

# Circular Entrepreneurship

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# 1 Introduction

Human rights, climate and biodiversity are the pillars of our sustainability policy. Together, they cover nearly all themes that are relevant to everything we do. They provide us with guidance in the selection of our project financings and investments<sup>1</sup>:

- **human rights:** how do we treat people via our financings and investments?
- **climate change:** how do our financings and investments contribute to climate protection?
- **biodiversity:** how do we deal with nature and the environment via our financings and investments?

This policy document describes the relationship between circular entrepreneurship and our pillars, our vision on circularity, the opportunities we see within this theme, our sustainability criteria and, finally, how we apply circular entrepreneurship.

## Description and significance of circular entrepreneurship

Circular entrepreneurship aims to prolong the life and promote the efficient use of natural resources in the production chain<sup>2</sup>. The objective is the optimal use and reuse of natural resources.

How do we as a financial institution contribute to this objective? We want to promote sustainable progress. We do this by aligning our financings and investments with our sustainability policy. This policy rests on our three pillars: human rights, climate and biodiversity. The sustainability policy helps us to make choices. We do not finance or invest in activities that are not sustainable. For instance, we avoid investments in companies that produce fossil fuels or engage in activities relating to mining, weapons or tobacco. Companies and countries that we consider eligible for investment or finance are rigorously assessed for sustainability. These choices enable us to mitigate the negative impact and increase the positive impact in respect of our three pillars. How this applies to circular entrepreneurship is explained below:

- **Climate:** more efficient and careful use of natural resources and products leads to less carbon emissions and is therefore better for the climate.
- **Biodiversity:** less use of natural resources leads to less land-system change, less polluting emissions and less overexploitation. Metals, for instance, are typically found underground. Their extraction requires the removal of above-lying natural habitats and causes extensive pollution. If we reuse the metals that are already at our disposal, we can avoid further encroachment on eco-systems.
- **Human rights:** the extraction of natural resources often involves the violation of human rights. In the Democratic Republic of the Congo, for instance, children are forced to work in appalling conditions in cobalt mines. By making strict demands on the origin of conflict minerals, we seek to minimize human rights violations.

## How do we define 'circular entrepreneurship'?

*Our vision centres on the less extensive and more efficient use of both renewable and non-renewable natural resources. In our vision there is no waste: natural resources are reused time and time again. Circular entrepreneurship, for us, is a strategy that contributes to our long-term biodiversity objective: all our financings and investments must have a positive impact on biodiversity by 2030. Moreover, it contributes indirectly to our long-term climate objective: all our financings and investments must be net climate positive by 2030. Circular entrepreneurship reduces our negative impact on biodiversity by promoting more careful and efficient use of natural resources. This leads to less carbon emissions and land-system change as well as, for instance, less pollution from hazardous substances. For more information on our long-term biodiversity objective, see our [Sustainability Policy Biodiversity](#). For more information on our long-term climate objective, see our [Sustainability Policy Climate](#).*

<sup>1</sup> This policy is applicable to both our project financings and our investments in companies, governments, institutions, etc. Though we sometimes only explicitly mention companies (e.g. because this is particularly relevant in that context), the policy always applies to all our activities, such as project finance.

<sup>2</sup> Planbureau voor de Leefomgeving (2019), Circulaire economie in kaart, The Hague: PBL Netherlands Environmental Assessment Agency.

## 2 Vision

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**Circularity is not a new concept. If we look at the natural world, for instance, virtually all ecosystems are circular. There is no wastage because natural resources continuously flow back into the ecosystem through processes of biodegradation. The result is a constant cycle of revival and reuse<sup>3</sup>.**

Accelerating population and income growth has caused our use of natural resources to multiply eightfold in the past century<sup>4</sup>. Scientists expect this trend to continue in the coming decades. Since 1970 the Global Footprint Network (GFN) has annually calculated the day in the year on which the global population will have used up more energy and natural resources than the earth can renew. Over the past 50 years, Earth Overshoot Day<sup>5</sup> falls earlier each year. In 1970 overshoot day landed in late December and we only had to eat into our reserves for 3 days; in 2019 the remaining number of days had risen to no less than 154. According to GFN's calculations, we already needed the earth 1.75 times to meet our energy and food requirements in 2019<sup>6</sup>.

By consuming more than our annual budget of natural resources and energy, we also overstep the limits that our ecosystems can cope with. If we go too far beyond these limits, unexpected changes can occur, placing life on our planet in jeopardy. Once we go beyond these tipping points, it is almost impossible to restore the former equilibrium.

Johan Rockström and his team of scientists wrote an intriguing article describing the concept of nine planetary boundaries<sup>7</sup>. Humanity must remain within these boundaries to continue making sustainable use of the natural resources that are still available on earth. Figure 1 shows the planetary boundaries and their status<sup>8</sup>.

Once these boundaries have been crossed, abrupt and even irreversible environmental changes can occur, imperiling the survival of people, plants and animals. The concept identifies three zones: green, yellow and red. Green is the safe operating space where we have not yet crossed any boundaries. Yellow indicates that a certain boundary has been crossed; here we run an increased risk but can still change the situation for the better. Planetary boundaries, such as biodiversity, but also our phosphor and nitrogen use, have been crossed or are on the point of abrupt changes. In the red zone we are in highly dangerous and uncertain territory.

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3 PWC – the road to circularity (2019).

4 Planbureau voor de Leefomgeving (2019), Circulaire economie in kaart, The Hague: PBL Netherlands Environmental Assessment Agency

5 <https://www.overshootday.org/>

6 <https://www.trouw.nl/duurzaamheid-natuur/alles-wat-de-aarde-in-een-jaar-kan-leveren-is-nu-al-op-b380debc/>

7 Rockström, J., Steffen, W., Noone, K., Persson, Å., et.al. 2009. A safe operating space for humanity. Nature 461: 472-475

8 Figure from Stockholm Resilience Centre. <https://www.stockholmresilience.org/research/planetary-boundaries.html>.

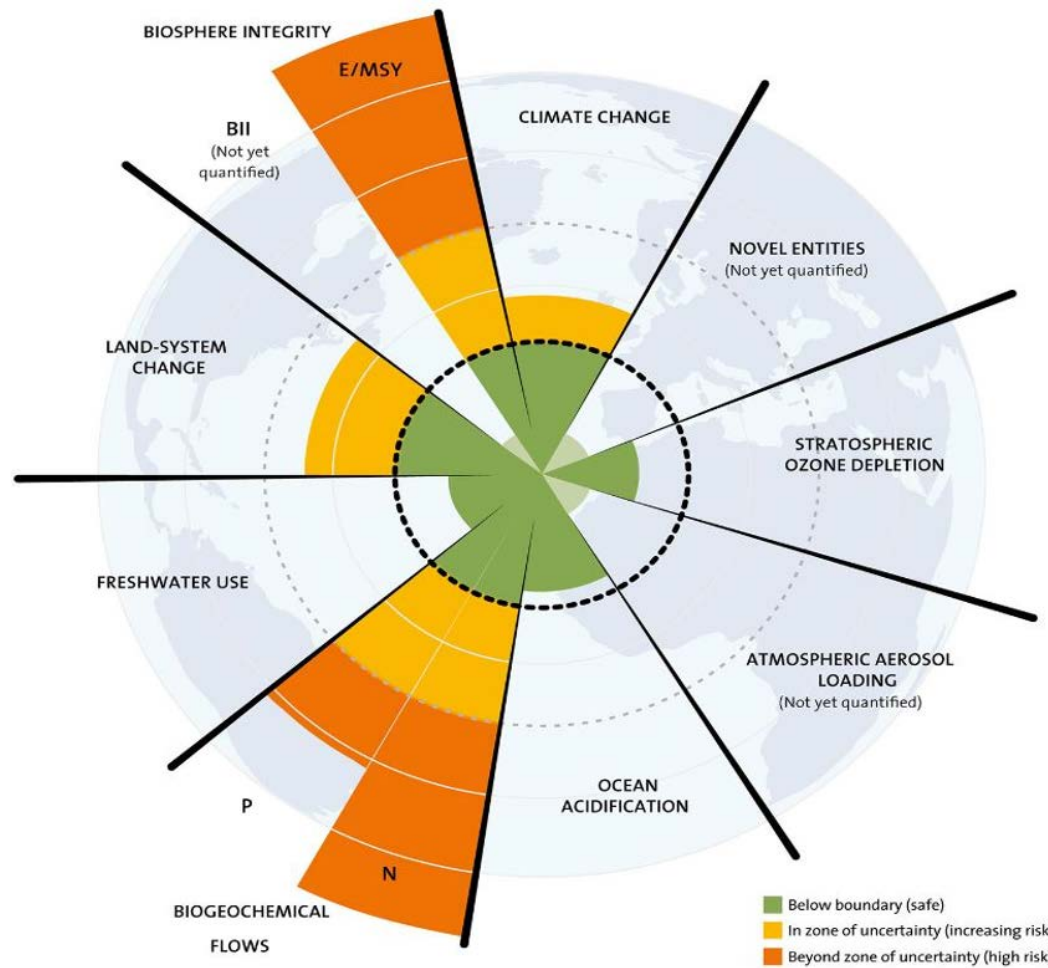


Figure 1: Overview of the planetary boundaries. The Stockholm Resilience Center has assessed whether we are still operating within the ecosystem boundaries for several themes. As shown in the above illustration we are on the verge of crossing certain ecosystem boundaries for biodiversity (biosphere integrity – E/MSY). We thus face abrupt and irreversible changes whose consequences are difficult to estimate.

The above makes it clear that humanity is rapidly exhausting ecosystem services and perilously close to crossing certain planetary boundaries. Each year we consume more natural resources than the earth can renew. Change is imperative. That is why we are committed to promoting the transition from a linear to a circular economy.

In our current linear economy, resources are extracted in order to manufacture products. After use, these products are dumped in landfill sites or incinerated (take-make-waste) (see Figure 2).<sup>9,10</sup>

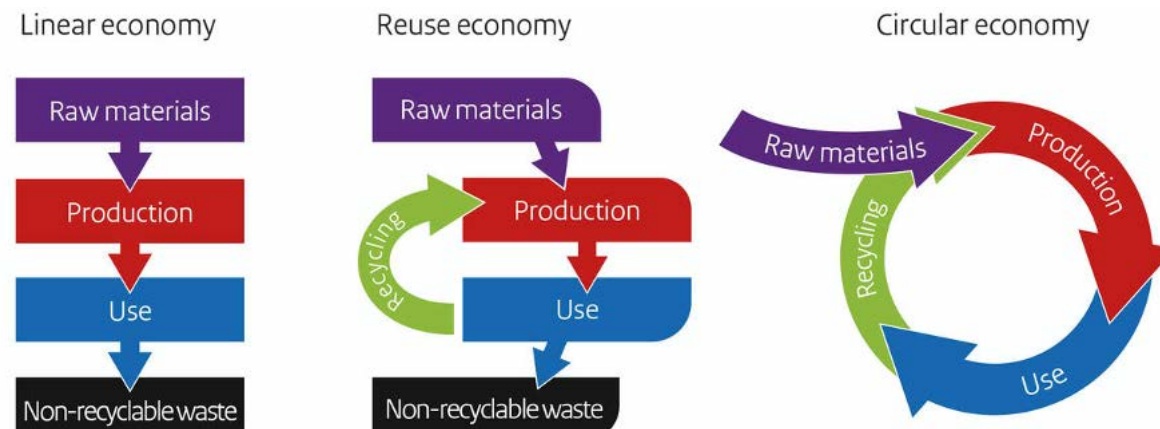


Figure 2: overview of a linear, recycling and circular economy.

All labour, materials and energy used in these products are ultimately destroyed. Fortunately, reuse and recycling are now attracting more and more attention. This is an intermediate step on our journey to a truly circular economy. The recycling economy seeks to redeploy used materials as much as possible, but large quantities of waste are still dumped in landfill sites or incinerated. In addition, the current focus is not on reducing our use of natural resources. In the ideal situation of a circular economy, the use of non-renewable materials such as plastics and metals is minimized and sustainable extraction or production methods are used insofar as these materials are still necessary. The emphasis is on the utilization of renewable resources, but also as sparingly as possible. Products and materials are specifically designed to be fully reused, thereby minimizing value depletion and environmental damage<sup>11</sup>. This value preservation approach is also attractive from an economic perspective.

Renewable resources such as wood, cotton, water and food are sustainably produced, efficiently used and reused to the maximum extent. The use of renewable resources can continue in an endlessly recurring cycle provided ecosystems are not overburdened or destroyed and materials flows are not contaminated with toxic substances.

### Our vision on the different phases within a circular economy

The reduction and more efficient use of natural resources, both renewable and non-renewable, and the prevention of waste contributes to our biodiversity objective. We see it as a strategy that helps to mitigate our negative impact, while simultaneously increasing our positive impact on biodiversity.

<sup>9</sup> Figure from De Rijksoverheid. <https://www.government.nl/topics/circular-economy/from-a-linear-to-a-circular-economy>.

<sup>10</sup> The figure refers to recycling in relation to the circular economy. This term, in our view, is not sufficient. Recycling alone still involves a certain amount of value depletion. We therefore prefer to speak of the reuse phase. Reuse includes, but goes further than, recycling.

<sup>11</sup> Nederland circulair in 2050 - Rijksbreed programma Circulaire Economie (2016).

Our vision on a circular economy is explained below on the basis of the various phases from the above figure, namely resource extraction, production, use and reuse.

## 2.1 Resource Extraction

Natural resources are needed for everything that we as humans make and use. The growing global population and rising incomes are fuelling our demand for these resources. Large-scale resource extraction and production have a massive impact on the environment, biodiversity and living conditions of a region, while also being closely associated with human rights violations.

On top of this, non-renewable resources, such as fossil fuels, minerals and metals, can become exhausted. Once this happens, they can never be replenished. Clearly, therefore, there is a strong preference to use renewable resources. Unfortunately, due to the relentlessly rising demand, these renewable resources are often extracted in non-sustainable ways. Examples are palm oil, soy and fish. Ecosystems become depleted because they have no time to recover. That's why it is vital to ensure that renewable resources are also used as optimally as possible. A circular economy aims to make less and more efficient use of renewable and non-renewable resources. In our vision, a distinction is made between the extraction of renewable and non-renewable resources.

### 2.1.1 Renewable resources

Renewable resources are resources which, in theory, remain infinitely available because stocks can be restored in a relatively short space of time<sup>12</sup>. Renewable resources usually stem from a living organic source such as wood, rubber, wheat, rice or fish. Non-organic renewable resources also occur, such as clay. The latter are theoretically finite, but will only run out after millions of years.

We assume that companies use renewable resources in a responsible and sustainable manner. In other words, overexploitation is avoided and planetary boundaries are not crossed. Eco-labels and certification systems enable us to verify their performance in these areas<sup>13</sup>. If companies or projects make use of renewable resources, we expect them to comply with the best eco-labels and certification systems. Our minimum requirements are:

- FSC, PEFC - for wood
- MSC – for wild fish
- MSC – for farmed fish
- MSC – for farmed shrimps
- RTRS – for soy
- RSPO – for palm oil
- NTA8080 – for biomass<sup>14</sup>

For more background information on renewable resources and our sustainability criteria, please see our [Sustainability Policy \(SP\) Biodiversity](#).

<sup>12</sup> We follow the definition of renewable as formulated by Wageningen University (Ellabban 2014). According to this definition, resources are renewable if they can be replenished within the span of a human life.

<sup>13</sup> It is impossible to include an exhaustive list here. Eco-labels provide us with a good criterion for selecting investments. That is why we sometimes use them for guidance. However, we are aware that eco-labels are also commercial instruments. Their criteria can change over time and better labels may be created in the future. For these reasons, we never commit to specific quality labels.

<sup>14</sup> We do not invest in first-generation biofuels.

## Biomass

We have developed a specific policy for the biomass theme.

### 2.1.2 Non-renewable resources

Non-renewable resources are resources that are finite, such as fossil fuels and metals. The availability of these resources on our planet is limited<sup>15</sup>. They are not replenished and the stocks are gradually depleted. When resources, such as metals, are extracted for the first time, we refer to them as primary resources. We avoid companies that are involved in the extraction of non-renewable primary resources that are not essential to promote sustainability or fossil fuels.

We refer to resources as secondary resources when they are reclaimed (via e.g. recycling) after their initial use in products. The extraction of primary resources is not sustainable. However, we know that we cannot do without them and understand that the extraction of some non-renewable resources such as metals is and remains necessary for sustainability (e.g. the generation of renewable energy). Nevertheless, we still prefer investments in companies that reclaim secondary resources from products instead of mining new primary resources. Because these activities bring us closer to a fully circular economy. Our focus, therefore, is on closing resource cycles and preventing waste. That is the first step towards a circular economy.

### 2.1.3 R-ladder

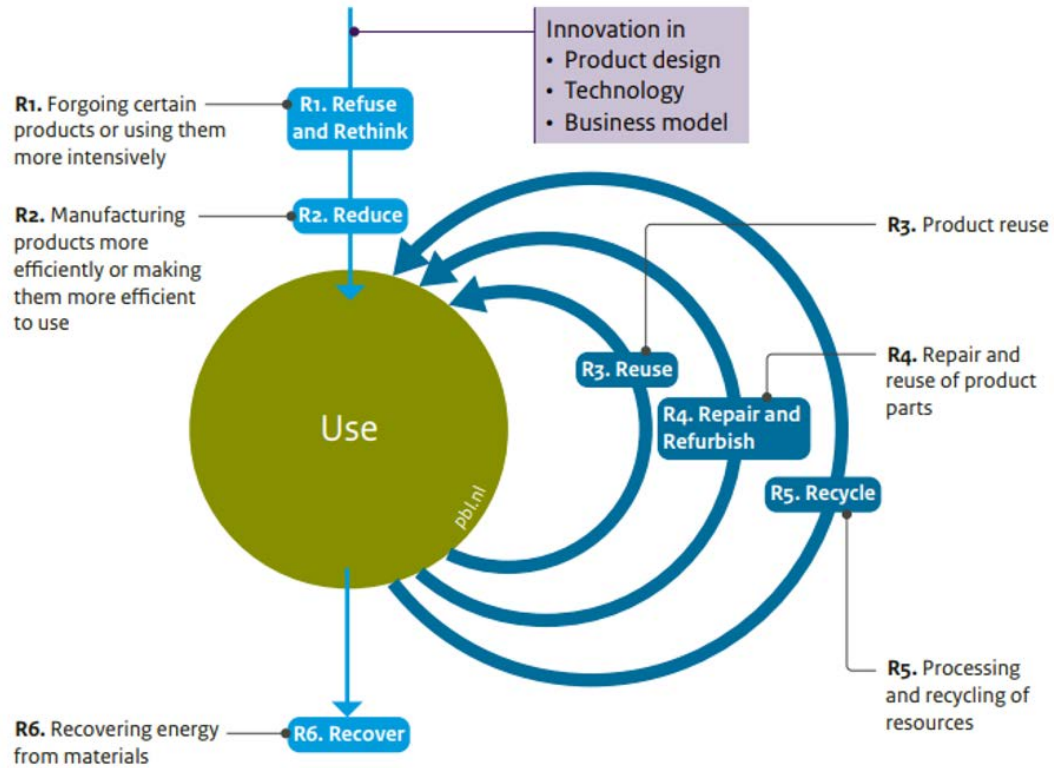
The PBL Netherlands Environmental Assessment Agency (PBL) has worked out various forms of circularity in so-called R-strategies. These R-strategies are arranged in order of priority on the R-ladder, namely from the highest to the lowest level of resource saving. For instance, product reuse (R3) is preferred over recycling (R5). We use the R-ladder, together with relevant examples, to clarify the various phases of a circular economy (resource extraction, production, use and reuse, see figure below<sup>16</sup>) and show which R-strategies, in our view, belong to which phase of a circular economy.

<sup>15</sup> Niet-hernieuwbare grondstoffen voor de circulaire economie, een economische analyse van de werking en beperking van grondstoffenmarkten.

<sup>16</sup> Figure adapted from PBL – OUTLINE OF THE CIRCULAR ECONOMY (2019).



## R-ladder of circularity strategies



Source: PBL

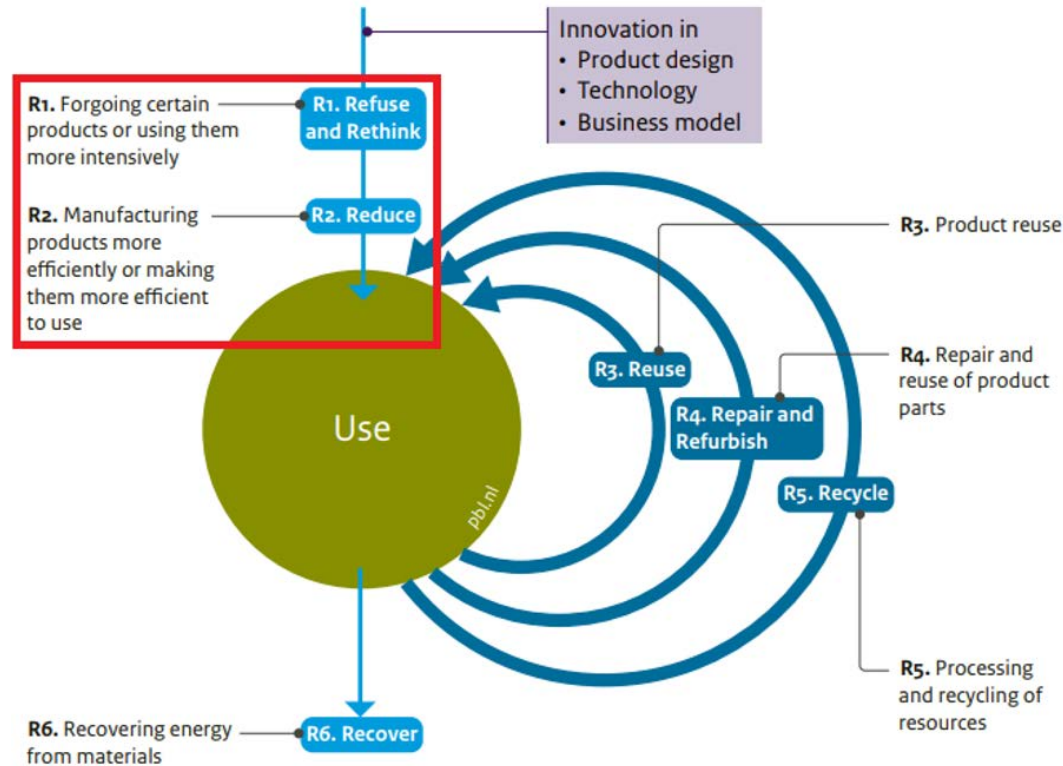
## Plastic

We have developed a specific policy for plastic (packagings) in recognition of the seriousness of this rapidly escalating problem. This policy also makes reference to the various strategies on the R-ladder.

## 2.2 Production

Once resources have been extracted or reclaimed, we move into the production phase. During this phase, circularity can be promoted in various ways and at various times. The production phase in a circular economy, as we see it, largely corresponds with the R1 and R2 strategies of the R-ladder (see the figure below<sup>17</sup>).

### R-ladder of circularity strategies



Source: PBL

In our vision of circular entrepreneurship, more careful use of resources is the most important measure that companies or projects can take in the production phase. This is because you are still at the beginning of the production chain. For instance, major environmental gains can be achieved if you introduce innovative product designs, technologies and business models at the start of the production process<sup>18</sup>.

<sup>17</sup> Figure adapted from PBL – OUTLINE OF THE CIRCULAR ECONOMY (2019).

<sup>18</sup> Planbureau voor de Leefomgeving (2019), Circulaire economie in kaart, The Hague: PBL Netherlands Environmental Assessment Agency

In the overview below, we seek to explain on the basis of concrete examples which activities contribute to a more careful use of resources. We encourage companies and projects that engage in these activities and see these as attractive investment opportunities.

- The first and most obvious strategy is to use resources more efficiently. By designing and producing lighter and thinner products, for instance, companies can reduce their use of resources. Alternatively, they can make products that are more efficient to use. Hamwells, for instance, has designed a circular shower that is fitted with a special filter to capture and clean the water<sup>19</sup>. Each drop of water can be reused up to seven times. That is a big water saving compared to a traditional shower.
- By making use of reclaimed resources or waste flows, companies limit the use and extraction of new resources. The US company Interface (included in our investment universe) produces circular carpet tiles by recycling discarded fish nets into carpet yarns<sup>20</sup>. And Belgium-based MoreCircular has found a way to manufacture lamps from discarded plaster (normally an unused waste flow)<sup>21</sup>.
- Companies can also opt to go back to the drawing board. By eliminating certain resources or materials such as toxic substances from the primary production phase, they can make materials flows easier to reuse. Or they can substitute materials with more sustainable alternatives. Sipster is a case in point. This company has replaced its plastic straws with two sustainable alternatives: a disposable variant made of straw and a re-usable variant made of bamboo<sup>22</sup>.
- Finally, products can be designed for easy repair. Fairphone has developed a modular phone<sup>23</sup> that is easy to repair. If the camera breaks, for instance, you simply replace this module.

19 <https://www.hamwells.com/nl/homespa/>

20 [https://www.interface.com/EU/en-GB/about/mission/Net-Works-en\\_GB](https://www.interface.com/EU/en-GB/about/mission/Net-Works-en_GB)

21 <https://morecircular.com/story/>

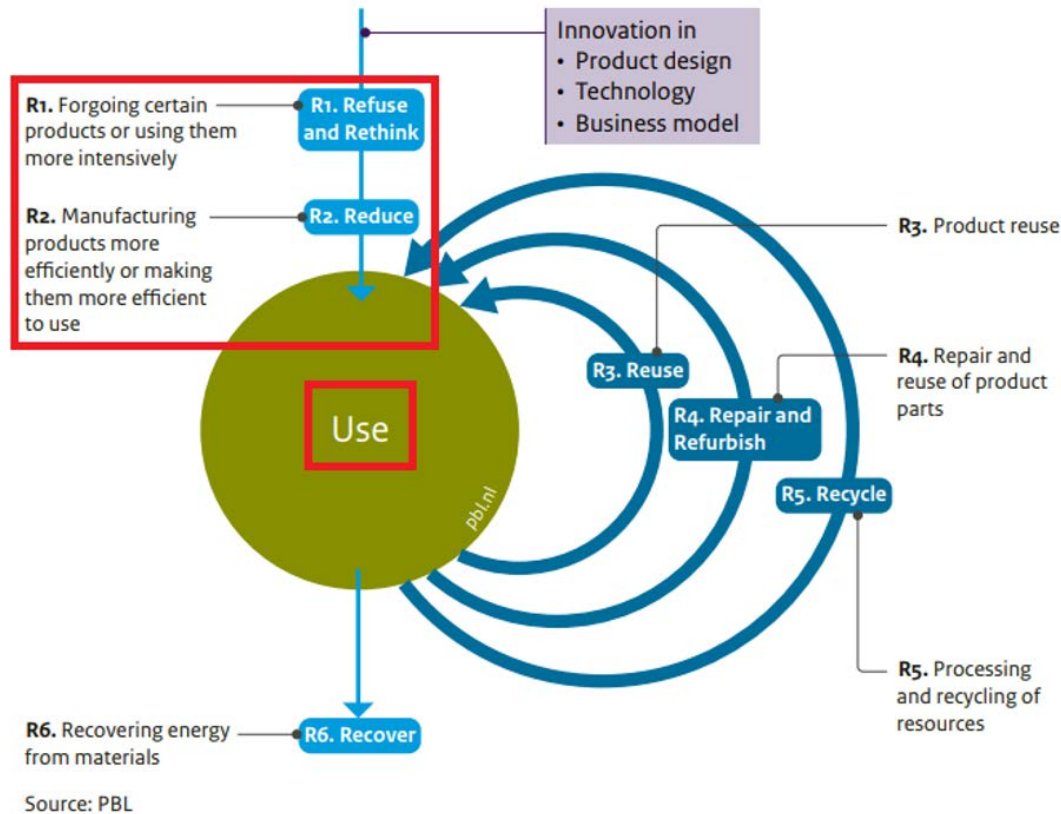
22 <https://www.sipster.nl/>

23 <https://www.fairphone.com/nl/impact/long-lasting-design/>

## 2.3 Usage

The product usage phase also offers various opportunities for circular entrepreneurship. Many of these initiatives make a contribution to both the production and usage phase of a circular economy. It is made up of a combination of the R1 and R2 strategies and the green usage circle (see Figure below<sup>24</sup>). Nevertheless, these initiatives are grouped under the usage phase as their functionality depends on the user.

### R-ladder of circularity strategies



In our vision of circular entrepreneurship, a change in ownership is the most important measure that companies can make to promote circular usage. The examples below explain this:

### Product as a service

Product-as-a-service initiatives are a prime example of harnessing value creation to achieve a circular economy. The service (functionality) replaces the product, which means that producers retain the ownership, and therefore the

<sup>24</sup> Figure adapted from PBL – OUTLINE OF THE CIRCULAR ECONOMY (2019).

responsibility, for maintaining and repairing the products<sup>25</sup>. The user or consumer receives a right to use this product in return for a fee. As a result, the producer has a vested interest in using the correct resources and materials for their products throughout the entire life cycle. Product-as-a-service initiatives can thus help to advance the circular economy both in the production and usage phase.

One example of a company that has switched over to a product-as-a-service model is Bundles. Bundles rents out household appliances such as washing machines, dryers and coffee-makers for a specified period at a fixed fee. By taking out a subscription, you can use the appliance without having to worry about the maintenance. Other well-known examples are Spotify, Netflix, Swapfiets and the circular lighting company Signify (where you pay for the light you use instead of the lamps). Signify is also in our investment universe.

### **More intensive usage**

Sharing platforms and multifunctionality make it possible to use products more intensively. Peerby, for instance, is a sharing platform that enables users to borrow and rent out equipment and all sorts of other household items that are expensive to buy. This means there is less need to manufacture new products and limits the amount of products that end up in landfill. Another example is the library. Instead of 10 people all buying the same book and reading it once, a single book can be lent out to countless people by the local library.

## **2.4 Reuse**

Reuse is the last phase of a circular economy and closes the materials cycle. In a circular economy, there is no such thing as waste and materials are consistently reused. This opens up endless opportunities for circular entrepreneurship. The reuse phase corresponds with the R3, R4 and R5 strategies of the R-ladder (see Figure on next page<sup>26</sup>).

In our vision, a longer product life and value preservation are both central to the reuse phase. In this phase, too, we have a preference for the higher R-strategies on the R-ladder: reuse of products (R3) is preferred over repair and reuse of product parts (R4). The last option in this phase is the processing and reuse of materials (R5).

### **Reuse of products (R3)**

Reuse is the easiest way to extend the life of products. Second-hand sales through (online) marketplaces or recycling shops gives products a second life and reduces demand for new products and materials. Other examples are swap shops, small free community libraries and similar local initiatives to give away items.

### **Repair and reuse of product parts (R4)**

Product life can also be extended by maintenance and reuse of product parts. As we shift from a product-based to a service-based economy, repairing is becoming increasingly important. Clearly, the repairs should take place locally in order to minimize the environmental impact. Repair cafés, for instance, are a great option for local residents to get repairs done free. By replacing parts, obsolete products can be brought back into line with modern standards. Ricoh's printer reconditioning service is a case in point. A growing number of stores now also specialize in refurbished products.

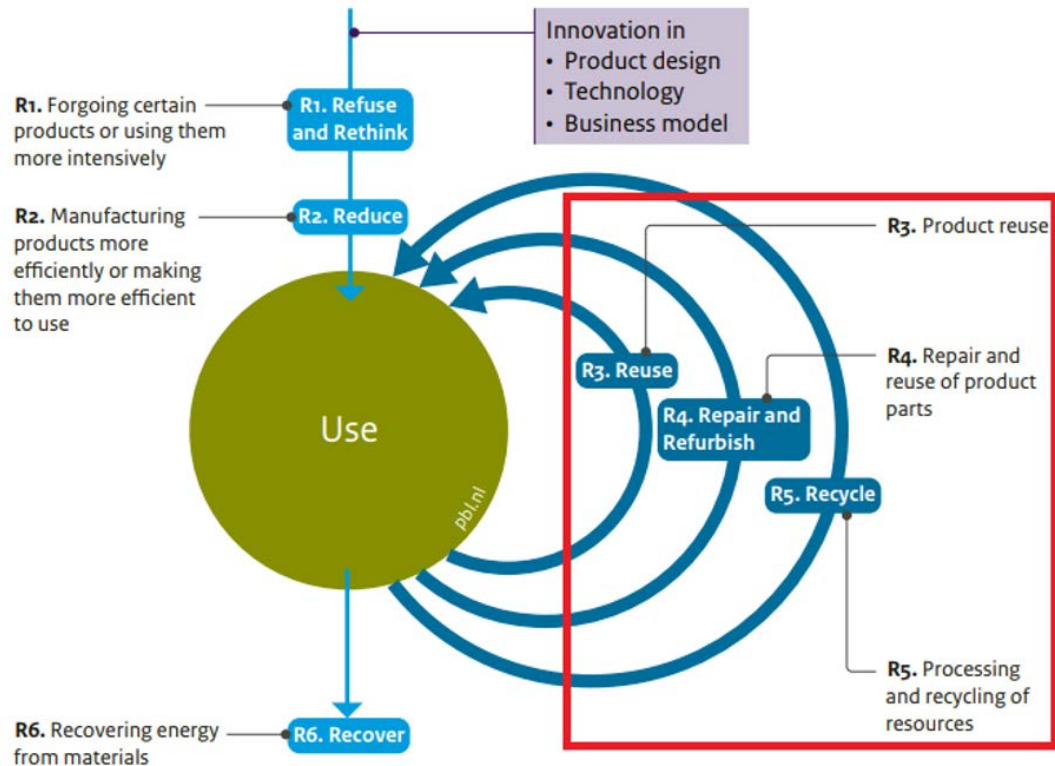
<sup>25</sup> Jonker, Jan & Stegeman, Hans & Faber, Niels. (2018). De Circulaire Economie; Denkbeelden, ontwikkelingen en business modellen.

<sup>26</sup> Figure adapted from PBL – OUTLINE OF THE CIRCULAR ECONOMY (2019).

## Recycling (R5)

The final step in a circular economy is recycling. Recycling revolves around the reuse and reclamation of materials. This often calls for the separation and processing of residual flows in order to make the reclamation of materials as easy as possible. Garden and vegetable waste, coffee grounds, batteries, electronics, glass bottles and waste paper are all examples of household residual flows. One classic example of recycling is the bottle deposit system, which leads to more recycling, less litter and a more circular economy. By assigning a value to drink packagings, more materials are returned to the producer. The quality of the materials is good enough for reuse in new drink packagings.

### R-ladder of circularity strategies



Source: PBL

### 3 Sustainability criteria

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**Below we have set out our criteria and guidelines for assessing companies and projects on sustainability and circular entrepreneurship. When assessing companies and projects, we look at the phases of resource extraction, production, usage and reuse.**

Resource extraction poses great sustainability risks. We want to make an impact by making resource extraction less necessary and more sustainable. To this end, we apply strict criteria for companies and projects that engage in these activities. On the other hand, we want to encourage renewable production and reuse, so this aspect is also taken on board in our assessments. The economy is not yet fully circular. We as a financial institution are therefore unable to invest exclusively in circular activities at this stage. In the current intermediate phase, reuse and recycling still take place on a small scale and substantial waste flows continue to be produced. As the economy steadily evolves towards a more circular model, our opportunities to invest in circular activities will grow.

Research has identified the following challenges in the transition to a circular economy<sup>27</sup>:

- Closing cycles is a complicated task and many companies are not yet ready for this;
- Value creation is primarily limited to recycling, energy saving and resource reduction;
- Too often, circular entrepreneurship continues to be based on existing revenue models.

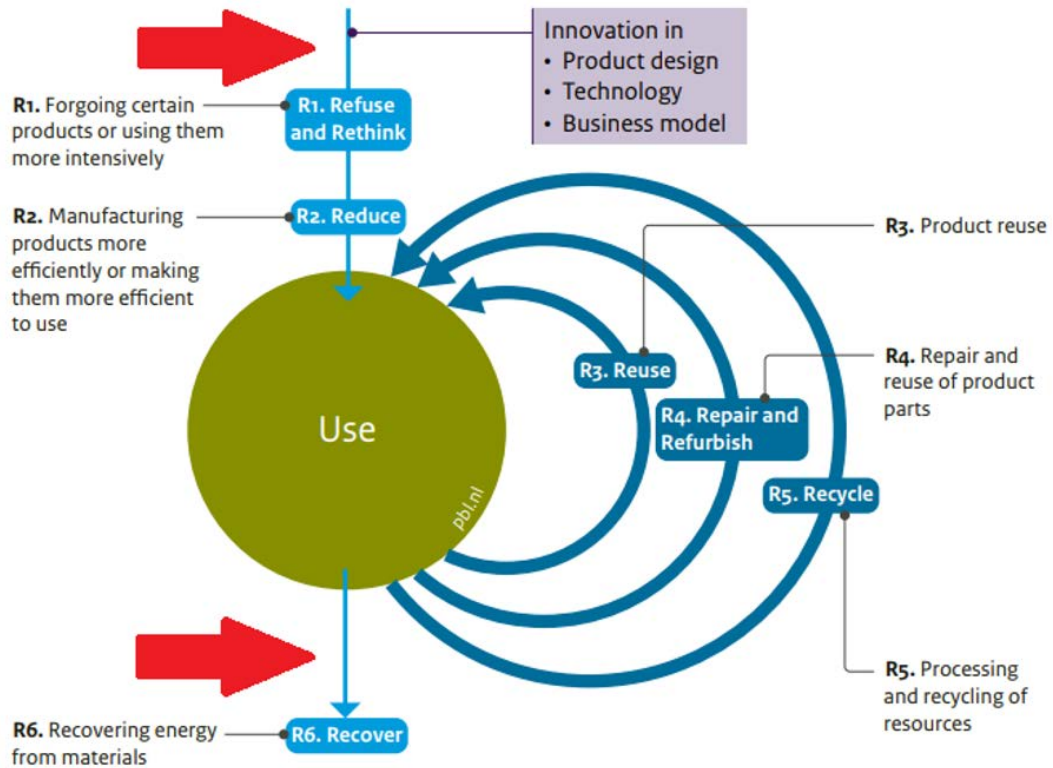
For this reason, our current focus is on the inflow and outflow of resources (waste processing); see red arrows in the figure below<sup>28</sup>. By requiring these flows to meet certain criteria, we as a financial institution can make a contribution towards a circular economy.

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<sup>27</sup> Jonker, Jan & Stegeman, Hans & Faber, Niels. (2018). De Circulaire Economie; Denkbeelden, ontwikkelingen en business modellen.

<sup>28</sup> Figure adapted from PBL – OUTLINE OF THE CIRCULAR ECONOMY (2019).

## R-ladder of circularity strategies



Source: PBL

### 3.1 Inflow of resources

Resource extraction poses great sustainability risks. We want to have an impact by making resource extraction less necessary and more sustainable. To this end, we apply strict criteria for companies and projects that engage in these activities.

#### 3.1.1 Renewable resources

We assume that companies use renewable resources in a responsible and sustainable manner. In other words, overexploitation is avoided and planetary boundaries are not crossed. Eco-labels and certification systems enable us to verify their performance in these areas. If companies or projects make use of renewable resources, we expect them to comply with the best eco-labels and certification systems. Below, we have detailed our sustainability criteria for sectors that are engaged in the extraction of renewable resources.



## Forestry

12.2 13.2 15.2-15.b

The forestry sector has a part to play in countering deforestation, i.e. the large-scale disappearance of forests. Forests are felled, both legally and illegally, for the sale of wood. The forestry sector can influence deforestation and the related aspects of biodiversity and climate. To prevent the illegal felling and sale of wood, forestry companies are required to take sufficient measures against deforestation. We do not invest in companies that are involved in deforestation or are active in High Carbon Stock (HCS) Forests, High Conservation Value (HCV) Forests (tropical rainforests, primordial forests and mangrove forests) or, finally, the cultivation of peatlands.

### Where is our red line?

**Do:** We can invest in companies that take sufficient measures to prevent deforestation. If the company operates in low-income OECD countries, at least two thirds of the activities must be certified by the Forest Stewardship Council (FSC). If the company is active in high-income OECD countries, certification for two-thirds of its activities from the Programme for the Endorsement of Forest Certification (PEFC) is sufficient<sup>29</sup>.

**Don't:** We do not invest in companies that are involved in deforestation. Unacceptable activities include the felling of High Conservation Value Forests (primordial forests, tropical rainforests and mangrove forests), High Carbon Stock Forests or the cultivation of peatlands.

## Agriculture

2.4 3.9 6.3 13.2 15.2 15.3 15.5

Agriculture is essential for our food supply. However, agriculture also poses significant sustainability risks. Agricultural firms, for instance, carry a very high biodiversity risk. They can have a negative impact through land-system change, overexploitation (land exhaustion) and pollution (pesticides). Land-system change and deforestation as a result of agricultural activities can also harm the climate. Moreover, labour conditions in many countries are very poor. In view of all these sustainability risks, we avoid agriculture. In the future, we may invest in agricultural firms provided they meet our criteria on human rights, climate and biodiversity.

### Where is our red line?

**Do:** We can invest in companies that purchase products from agricultural firms. We can also invest in agricultural firms whose operations are demonstrably circular and sustainable. This means that they cause no land-system change, overexploitation or pollution and that they contribute to a closed nutrients cycle.

**Don't:** We do not invest in agricultural firms that are insufficiently circular and sustainable.

## Fisheries

12.2 14.1 14.2 14.4 14

We only invest in sustainable fisheries. The opportunities for this are currently very limited. Overfishing leads to a loss of biodiversity. In addition, animal welfare is neglected during the catching and processing of fish.

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<sup>29</sup> The forestry standard of the Sustainable Forest Initiative (SFI), the North American member of PEFC, also meets our criteria. The SFI applies specifically to North America. So if a company is two-thirds SFI certified, that is sufficient.

### 3.1.2 Non-renewable resources

Below we have detailed our sustainability criteria for the extraction of non-renewable resources. In our vision of a circular economy, there is no room for the extraction of non-renewable resources. The extraction of primary resources is, by definition, not sustainable. However, the negative effects can be mitigated. We understand, on the one hand, that the extraction of non-renewable resources is and will remain necessary for the time being to enable the generation of renewable energy, but we prefer investments that reclaim secondary resources instead of mining new primary resources. This is a first step towards a circular economy.

#### Fossil fuels

3.9 6.3 7.2 9.4 12.2 13.2 14.1 14.3 15.3

We do not invest in the exploitation, production and refining of fossil fuels. Fossil fuels comprise all fossil-based resources: lignite, coal, natural gas, shale gas, tar sand and oil. In addition, we exclude the industrial production of electricity with the aid of fossil fuels.

#### Where is our red line?

**Do:** We can invest in:

- purchasers of fossil-based electricity or heating; however, our equity funds invest less in companies that are heavy fossil fuel users and carbon emitters (and therefore have a large carbon footprint);
- companies that mainly produce energy for their own consumption with the aid of fossil fuels<sup>30</sup>.

**Don't:** We avoid companies which, as suppliers, have close ties with the extraction, production and refining activities of the fossil fuel sector and generate more than 5% of their revenue from these activities.

#### Mining

6.3 8.7 8.8 12.2 13.2 15.3

We avoid companies that operate in the mining industry. This includes owners of mining companies and companies that manage mining activities.

#### Where is our red line?

**Do:** In principle we avoid companies that are involved in the extraction of non-renewable primary resources. However, in exceptional cases (e.g. resources that are essential for sustainability) we can invest in mining companies that are sustainability leaders and meet all our criteria on human rights, climate and biodiversity<sup>31</sup>.

**Don't:**

- We avoid companies that are involved in the extraction of non-renewable primary resources that are not essential for sustainability or fossil fuels.
- We avoid companies that engage in mining activities as subcontractors of mining companies.
- We do not invest in suppliers that have close ties with the mining industry and/or generate more than 5% of their revenue from these activities.
- We do not invest in asbestos mines because of the serious health risks associated with the use of asbestos.

<sup>30</sup> We can also extend mortgages for houses with a gas-fired micro-CHP unit.

<sup>31</sup> In practice, we have yet to encounter such mining companies. A salt mine is one example of a potentially eligible mine.

## Basic chemicals and basic metals

12.2 12.4 13.2 15.3

We do not invest in companies that operate in the petrochemical sector based on primary fossil fuels. These are companies that convert crude oil into bulk materials for the chemical industry, such as ethylene and polymers.

We avoid investments in companies that manufacture new metals from primary ores.

### Where is our red line?

Do: We can invest in:

- Companies that engage in the reuse of scrap and metals as this is consistent with our vision on the circular economy. Or companies that switch over to renewable (biobased) materials.
- Companies that engage in the reuse of plastic<sup>32</sup>.
- We avoid companies that are involved in the processing of non-renewable primary resources. However, in some cases (e.g. resources that are essential for sustainability) we can invest in sustainability leaders that process primary resources and meet all our criteria on human rights, climate and biodiversity.

Don't:

- We avoid companies that make energy-intensive bulk products for the chemical industry.
- We do not invest in companies that manufacture new metals from primary ores.
- We do not invest in companies that operate in the petrochemical sector based on primary fossil fuels. These are companies that convert crude oil into bulk materials for the chemical industry, such as ethylene and polymers.

## 3.2 Waste flows (outflow of resources)

The Dutch National Waste Management Plan (LAP) sets the policy framework for waste in the circular economy in the Netherlands. All regional and local authorities must carry out their waste management tasks in conformity with this framework. The third version of this framework (LAP3) took effect on 28 December 2017. LAP3 supports the transition to a circular economy, but acknowledges that substantial quantities of waste still occur. This waste must be processed in a responsible manner.

We invest in companies that are active in the environmental and water sectors. We see both sectors as crucial for our circular future. Waste processing companies belong to the environmental sector on account of their social contribution to the reuse and recycling of materials and resources. Our criteria for waste processing are set out below.

### Waste processing

9.4 11.6 12.4 12.5 14

We do not invest in waste processing companies whose main activity is landfill. We may take the company's incineration capacity into account in our assessment. A large incineration capacity is a negative factor due to the emission of greenhouse gases. We adhere to the priority order for waste management (also known as the waste hierarchy) as laid down in Article 10.4 of the Dutch Environmental Management Act.

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<sup>32</sup> One exception concerns the conversion of plastic waste into diesel fuel. We do not invest in that activity. Apart from diesel being a fossil fuel, the pollution from the burning process is also an important consideration for us.

This priority order is as follows:

1. prevention: prevent the occurrence of waste;
2. preparation for reuse;
3. recycling, subdivided into:
  - recycling of the original functional material in an equivalent or comparable application;
  - recycling of the original functional material in a non-equivalent or non-comparable application;
  - chemical recycling;
4. other useful application (including energy recovery);
5. safe removal, subdivided into:
  - incineration as a form of removal;
  - landfill or discharge.

The processing method that adds the highest value must be given priority.

#### **Where is our red line?**

**Do:** We can invest in waste processing companies if less than 30% of their total waste processing consists of landfill. Their incineration capacity can be taken into account in this connection. It is desirable that most methane gas released at landfill sites is captured for useful reuse.

**Don't:** We avoid waste processing companies if more than 30% of their total waste processing consists of landfill.

## 4 Application of the Sustainability Policy

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### Circular entrepreneurship and company selection

Our selection of companies is based on the policy and the accompanying criteria as formulated in Chapter 3. These criteria are included in the various applied sustainability policies (ASPs), the most important of which is the research manual.

### Circular entrepreneurship and engagement with companies

We currently do not have a specific policy for engagement with companies on circular entrepreneurship. We may start this form of engagement if we consider this useful. The same applies to engagement on plastic.

### Circular entrepreneurship and voting at shareholder meetings

ASN Beleggingsfondsen has drawn up voting guidelines for shareholder meetings aimed at:

- the promotion of reuse;

Voting guidelines on circular entrepreneurship have been drawn up to promote the closing of cycles both at the start and end of the cycle via:

- sustainable sourcing;
- resource efficiency;
- eco-design and substitution of non-renewable materials;
- reuse and repair; and
- optimal utilization of residual flows.

### Role as driver of sustainability

This policy document (Circular Entrepreneurship) contributes to our long-term biodiversity objective. We see circular entrepreneurship as a key strategy for the preservation and reinforcement of biodiversity.

## 5 Our own operations and management

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This policy document relates to our research for the selection of companies, governments and institutions. We have also drawn up a circular entrepreneurship policy for our own operations.

- Waste is separated at de Volksbank into multiple fractions;
- The branches are designed and equipped according to circular principles;
- Procurement adheres to specific criteria to ensure circular procurement and the responsible collection of office supplies after use.