Kopgroep Circulair Financieren

Circular Economy Finance Guidelines

CIRCLE ECONOMY

Section 1
Objective and context

This document provides guidance for sustainability and circular economy specialists, policymakers and analysts at banks to check if any[1] financing that is made can be considered and reported as circular at this point in the transition from a linear to a circular economy. It helps to define, identify, categorise, and report on the circularity of businesses and activities that are being financed. Hereby, it supports monitoring and improving banks' own performance in circular finance in line with European regulations (see section 4).

The guideline is building on existing standards and European Union (EU) regulations that are already widely in use[2]. It is drafted from the perspective of banks lending to businesses or business activities, but can also be applicable in other financial market contexts. The guideline is not a new standard, nor a reporting guideline, requirement for public disclosure or benchmarking tool[3].

Background

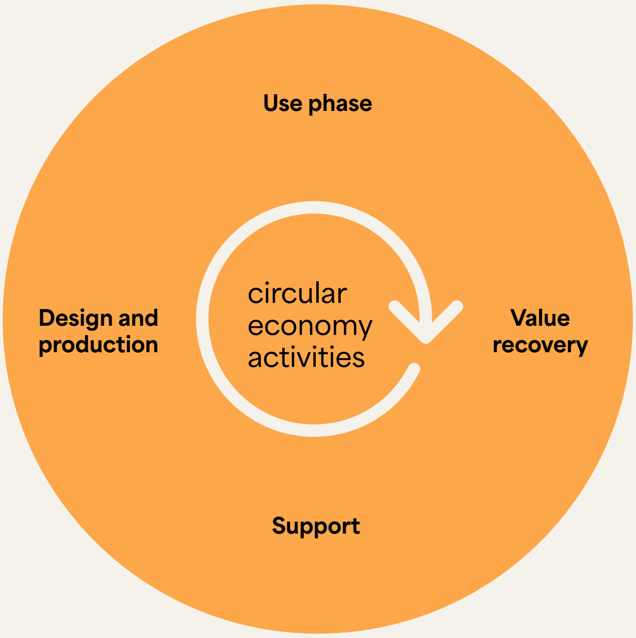
The development of this guidance document is contributing to Action Two in the 'Roadmap Circular Finance 2030'[4]: "Factor circular metrics into financing" by the Kopgroep Circulair Financieren. It also responds to the Joint Statement[5] by the Dutch government and banks on cooperation towards a circular economy, specifically obligation number 4: "Define clear circular metrics that align with the applicable guidelines and legislation".

This document expands on the onepager 'Circular Economy Finance Guidelines - Quick Reference', which provides a definition of circular financing, and a quick reference guide for client-facing staff of banks to identify circular businesses and activities in daily finance practices.

The full guideline includes:

- Section 2: A decision tree to **categorise** and report on circular business and activities (including examples of those in each category);
- Section 3: **Identification** through edge cases, showing examples of circular businesses and activities that highlight the richness and complexity of circularity in practice;
- Section 4: A **comparison** of circular economy guidelines, standards and regulation.

Section 2
Categorisation of circular economy businesses/activities



What is a circular business or activity?
A circular business or activity reduces and/or optimises the use of natural resources, materials, and products and promotes the regeneration of nature. This can be done through more material-efficient design and production, extending a product's use phase, and/or recovering value at the end-of-life. If a business or activity engages with - or enables - these activities, it can also be classified as circular.[6, 7]

Decision tree
The decision tree on page 4 provides guidance for identifying and categorising the financed circular business[8] or activity[9]. For each of the steps in the decision tree, the following key principles should both be followed[10]:

- Substantial contribution: the contribution to a circular economy should be clear and go beyond business-as-usual conditions in the local market context.
- Do No Significant Harm (DNSH): projects or economic activities should not introduce material risks to other environmental[11] or social objectives[12].

Categories of circular businesses/activities
In more detail, circular economy activities can be described as:

- **Design and production:** the reduction or optimisation of material inputs and the use of renewable inputs in the design and production phase of a product, service or asset, and/or the increased ease of reuse, repair, or recycling.

Examples: biobased construction materials, modular design for repairability and reuse.

- **Use phase:** the lifetime extension and optimised utilisation of products and assets, such as through repair, refurbishment, reuse, and remanufacturing.

Examples: bike repair services, end-of-life real-estate renovation/transformation, product-as-a-service models, second hand stores.

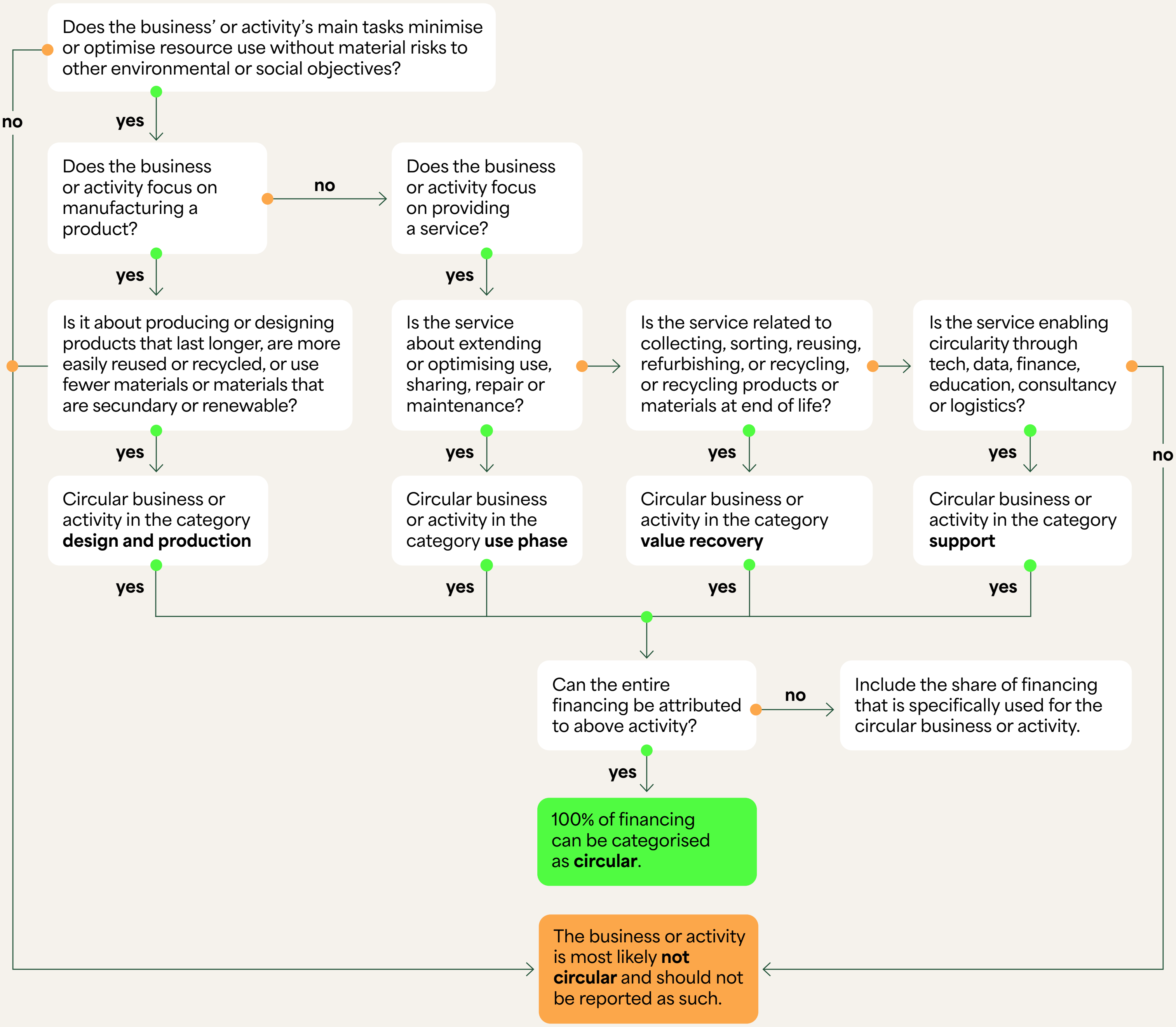
- **Value recovery:** through the collection, sorting, processing and recirculating, value is recovered from the end-of-life products and materials.

Examples: urban mining, electronic waste collection, plastic recycling.

- **Support:** enabling the activities as listed above through products, services, business models, platforms, and tools.

Examples: digital platform that enables exchanging second hand goods, consultant conducting material flow analyses and life cycle assessments.

Decision tree



Section 3
Edge cases

While not all circular businesses, or activities fit neatly into predefined categories, this diversity offers valuable insights. Below, seven illustrative edge cases are presented to highlight the richness and complexity of circularity in practice – showcasing examples that challenge conventional definitions and invite further exploration using the substantial contribution and DNSH principles. Edge cases 1-5 relate to questions of categorisation (circular yes/no), while edge case 6 relates to categorising only a share of the financial activity as circular, and edge case 7 presents a challenge in categorising a business/activity following the four categories.

Edge case 1
The business or financed activity develops a renewable energy technology. Can the financing be labelled as circular?

- Decision-making process: while renewable energy is aimed at preventing the extraction - and combustion - of resources (fossil fuels) and therefore supports circular economy objectives, renewable energy projects are generally not classified as circular economy investments unless the project has additional aspects that meet circular economy criteria[13].
- Challenge: the use of several frameworks for sustainability, circularity, and ESG may lead to overlapping categories and double counting, which complicates categorising an activity as circular. In some cases, a business or activity may be part of multiple categories. It is recommended to report such cases transparently, to avoid double counting.
- Decision: **not circular**, unless supported with additional circular aspects such as modular design, substantial recycled material input, or lifetime extension of equipment.

Edge case 2

The business or financed activity converts separately collected organic waste to biogas through methanisation. Can it be labelled as circular?

- Decision-making process: the production of biogas from organic waste is valuable, but does not support repurposing of feedstock into a physical resource that supports regenerative agriculture[14].
- Challenge: while outputs of processes can be beneficial (such as the production of biogas), their lifetime is short and they can therefore not be labelled circular.
- Decision: **not circular**, unless supported by the production of natural fertiliser (digestate).

Edge case 3

A company presents a plan for setting up a take-back program for refurbishment for 1% of their product portfolio and asks for a loan to finance this. Can the company be labelled circular? Or should only the activity be labelled circular?

- Decision-making process: the take-back program clearly covers only a very small portion of the company's overall activities. At the same time, it is better than nothing, and it could lead to more circular activities in the future. It is however not entirely clear how the loan will be used.
- Challenge: circularity is not the company's core-business. For the proposed take-back program, following the substantial contribution principle, an activity should only be labeled circular when its contribution to a circular economy is clear and goes beyond business-as-usual conditions in the local market context. Often, more information should be requested to evaluate this.
- Decision: while the activity is too small to label the entire company as circular, the financing could be considered **circular - use phase** but more information (e.g. use of proceeds) is needed. Request information on how the loan will be used, and determine whether this contributes to a circular economy.

Edge case 4

A company asks for a loan to kickstart their landscape conservation project, in which they are re-greening abandoned agricultural fields.

- Decision-making process: this project is potentially highly impactful, but, following the decision-tree, does not clearly fall into one of the categories (design and production, use phase, value recovery, support). Abandonment implies the end of the useful life of the fields, which implies that the main activity is to recover the value of the land. Following the circular economy definition, regeneration activities are part of the (biogenic side of the) circular economy[15].
- Challenge: activities related to conservation, regenerative practices, and renewable and bio-based materials are a slightly different category, but do fall under circular economy activities.
- Decision: **circular - value recovery**.

Edge case 5

A logistics company asks for a loan to lease 50 hybrid trucks to deliver their transport services without having to purchase the vehicles.

- Decision-making process: leasing is a classic circular economy business model - stimulating higher use-rates per vehicle - but the production of hybrid trucks consumes a large amount of materials, and they can also emit GHG (and other) emissions in their use-phase.
- Challenge: following the DNSH principle, activities should not introduce material risks to other environmental objectives. However, when the financed business or activity can be proven to lead to improved performance on circular KPIs (such as, in this case, a longer use period and more efficient

use of the vehicles), the activity can be considered circular.

- Decision: the loan **could be classified as circular - use phase** depending on the activity's performance on circular KPIs such as prolonged use period, and more efficient use of the vehicles. The burden of proving this performance is the responsibility of the company requesting the loan. When a more sustainable alternative is available (e.g. leasing fully electric trucks), the loan cannot be classified as circular.

Edge case 6

A company is asking for a loan of which they will use 20% to increase the use of recycled materials in their production process, and 80% to expand their production locations. Can this loan be classified as circular?

- Decision-making process: as displayed in the decision tree, deciding what capital share can be classified as circular is done by identifying the share of financing that is specifically used for the circular economy. The IFC guidelines describe this as "prorating eligibility based on the portion of the revenue or expenditure stream contributing to the circular economy". This would mean that, in this example, 20% of the loan can be classified as circular.
- Challenge: what if not all capital contributes to a circular economy, but only part of it?
- Decision: **partially circular - design and production** (20%).

Edge case 7

A business is collecting, sorting and recycling plastic waste and sells the secondary material afterwards. Is this activity falling into the design or the recovery category?

- Decision-making process: To avoid double counting and simplify the categorisation, the guideline only allows for categorisation into one category. In this case the 'design' activity (optimising material inputs) could not happen without the 'recovery' activity, while vice-versa would be possible, therefore it falls into the recovery category.
- Challenge: the business seems to be active in two categories 'design' and 'recovery'.
- Decision: **circular - value recovery**.

Section 4

Mapping and comparison of Circular Economy Guidelines, Standards and Regulation

Several guidelines, standards and regulatory documents relevant to circular economy finance exist. This section provides a comparison between the current guideline and key documents, such as the IFC Harmonized Circular Economy Finance Guidelines and the EU Taxonomy. By highlighting areas of alignment and divergence, the contribution of the guideline and its foundation[16] is clarified.

Name existing guideline	Organization	Year	Goal and use	Difference and/or alignment with current guidelines
Circular Economy Finance Guidelines	ABN AMRO, ING, Rabobank, Ellen MacArthur Foundation	2018	The Circular Economy Finance Guidelines create and stimulate a common understanding of circular economy finance. It provides definitions of the circular economy, circular economy finance, and proposes to assess three elements for the use of investments: 1. Business model assessment 2. Impact assessment; 3. Exclusions and conditions.	The current guidelines are an update of the Circular Economy Finance Guidelines.
59020 (Circular economy – Measuring and assessing circularity performance)	ISO	2024	ISO standard published in May 2024 that provides organizations with a structured framework to determine circularity performance. It guides the selection of system boundaries, circularity indicators, and methods for consistent data collection and analysis. The standard can be used across multiple scales and supports the use of complementary methods to also assess social, environmental, and economic impacts.	The ISO standard provides guidance with measuring circularity performance, while the guidelines provide guidance with identifying, categorising and analysing circular business and activities. The standard is not relevant for the context of this guideline.
Circularity Gap Report (CGR) Finance	Circle Economy	2025	The CGR Finance is an empirical global study that quantifies capital flows into businesses operating within the circular economy. Its objectives are to track investment volumes, highlight where capital is underinvested (especially in high-impact circular solutions), and support better financial reporting and allocation of capital toward scaling the circular economy.	The CGR Finance is based on the EU Categorisation system. It also distinguishes 'transitioning' businesses and sorts the 'support' businesses into the other categories. The guideline is aligned with the data collection framework of the CGR Finance
CSRD (European Sustainability Reporting Standard (ESRS) E5)	European Financial Reporting Advisory Group (EFRAG)	November 2025 Draft	The CSRD aims to improve the quality, consistency, and comparability of sustainability information reported by companies operating in the EU. It expands the scope of reporting obligations, requiring large and listed companies to disclose detailed data on environmental, social, and governance (ESG) impacts, risks, and opportunities using the European Sustainability Reporting Standards (ESRS). ESRS E5 focuses on resource use and circular economy. Its goal is to ensure companies disclose how they manage material resources, minimize waste, and promote circular business models. It is currently subject to simplification through the Omnibus simplification package, and still needs to be formally adopted and published.	ESRS E5 will increasingly be a source of information that can be used in identifying circular activities as companies will report on their circular activity. In a next version of this guideline, the ESRS E5 reporting indicators will be mapped against the guidelines' categorisation of circular businesses and activities.

Name existing guideline	Organization	Year	Goal and use	Difference and/or alignment with current guidelines
EU Categorisation System for the Circular Economy	European Commission Directorate-General for Research and Innovation	2020	The EC's "CE Finance Expert Group" created a special task force to provide: (1) a generic, sector-agnostic circular economy categorisation system that defines distinct categories of activities substantially contributing to a circular economy; (2) a set of minimum criteria to be met by activities under each defined category in order to be considered as substantially contributing to a circular economy; and (3) methodological guidance including an indicative list of typical investments/projects for each circular economy category.	The EU categorisation forms the basis of the current guidelines which in turn takes inspiration from Circle Economy's Value Hill. The EU categorisation system is more elaborate, containing 14 circular categories. It is not specific to banks, but provides a generic, sector-agnostic categorisation. It does not make reference to regenerative activities as part of circular economy actions. The current guidelines are aligned with the EU Categorisation's "groups", which are also foundational to the IFC's proposed circular economy investment categories.
EU Taxonomy for Sustainable Activities	EU Commission	2020	The EU Taxonomy for Sustainable Activities is a classification system that defines which economic activities can be considered environmentally sustainable. It aims to guide investments toward the EU's climate and environmental goals. It sets out specific criteria for activities to substantially contribute to one or more of six environmental objectives, while also doing no significant harm (DNSH) to the others and meeting minimum social safeguards.	The EU Taxonomy focuses on sustainable activities, and as one of its six climate and environmental objectives, includes "transition to a circular economy". It is the most important existing sustainability classification system for economic activities.
Global Circularity Protocol (GCP)	WBCSD	2025	The Global Circularity Protocol for Business (GCP) is a voluntary framework that aims to address key accountability and policy gaps currently impeding the scaling of circularity globally. The GCP is the successor of the Circular Transition Indicators (CTI).	Companies can use the GCP as a practical framework to measure, improve, and communicate circularity, using standardized steps and metrics. The protocol's metrics are largely based on CTI V4. The GCP provides a much more detailed approach to circularity measurement, and is mainly focused on material flows (rather than providing a broad categorisation, such as in the guideline). In a potential supplement document, the integration with the finance community may be deepened through new indicators that capture circular risk and value in corporate finance.

Name existing guideline	Organization	Year	Goal and use	Difference and/or alignment with current guidelines
Harmonized Circular Economy Finance Guidelines	International Finance Corporation (IFC)	2025	The Harmonized Circular Economy Finance Guidelines provide guidance for financial institutions, corporations, and investors on the specific types of activities, projects, and components of investments that are eligible for circular economy finance.	The IFC guidelines are not focused on banks nor the EU specifically: their target audience consists of (international) investors, financial institutions and private companies. The current guidelines are written in the specific context of the Dutch banking sector and embedded in European legislation. The ambition is to drive global alignment among banks. The current guidelines are aligned with the IFC guidelines' categories, and draw inspiration from the document's "Decision Tree for Circular Economy Finance Eligibility" and case studies.
IRIS+: Waste Management & Circular Economy	Global Impact Investing Network (GIIN).	Released in December 2025	IRIS+ aims to provide impact investors and broader stakeholders with a free, publicly available, and standardized system to measure, manage, and optimize social and environmental performance. It consolidates a curated catalogue of metrics, aligned standards, core guidance, and practical implementation tools to help organizations clarify their impact intentions, compare results, and integrate impact data into decision-making. It's designed to reduce confusion and promote credibility, comparability, and accountability in impact investing.	While named differently, the strategic goals of this theme are aligned with the categorisation as presented in the EU categorisation system. Additionally, GIIN IRIS+ Waste Management & Circularity introduces the strategic goal "Just and Equitable Resource Management and Supply Chains for All Workers".
Taskforce on Nature-related Financial Disclosures (TNFD)	TNFD	2023	The TNFD Recommendations aim to equip companies and financial institutions with a voluntary framework to identify, assess, manage, and disclose nature-related dependencies, impacts, risks, and opportunities. Structured around four pillars, of which one is Metrics & Targets, they offer 14 recommended disclosures. The framework seeks to shift capital flows toward nature-positive outcomes, supporting broader biodiversity goals such as the Kunming-Montreal Global Biodiversity Framework.	Companies may need to disclose how they reduce resource extraction, increase material efficiency, or design for reuse/recycling, since these lower nature-related dependencies/impacts. TNFD aligns with EU frameworks (CSRD/ESRS, EU Taxonomy), meaning companies using TNFD can feed into CE-related EU reporting and this guideline.

References

1 In practice, the guideline will be applied to financing of which there is an indication that it may be classified as circular. As an example, SBI-codes (Standaard Bedrijfsindeling; Standard Business Classification) may be used for this.
2 This guideline does not show how to report according to, for instance, the EU Taxonomy. Instead, it helps to identify if business or activities that apply for financing are circular, and then help to link it to existing regulations (e.g. the EU Taxonomy).
3 Preventing double counting is not within the scope of the guideline, as different banks may already have different policies in place for this. When reporting, it is recommended to be transparent about any possible double-counts (e.g. a loan being listed under different frameworks simultaneously).
4 https://www.dnb.nl/media/jn5jlebg/20220202-pdf-finance-roadmap-digest-en.pdf
5 https://www.government.nl/documents/leaflets/2024/03/14/joint-statement-by-government-and-banks-on-cooperation-towards-a-circular-economy
6 This is the recommended definition of circular financing which can be used in the (IT) registration systems of financial institutions. It is based on the EU Categorisation system and the IFC's Harmonized Circular Economy Finance Guidelines.
7 Circular economy activities are often categorised as the hierarchy of R-strategies (e.g. reduce, reuse, recycle) - see the "EU Categorisation System for the Circular Economy".
8 When relevant, we recommend to interpret the 'business' as the operating company or subsidiary for which the request is made.
9 To prevent double counting, the guideline allows the assignment of only one category, defined by the business's or activity's primary activity. However, having activities in multiple categories is common and recommended to increase the business' impact.
10 Following the EU Taxonomy.
11 Climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems.
12 Such as the core topics human rights (including workers' rights), bribery/corruption, taxation, and fair competition. See the minimum safeguards report by the Platform on Sustainable Finance.
13 IFC Harmonized Guidelines (2025): "investments in renewable energy projects (such as solar, wind, and hydro) are generally not classified as circular economy investments unless the project has additional components (for example modular design, substantial recycled material input, or lifetime extension of equipment) that meet circular economy criteria"
14 Generally, Waste-to-Energy processes recover value from waste (in the form of energy), but do not recover any physical materials. Therefore, they are not classified as circular.
15 https://www.ellenmacarthurfoundation.org/circular-economy-diagram
16 Several additional relevant EU policies and regulations will be implemented in the next few years: such as the EU Omnibus package to the CSRD, Green Claims Directive, Corporate Sustainability Due Diligence Directive (CSDDD), and more. There will be more coming and a continuous update is required.

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