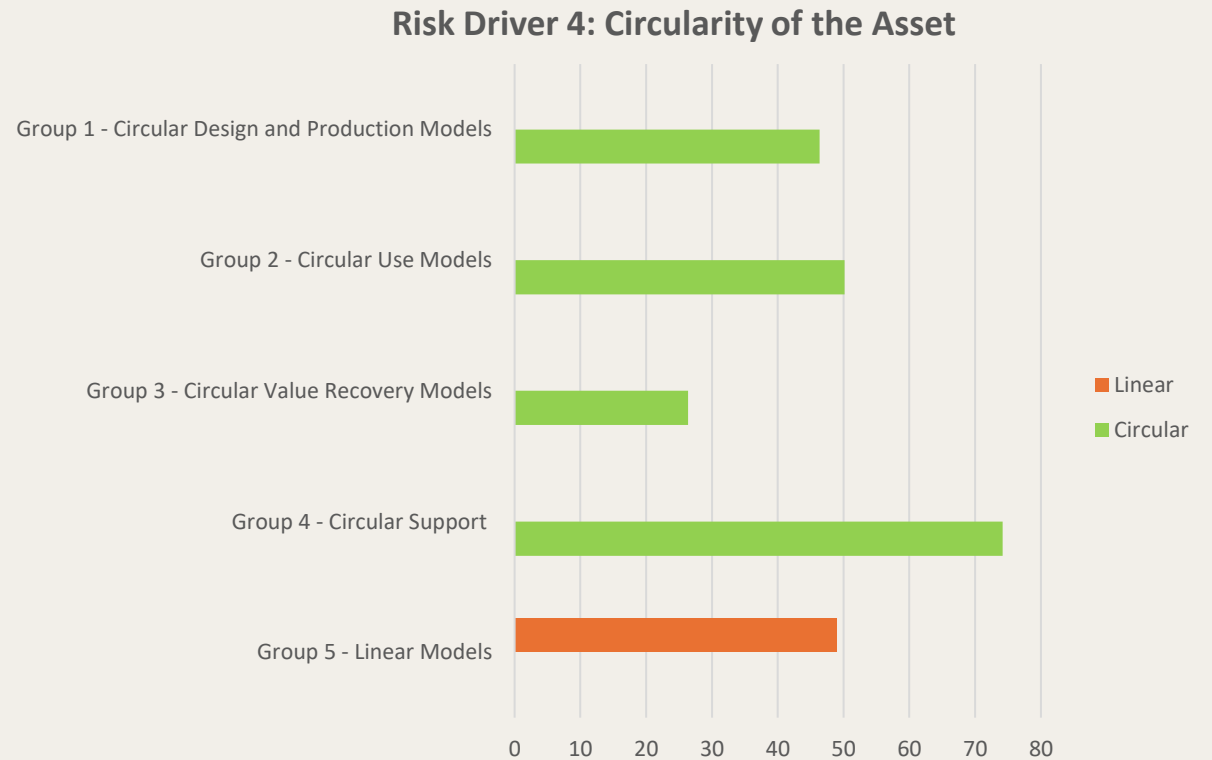
Circular companies work with their value chain partners in a collaborative or strategic way

- **Circular companies** work with their **value chain partners** in either a **collaborative** or **strategic** way
- **Linear companies** most of the time work with their value chain partners in a more traditional way (either **strategic** or **transactional**)



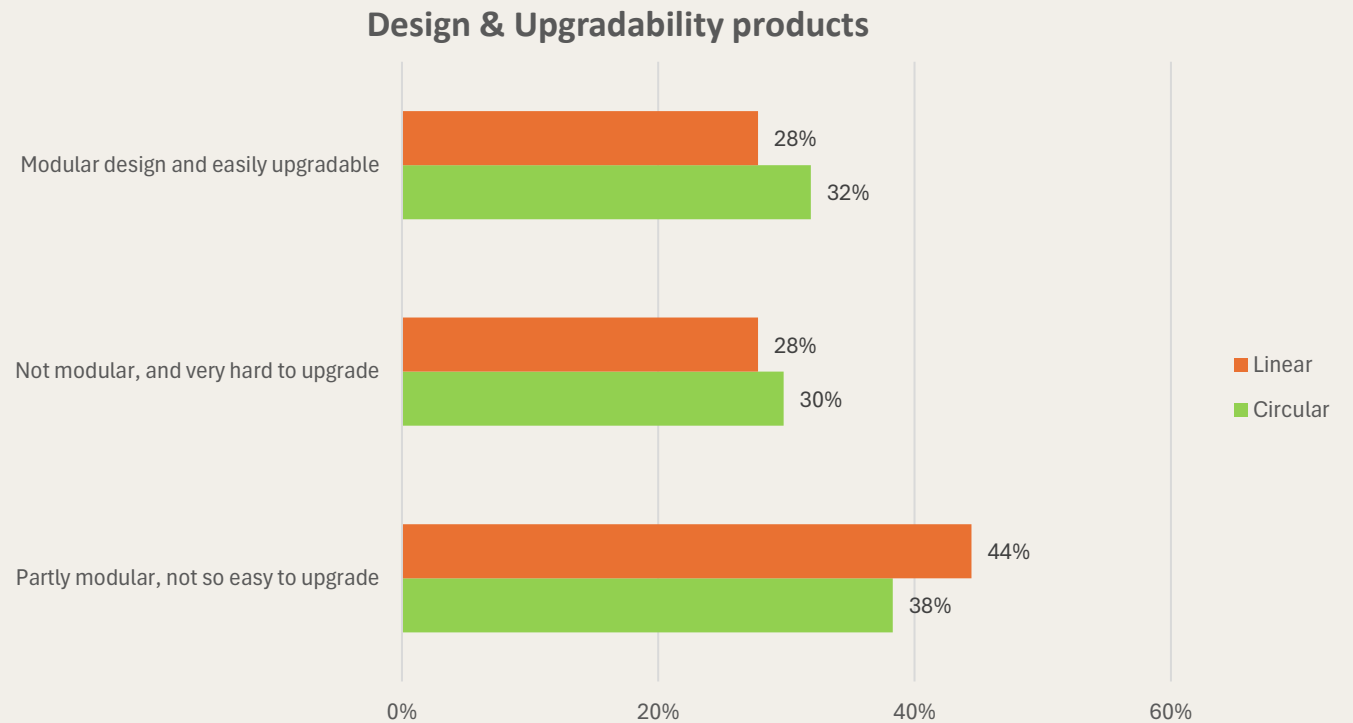
Circularity of the Asset differs per business model (Risk Driver 4)

- **Circular Value Recovery Models** (group 3) have the **lowest risk** on the circularity of the asset, as they use mainly non-virgin input from waste streams
- **Circular Use Models** (group 2) have a **relatively high risk** profile of the asset



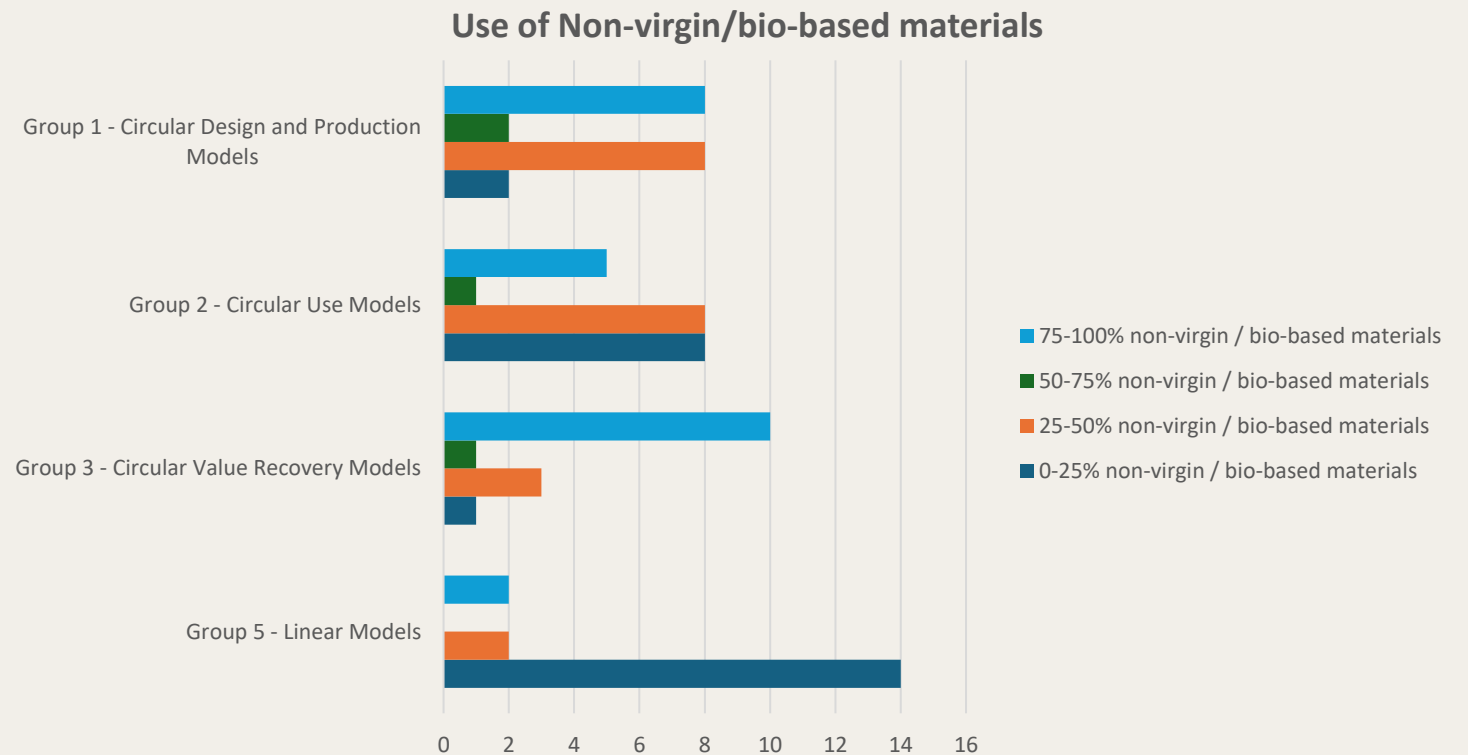
There is potential in products within linear companies to become more circular

- There is **not a difference** between linear and circular products in design and upgradability
- This means that there is **potential** in products within linear companies to become more circular



Circular companies use much more non-virgin & bio-based materials than linear companies

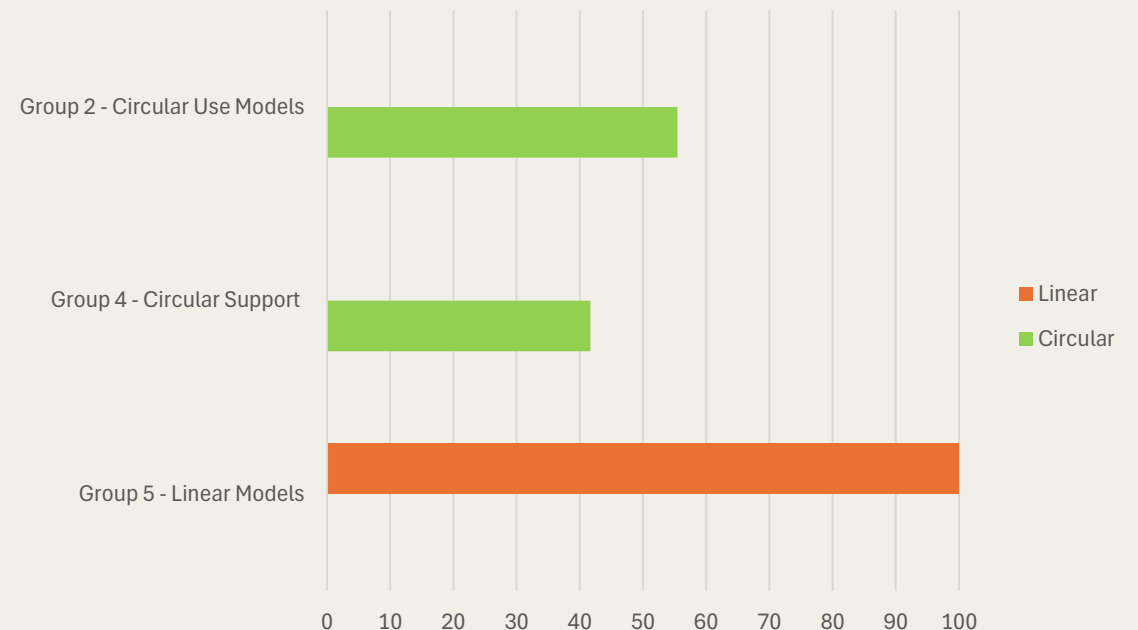
- Circular companies use much **more bio-based and/or non-virgin materials** than linear companies
- Linear models mainly use 0-25% non-virgin / bio-based products



Contracts are most robust in Circular Use and Support Models (Risk Driver 5)

- **Contracts are more robust in circular business models** (group 2 & 4) than in linear models
- **Circular Support Models have the most robust contracts**

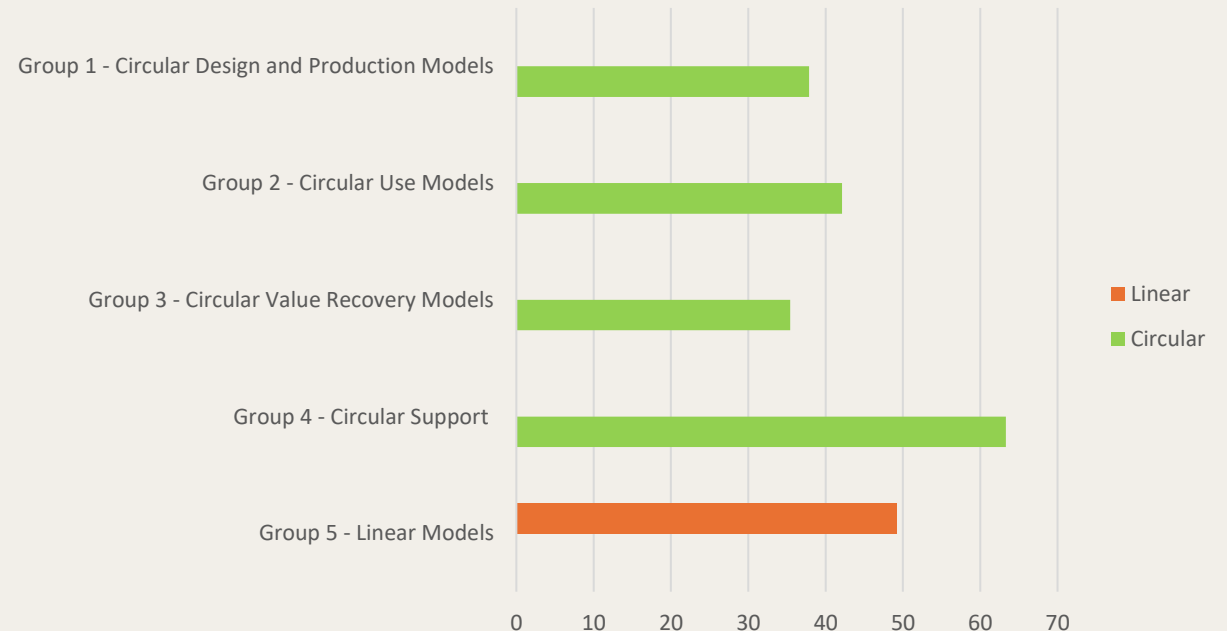
Risk Driver 5: Robustness of Contracts



Circular companies are better positioned to succeed in a (future) circular market (Risk Driver 6)

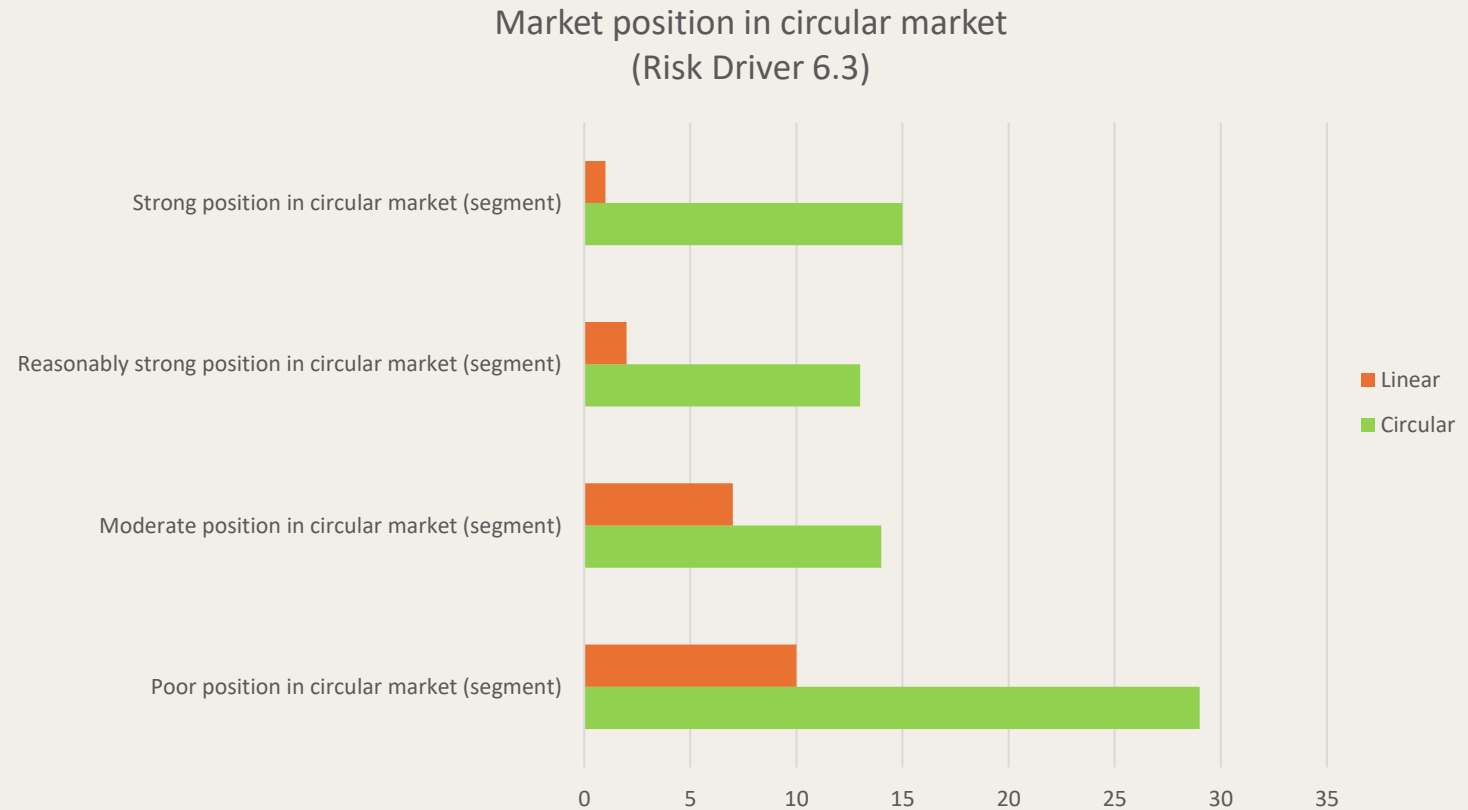
- Circular companies (group 1-3) have a **better circular competitiveness risk profile** than linear business models

Risk Driver 6: Market Competitiveness



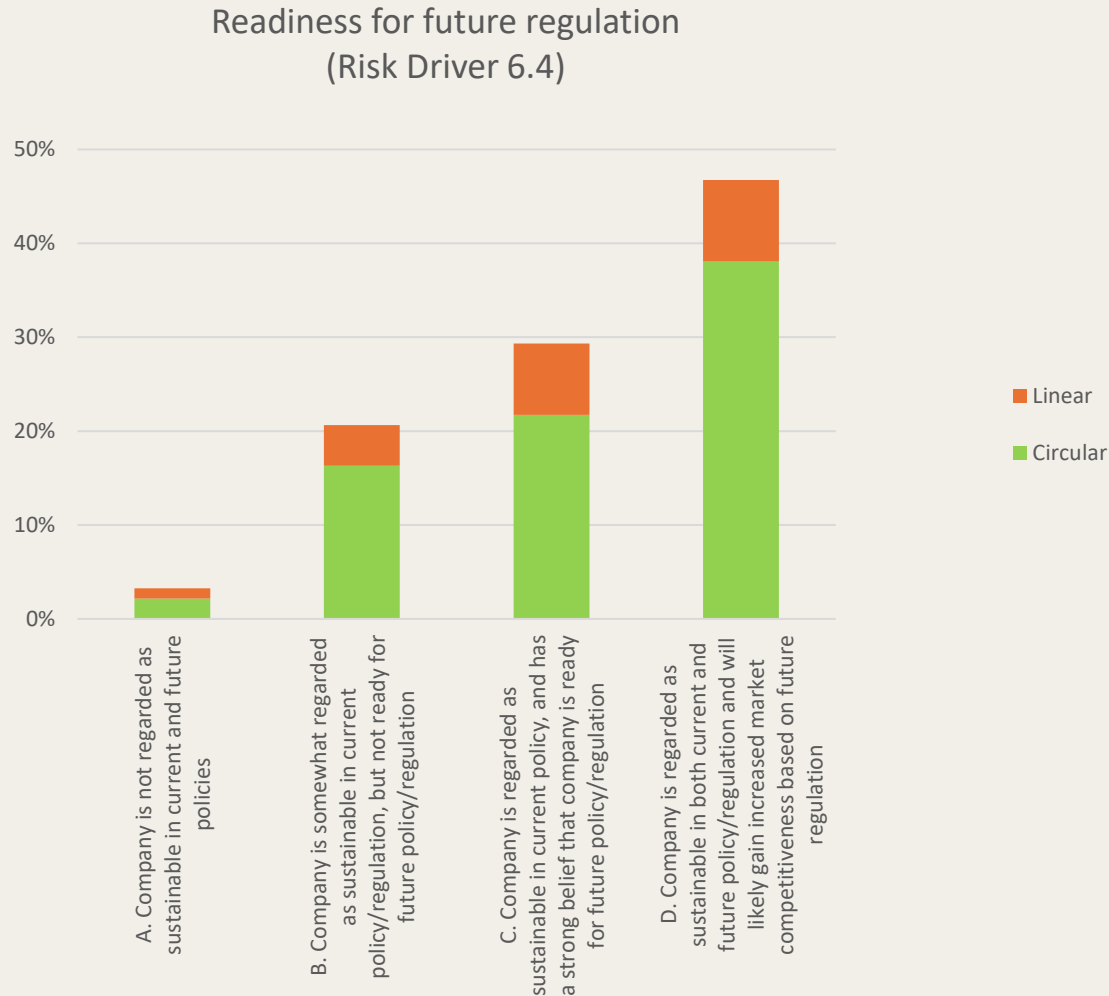
Circular companies are better positioned to conquer the (niche) circular markets

- Circular companies are **better positioned** to profit from the opportunities in future, circular (niche) market than linear companies



Circular companies are more ready for future sustainable regulations than linear companies

- Circular companies are **better positioned** to comply to **future green policies**



Correlation between risk drivers is positive (which is good!)

- All risk drivers are **(mildly) positively correlated**, which means the risk drivers have a positively interconnected
- The correlation between Ability of MT (RD1) and Market competitiveness (RD6) is **least strong**

	Risk Driver 1: Ability of Management Team	Risk Driver 2: Suitability for Circularity	Risk Driver 3: Security of Resources	Risk Driver 4: Circularity of the Asset	Risk Driver 5: Robustness of Contracts	Risk Driver 6: Market Competitiveness
Risk Driver 1: Ability of Management Team	100%	29%	11%	3%	7%	5%
Risk Driver 2: Suitability for Circularity	29%	100%	30%	29%	39%	18%
Risk Driver 3: Security of Resources	11%	30%	100%	34%	33%	44%
Risk Driver 4: Circularity of the Asset	3%	29%	34%	100%	22%	27%
Risk Driver 5: Robustness of Contracts	7%	39%	33%	22%	100%	3%
Risk Driver 6: Market Competitiveness	5%	18%	44%	27%	3%	100%

We are just getting started, and will take next steps

- Our target: **250 companies assessed** by the end of 2025
- We will deep dive into the **construction & real estate sector** in 2025, and adapt the scorecard to circularity of real estate projects
- Furthermore, we will perform multiple actions to **integrate (parts of) circular risk scorecard into current (risk) models**



Thank you!

If you are interested in a further discussion, please contact:

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Jeroen van Muiswinkel - Jeroen@copper8.com

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Additional information

Circular Risk Scorecard - [link](#)

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