Definite CCRI

DEFINITE-CCRI

Project Evaluation Guidebook

(Deliverable 5.5.)

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Executive Summary

The Project Evaluation Guidebook (Guidebook) serves as a comprehensive resource to help projects assess their readiness level and to take them through a self-paced due diligence process as structured by the DEFINITE-CCRI Deal Engine mechanism. The Guidebook will support project teams from the early stages of business model creation through to critical interactions with investors, providing a structured pathway for project success.

The framework set out in this Guidebook is designed to be applicable to and actionable by a broad range of circular economy projects, irrespective of their scope, location, stage of development and/or investment-readiness level, enabling project owners/developers to independently evaluate their current position and build the competencies required to secure investment. By offering practical tools, methodologies, and step-by-step guidance, the Guidebook empowers projects to achieve financial and technical robustness while enhancing their appeal to potential investors.

This Guidebook is the document version of the online Self-Assessment tool developed by DEFINITE-CCRI and hosted on the DEFINITE-CCRI website: https://definite-ccri.eu/. The purpose of the web tool is the same as this document: to allow project leads to self-evaluate their own ventures, to learn the necessary steps to bring it to bankability and to understand how to best approach investors for capital deployment.

Section 1: Pre-Screening Phase

This covers the foundational steps for project evaluation, helping teams identify whether their initiatives align with CCRI priorities and possess the baseline viability required to move forward. Key aspects include aligning project goals with programme objectives and evaluating high-level feasibility.

Completing the pre-screening phase will allow project leads to understand whether they can/should proceed to the next phase. The information requested for the pre-screening phase is minimal and provides quick feedback on the project.

Section 2: Readiness Phase

This section delves into assessing the financial and technical readiness

- **Financial Readiness:** Guidance is provided on self-assessment of revenue models, cost structures, and funding strategies to ensure a solid financial foundation for the next steps of the financial due diligence process.
- **Technical Readiness:** Projects are supported in self-assessing operational capacity, resource requirements, and scalability potential.

Section 3: Self-Paced Due Diligence Guidelines

This section outlines a structured, autonomous approach for projects to conduct in-depth due diligence.

- **Financial Due Diligence:** Tools and methodologies are provided to analyse financial viability, including risk mitigation and legal considerations for investor mobilisation.

- **Technical Due Diligence:** Guidance is given to improve project design, resource allocation, and compliance with technical standards.

Section 4: Checklist and Indications for Attracting Investors

This section focuses on preparing projects for successful investor engagement.

- **Self-Directed Project Appraisal Preparation**: Includes actionable checklists to refine project plans and address investor requirements.
- **Preparing for Investor Engagement:** Offers best practices for crafting compelling pitches, developing investor-ready documentation, and managing stakeholder communications.
- **Understanding Investor Due Diligence:** Includes insights on the investor due diligence phase carried out after a capital provider has decided to engage with a project.

DEFINITE Consortium Partners

Logo	Organisation	Type	Country
	ICLEI EURO	Small and medium-sized enterprise	Germany
	Circle Economy	Non-governmental organisation	The Netherlands
	Stad Gent	Municipality	Belgium
	Bankers without Boundaries (BwB)	Non-governmental organisation	Ireland
	National Technical University of Athens (NTUA)	University	Greece

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List of abbreviations used

- BwB – Bankers without Boundaries
- CCRI – Circular Cities and Regions Initiative
- CSO – Coordination and Support Office
- CapEx – Capital Expenditures
- FIB – Financial and Investment Baseline
- OpEx – Operational Expenditures
- PDA – Project Development Assistance
- TIP – Technical and Impact Potential
- NTUA – National Technical University of Athens
- DMC – Domestic Material Consumption
- RMC – Raw Material Consumption
- TMC – Total Material Consumption
- TIP – Technical and Impact Potential
- FIB – Financial and Investment Baseline
- GHG – Greenhouse gas
- IP – Intellectual property
- TRL – Technology Readiness Level
- DMC – Domestic Material Consumption
- RMC – Raw Material Consumption
- TMC – Total Material Consumption
- BM – Business Model
- MoU – Memorandum of Understanding
- DEI – Diversity, Equity and Inclusion
- TAM – Total Addressable Market
- SAM – Serviceable Addressable Market
- SOM – Serviceable Obtainable Market
- CapEx – Capital Expenditure
- P&L – Profit and Loss
- OpEx – Operating Expenses
- COGS – Cost Of Goods Sold
- FCF – Free Cash Flow
- EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortisation
- LCA – Life-Cycle assessment
- WP – Work Package

1. Purpose of this document

The Project Evaluation Guidebook (Guidebook) is a strategic resource developed under the DEFINITE-CCRI Deal Engine mechanism to help circular economy projects assess their readiness level and navigate through a self-paced due diligence process. It offers a structured pathway for project teams, guiding them from the foundational stages of business model creation through to engaging effectively with potential investors. The Guidebook is designed to accommodate the diverse needs of all types of circular economy projects, irrespective of their maturity level, geographical context, or scope. By providing a replicable framework, it empowers projects to independently evaluate their readiness, enhance financial and technical robustness, and develop the necessary competencies to secure investment.

The Guidebook is divided into four key sections that address the critical phases of project evaluation:

- **Pre-Screening Phase**: Fundamental evaluation steps, helping project teams determine alignment with CCRI objectives and assess their early-stage feasibility. Minimal information is required, and quick feedback is provided, enabling teams to decide whether to proceed to the next phase.
- **Readiness Phase**: Focusing on financial and technical readiness. Projects are guided through self-assessments of revenue models, cost structures, operational capacity, and scalability to build a strong foundation for in-depth due diligence.
- **Self-Paced Due Diligence Guidelines**: Tools and methodologies for rigorous financial and technical analysis. It includes frameworks for financial viability, risk mitigation, and compliance with legal and technical standards to support investor mobilisation.
- **Checklist and Indications for Attracting Investors**: Preparing for successful investor engagement. It includes actionable checklists for project appraisal, best practices for creating investor-ready documentation, and strategies for building compelling pitches and effective stakeholder communication.

Table 1 below outlines the approximate time needed for the completion of each activity, from project conception to data preparation, due diligence and investor outreach. The extreme ends of these estimates indicate that the overall process could take anything from six months to two years depending on the commitment of the project team, the time needed to obtain necessary approvals / external support, the responsiveness of investors, etc.

Approximate timeframes for completion of each phase		
Phase	**Subsection**	**Estimated Completion Time**
Pre-screening Phase	//	**1-2 days**
Readiness Phase	Financial Readiness	**5 days to 1 month**
	Technical Readiness	**5 days to 1 month**
Self-Paced Due Diligence	Financial Due Diligence	**1 to 6 months**
	Technical Due Diligence	**1 to 6 months**
Investor Outreach	Pitch Preparation	**2 to 4 weeks**
	Bilateral Exchanges with Investors	**3 to 6 months**
	Contracting Phase	**1 to 6 months**

Table 1 – Approximate timeline for the completion of the phases detailed in this Guidebook

By combining practical tools with step-by-step guidance, the Guidebook equips project teams to build scalable, sustainable initiatives while fostering alignment with CCRI objectives and enhancing appeal

to investors. This resource is a powerful tool for driving impactful change in the circular economy. Users can retrieve this content online on the DEFINITE-CCRI website.

Scope of this Guidebook	
The Guidebook DOES	**The Guidebook DOES NOT**
Provide self-paced, step-by-step guidance for assessing project readiness	Perform assessments or evaluations on behalf of the project team
Include checklists and best practices for preparing projects to engage investors	Directly connect projects with investors or secure funding opportunities
Equip project leads to develop investor-ready documentation independently	Prepare or finalise documentation, such as financial models or business plans
Encourage alignment with CCRI objectives through structured self-assessments	Provide direct interventions or consulting services to ensure alignment

Table 2 – Scope of the Guidebook

This Guidebook maps directly onto the DEFINITE-CCRI Deal Engine process (outlined in Figure 1 below). The Pre-Screening Phase corresponds to DEFINITE-CCRI's Project Pipeline Selection, with the Project Readiness Phase then covering the Technical and Impact Potential (TIP) and Financial and Investment Baseline (FIB) assessments.

Self-Paced Due Diligence corresponds to the Deal Engine's Support phase which, after the project is approved by the DEFINITE-CCRI team, allows it to move to the Deal Engine Brokerage. This Guidebook sheds light on how project leads can best prepare for this phase and reach out to investors independently, leveraging some practical guidance provided in Section 5.

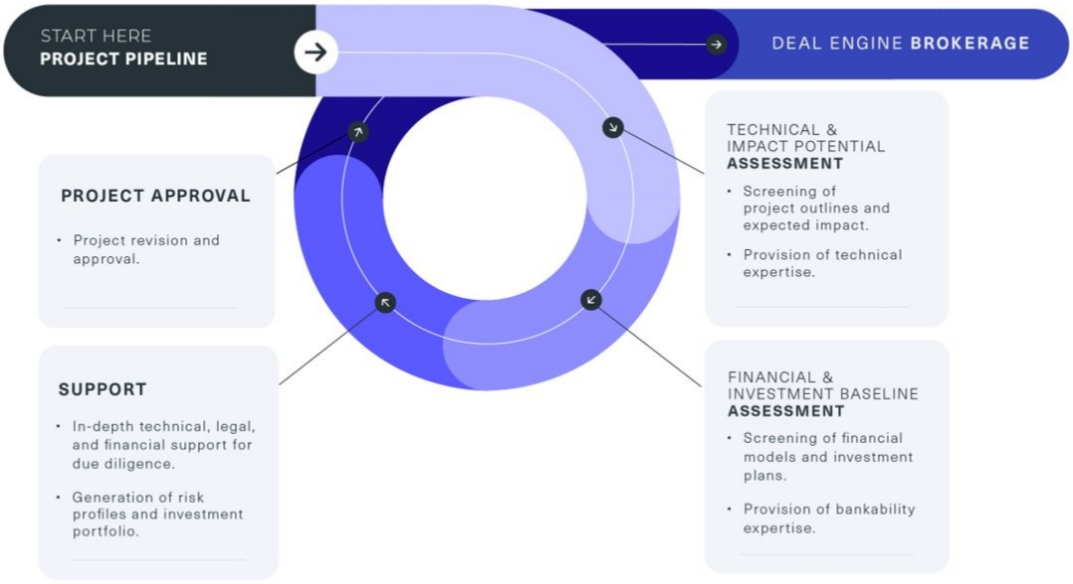

Figure 1- DEFINITE-CCRI Deal Engine illustrating the steps of TIP, FIB, and Due Diligence Support

2. Section 1 – Pre-Screening Form Guidelines

The pre-screening methodology was designed to evaluate incoming project proposal outlines with regard to key quality criteria (Section 1), baseline technical information (Section 2), baseline financial information (Section 3), as well as information related to circularity impact (Section 4) and cross-cutting impacts (e.g., greenhouse gas emissions reduction or creation of jobs) (Section 5).

The methodology involves 25 criteria across these five sections, with scoring that weights certain criteria over others. Each section has a threshold, which constitutes a minimum score that needs to be achieved in order for the project to be considered suitable to advance to the next stage.

Section 1 deals with the overall quality of the project as proposed:

- **Overall excellence and clarity of objective:** The general quality and completeness of the project outline provided, including the clarity of objectives and the coherence of contents.
- **Problem description and relevance:** A description of the status quo, the problem and the locally contextualised challenges that the proposed project is responding to.
- **Quality of team and involved partners/stakeholders:** The suitability of organisations and individuals acting as project owner/lead and team members (including all partners involved) to achieve the expected objectives and successfully develop and implement the project. An interdisciplinary team composition as well as a strong partnership with the local government is evaluated positively.
- **Replication & upscaling potential:** The tentative potential for the upscaling of the proposed solutions as well as the potential for replication in other European contexts. High upscaling and/or replication potential is evaluated positively. Solutions do not necessarily have to be both unscalable and replicable – one of the two is sufficient to potentially receive a good score.

Section 2 is dedicated to key technical information, such as market situation and business model, as well as circularity strategy information, that is intended to establish a baseline:

- **Description of market characteristics:** The description of the local/regional market situation the proposed solution is embedded in or responds to. An adequate understanding of the market situation is crucial for the risk assessment and technology response. Any statistics on local regional markets relevant for the proposed solution are evaluated positively.
- **Quality of business model:** The quality of the business model and its description in the outline. Clear reference to any of the 9R-strategies is evaluated positively.
- **Circularity strategy:** Derived from the criterion above on the business model, taking note of the dominant 9R-strategies embedded in the project idea.
- **Technology Readiness Level (TRL):** The TRL level of the proposed solutions – or multiple TRLs for different parts of a system. A high TRL is evaluated positively. A high TRL and a low 9R-strategy will work against each another in the screening process, making both equally important criteria.
- **Innovation potential & intellectual property (IP) status:** The IP status of the proposed solution. Existing IP protection of any elements of the proposed solution is evaluated positively. Clear plans on IP are also an asset.
- Section 3 aims to capture key financial information to obtain a basic understanding of the financial potential of the project idea, as well as the maturity of financial concepts.
- **Breakdown of budget:** The overall total estimated cost and budget breakdown of the project, including all phases, even those phases covered through funding other coming through

DEFINITE-CCRI. High total cost is evaluated slightly positively, although the main focus will be on whether estimates are well established and credible.

- **Secured financing:** The share of the total budget that is already secured or for which there are concrete plans in terms of how it will be secured) through other funding channels and does not needed to be covered by DEFINITE-CCRI deal brokerage. A high share of finance already secured/for which concrete plans are already in place is evaluated positively.
- **Type of financing sought:** The type of financing the project is seeking to solicit through the DEFINITE-CCRI PDA process and deal brokerage. Specifically, this includes the type of financing (e.g., public, private) and an indication of the financing instruments. A balanced portfolio of types of financing and financial instruments is evaluated positively.
- **Reference to EU Taxonomy:** This refers to the EU Taxonomy on Sustainable Financing. Proposals evaluated highly on this criterion will have contextualised their solution, have a financing mix already secured, and be seeking funding through DEFINITE-CCRI within the framework of the Taxonomy.

Section 4 aims to evaluate the (material) circularity impact of the proposed solution. It considers seven circularity outcomes (Vangelsten et al., 2020[1]). Project outlines need to refer to at least two outcomes and demonstrate how the proposed solution contributes to those outcomes.

- **Reduced material consumption:** The circularity (material and energy) impact of the proposed solution. High-scoring proposals should convincingly indicate a high impact, ideally in a way that can be measurably quantified (indicators can be freely chosen at this point, no specific indicators are prescribed for the screening process).
- **Increase in share of renewable energy in overall demand (city/regional level):** The circularity (material and energy) impact of the proposed solution. High-scoring proposals should convincingly indicate a high impact, ideally in a way that can be measurably quantified (indicators can be freely chosen at this point, no specific indicators are prescribed for the screening process).
- **Increased share of renewable and/or secondary raw materials in overall material demand (city-level):** The circularity (material and energy) impact of the proposed solution. High-scoring proposals should convincingly indicate a high impact, ideally in a way that can be measurably quantified (indicators can be freely chosen at this point, no specific indicators are prescribed for the screening process).
- **Increased sufficiency / self-reliance:** The circularity (material and energy) impact of the proposed solution. High-scoring proposals should convincingly indicate a high impact, ideally in a way that can be measurably quantified (indicators can be freely chosen at this point, no specific indicators are prescribed for the screening process).
- **Increased quantity of materials available for the next cycle:** The circularity (material and energy) impact of the proposed solution. High-scoring proposals should convincingly indicate a high impact, ideally in a way that can be measurably quantified (indicators can be freely chosen at this point, no specific indicators are prescribed for the screening process).
- **Reduced waste generation:** The circularity (material and energy) impact of the proposed solution. High-scoring proposals should convincingly indicate a high impact, ideally in a way

[1] Vangelsten, B.V., Lindeløv, B., Nguyen, N., Ørding Hansen, J., Jensen, A., Jacobi, N., Clement, S., Bellstedt, C., Athanassiadis, A., Kern Kernel, P., Keijsers, E., 2020. Circular City Indicator Set

that can be measurably quantified (indicators can be freely chosen at this point, no specific indicators are prescribed for the screening process).

- **Reduced incineration and landfilling activities and amounts subjected:** The circularity (material and energy) impact of the proposed solution. High-scoring proposals should convincingly indicate a high impact, ideally in a way that can be measurably quantified (indicators can be freely chosen at this point, no specific indicators are prescribed for the screening process).

Section 5 gathers information on a number of 'voluntary' cross-sectional criteria. Projects can earn additional points by providing information on related impacts or co-benefits of the proposed solution. However, projects that choose or are unable to complete this section can still move forward to the following sections.

- **Greenhouse gas (GHG) reduction:** The reduction in GHG emissions that the proposed project aims to achieve. High-scoring proposals will convincingly demonstrate how the project is contributing to climate change mitigation and GHG emissions reduction, including by providing basic quantifications.
- **Increased climate change adaptation capacity (voluntary):** The enhanced climate adaptation capacity of the district/city/region that is expected to arise as a co-benefit of the project. High-scoring proposals will convincingly describe and quantify the expected impact.
- **Jobs created:** The extent of (circular) job creation that is expected to arise as a co-benefit of the project. High-scoring proposals will convincingly demonstrate the impact on circular or green job creation, including by providing basic quantifications.
- **Expected co-benefits and impact on gender and minority groups (voluntary):** The potential to generate positive change (e.g., increased participation, increased visibility, economic gain, more jobs) for gender and minority groups that is expected to arise as a co-benefit of the project. High-scoring proposals will convincingly demonstrate the impact on gender and minority groups, including by providing basic quantifications.

For the online version of the evaluation tool, the table below will be transformed into a web-based form that prompts questions to project owners or teams that wish to assess their project.

Section of outline	Criteria	Max. score	Scoring
Section 1: Project description/outline	Overall excellence and clarity of objectives	5	**(graded scoring 1-5)** **Score 1**= Proposal poorly written, objectives and solutions unclear. **Score 3**= Proposal is fairly well written, objectives are clear. **Score 5**= Proposal is very well written, objectives and solutions are very well described.
	Problem description and relevance	5	**(graded scoring 1-5)** **Score 1**= Problem and relevance of solutions are poorly described. **Score 3**= Problem and solutions are adequately described, including some figures and references. **Score 5**= Problem and solutions are very well described, including adequate figures and references.

	Quality of team and involved partners/stakeholders	5	**(graded scoring 1-5)** **Score 1**= Stakeholder/team composition and qualifications appear unsuited for the proposed solutions. **Score 3**= Stakeholder/team composition and qualifications appear adequate for the proposed solutions. **Score 5**= Stakeholder/team composition and qualifications appears to be in strong position for the proposed solutions.
	Quality of roadmap and milestones	10	**(graded scoring 1-10)** **Score 1**= Roadmap is very poorly described with no milestones identified. **Score 3**= Roadmap is outlined with little detail and gaps in the milestones. **Score 7=** Roadmap is well structured, including milestones with adequate detail. **Score 10**= Roadmap is very well elaborated with very clear milestones, including risk identification and mitigation measures.
	Replication and upscaling potential	5	**(graded scoring 1-5)** **Score 1**= Replication and upscaling potential of proposed solutions is not evident. **Score 3**= Either replication or upscaling potential of proposed solutions is evident and adequately described. **Score 5**= Both replication and upscaling potential of proposed solutions are evident and well described.
Total Section 1		**Maximum score 30; Passing score 15**	
Section 2: Baseline technical information	Description of market and regional characteristics	5	**(graded scoring 1-5)** **Score 1**= Local market and characteristics are poorly described. **Score 3**= Local market and characteristics are adequately described. **Score 5**= Local market and characteristics are very well described, including relevant figures and regional/national level comparisons.
	Quality of business model	5	**(graded scoring 1-5)** **Score 1**= The business model is unclear. **Score 3**= The business model is adequately described.

			Score 5= The business model very well described.
	Circularity strategy	10	**(scoring 1-10)** **Score 1**= R9 Recover **Score 2**= R8 Recycle **Score3**= R7 Repurpose **Score 4**= R6 Remanufacture **Score 5**= R5 Refurbish **Score 6**= R4 Repair **Score7**= R3 Reuse **Score 8**= R2 Reduce **Score 9**= R1 Rethink **Score 10**= R0 Refuse
	Technology Readiness Level (TRL)	10	**(scoring 2-10)** **Score 2**= TRL 1 Basic principle observed. **Score 3**= TRL 2 Technology concept formulated. **Score 4**= TRL3 Experimental proof of concept. **Score 5**= TRL 4 Technology validated in lab. **Score 6**= TRL 5 Technology validated in relevant environment. **Score7**= TRL 6 Technology demonstrated in relevant environment. **Score 8**= TRL 7 System prototype demonstration in operational environment. **Score 9**= TRL 8 System complete and qualified. **Score 10**= TRL 9 Actual system proven in operational environment. **Note**: In order to not under-evaluate niche innovations, please carefully consider giving solutions with low TRL a higher score in the innovation potential (next column), if warranted.
	Innovation potential and intellectual property (IP) status	5	**(graded scoring 1-5)** **Score 1**= IP status of solutions is unclear. **Score 3**= IP status of solutions is addressed and described. **Score 5**= Proposed solutions are innovative and IP status is properly described as well as any related plans outlined.
Total Section 2		**Maximum score 35; Passing score 20**	
	Budget breakdown	10	**(scoring 0-10)** **Score 0=** Budget missing.

Section 3: Baseline financial information			**Score 1**= Budget indicated. **Score 3**= Budget identified but not explained. **Score 5=** Initial budget breakdown provided. **Score 7**= Detailed budget breakdown provided. **Score 10**= Detailed budget breakdown provided, including item costs.
	Revenue generation potential	10	**(scoring 1-10)** **Score 0=** Sources of revenue missing. **Score 1**= Sources of revenue provided. **Score 3**= Sources of revenue provided in detail. **Score 5=** Sources of revenue provided in detail and relevant to the sector. **Score 7**= Sources of revenue provided in detail, relevant to the sector and sustainable in the long ru.n **Score 10**= Sources of revenue provided in detail, relevant to the sector, sustainable in the long run and innovative.
	Secured financing / funding	5	**(graded scoring 1-5)** **Score 1**= No indication of secured finance. **Score 3**= Secured finance up 10% of total. **Score 7**= Secured finance up to 50% of total. **Score 10**= Secured finance >70% of total.
	Reference to EU Taxonomy	5	**(graded scoring 1-5)** **Score 1**= Reference to EU Taxonomy is unclear. **Score 3**= Proposal can adequately contextualised within EU Taxonomy. **Score 5**= Clear reference to EU Taxonomy is provided and proposal is clearly contextualised.
Total Section 3		**Maximum score 30; Passing score 20**	
Section 4: Circularity Impact (proposals have to reference at least two criteria)	Reduced material consumption	5	**(graded scoring 1-5, if referenced by proposal only)** **Score 1**= Proposal indicates low impact on city-wide material consumption reduction (e.g. Domestic Material Consumption (DMC), Raw Material Consumption (RMC), Total Material Consumption (TMC)). **Score 3**= Proposal indicates medium impact on city-wide material

			consumption reduction (e.g. DMC, RMC, TMC). **Score 5**= Proposal indicates high impact on city-wide material consumption reduction (e.g. DMC, RMC, TMC), including some quantifications.
	Increased share of renewable energy in overall energy demand (city level)	5	**(graded scoring 1-5, if referenced by proposal only)** **Score 1**= Proposal indicates low impact on increasing share of renewable energy (city-boundary). **Score 3**= Proposal indicates medium impact on increasing share of renewable energy (city-boundary). **Score 5**= Proposal indicates high impact on increasing share of renewable energy (city-boundary), including some quantifications.
	Increased share of renewable and secondary raw materials in overall material demand	5	**(graded scoring 1-5, if referenced by proposal only)** **Score 1**= Proposal indicates low impact on increasing the share of secondary materials that overall material demand (city-boundary). **Score 3**= Proposal indicates medium impact on increasing the share of secondary materials that overall material demand (city-boundary). **Score 5**= Proposal indicates high impact on increasing the share of secondary materials that overall material demand (city-boundary), including some quantifications.
	Increased self-sufficiency / self-reliance	5	**(graded scoring 1-5, if referenced by proposal only)** **Score 1**= Proposal indicates low impact on increasing self-sufficiency/reliance (material export/import, retention of nutrients, etc). **Score 3**= Proposal indicates medium impact on increasing self-sufficiency/reliance (material export/import, retention of nutrients, etc). **Score 5**= Proposal indicates high impact on increasing self-sufficiency/reliance (material export/import, retention of nutrients, etc). including some quantifications.

	Increased quantity of materials available for the next cycle	5	**(graded scoring 1-5, if referenced by proposal only)** **Score1**= Proposal indicates low impact on increasing material/waste quantities available for next cycle (e.g., secondary materials, preparation for 9R strategies). **Score 3**= Proposal indicates medium impact on increasing material/waste quantities available for next cycle (e.g., secondary materials, preparation for 9R strategies). **Score 5**= Proposal indicates high impact on increasing material/waste quantities available for next cycle (e.g., secondary materials, preparation for 9R strategies), including quantifications.
	Reduced waste generation	5	**(graded scoring 1-5, if referenced by proposal only)** **Score1**= Proposal indicates low impact on decreasing waste generation & disposal in mixed fraction (e.g., waste separation, collection). **Score 3**= Proposal indicates medium impact on decreasing waste generation & disposal in mixed fraction (e.g., waste separation, collection). **Score 5**= Proposal indicates high impact on decreasing waste generation & disposal in mixed fraction (e.g., waste separation, collection), including quantifications.
	Reduced incineration and landfilling activities and amounts subjected	5	**(graded scoring 1-5, if referenced by proposal only)** **Score1**= Proposal indicates low impact on decreasing waste incineration and landfilling. **Score 3**= Proposal indicates medium impact on decreasing waste incineration and landfilling. **Score 5**= Proposal indicates high impact on decreasing waste incineration and landfilling.
Total Section 4		**Maximum score 35; Passing score 7 (spanning two criteria)**	
Cross-sectional score. Environmental impact socio-economic co-benefits (impact on adaptation capacity is	GHG reduction	10	**(graded score 1-10)** **Score 1**= Proposed solution indicates very low GHG reduction potential. **Score 3**= Proposed solution indicates lower GHG reduction potential. **Score 7**= Proposed solution indicates medium-high GHG reduction potential, including some quantifications.

voluntary and an additional asset)			**Score 10**= Proposed solution indicates high GHG reduction potential, with strong quantifications and projections.
	Increase in climate change adaptation (voluntary/additional)	5	**(graded score 1-5)** **Score 1**= Proposal indicates low co-benefit with climate adaptation. **Score 3**= Proposal indicates medium co-benefit with climate adaptation. **Score 5**= Proposal indicates high co-benefit with climate adaptation, including some quantifications.
	Job creation	5	**(graded score 1-5)** **Score 1**= Proposal indicates low potential for job circular job creation. **Score 3**= Proposal indicates medium potential for job circular job creation. **Score 5**= Proposal indicates high potential for job circular job creation, including some quantifications.
	Expected co-benefits and impact on gender and minority groups	5	**(graded score 1-5)** **Score 1**= Proposal has little-no connection to increasing social participation and economic gain for minority groups, women and LGBTQ groups. **Score 3 =** Proposal has indicates objectives to increase social participation and economic gain for minority groups, women and LGBTQ groups. **Score 5**= Proposal has focuses systematically on increasing social participation and economic gain for minority groups, women and LGBTQ groups.
Total cross-cutting section		**25**	
MAX TOTAL SCORE		**155**	**Passing score: 105 (67%)**

IMPORTANT:

When provided with a score, users should understand that this is not a judgement on the project itself, but only on its readiness level.

A passing score of 105, or two-thirds of the total amount, should be considered the floor threshold for moving on to the Project Readiness phase.

Until a passing score is reached, project owners should keep working on their project, following the guidelines provided by the scoring matrix.

3. Section 2 – Project Readiness

3.1 Financial Readiness

The financial readiness of a project can be assessed through a structured evaluation framework focusing on five key categories: **business model and revenue streams**, **financials**, **management and team**, **legal review**, and **risk assessment**. Each category is weighted with specific scoring criteria to ensure a comprehensive assessment of the project's FIB within the DEFINITE-CCRI Deal Engine.

A set of quantitative and qualitative questions has been developed within the DEFINITE-CCRI framework to guide projects through this process. For example, the **business model and revenue streams** category evaluates the clarity and viability of the project's revenue generation strategy, while the **financials** category focuses on metrics such as cost structure, cash flow management, and funding requirements.

Additional assessments in the **management and team** category examine the organisational capacity and leadership capabilities critical for project success. Similarly, the **legal review** ensures compliance with relevant regulations and contractual obligations, and the **risk assessment** identifies vulnerabilities and proposes mitigation strategies.

To pass the financial readiness evaluation, projects must meet minimum scores across all categories, demonstrating a balanced and well-prepared financial foundation. This dual emphasis on quantitative rigour and qualitative insights ensures that projects are equipped to proceed confidently to the next stages of due diligence and investor engagement.

The scoring for each section is arranged as follows:

1. Business model and revenue streams (Total score 40; Passing score 26)
2. Financials (Total score 20; Passing score 13)
3. Management and team (Total score 15; Passing score 10)
4. Legal review (Total score 10; Passing score 7)
5. Risk assessment (Total score 15; Passing score 10)

The total (maximum) combined score is 100. The passing score is about 67%, or roughly two-thirds of the total points, for each sub-category. The scores have ranges to allow for ‘best case vs worst case’ scenarios outlined in the description. Project leads should try to judge their situation as fairly and as impartially as possible.

For the online version of the evaluation tool, the table below will be transformed into a web-based form that prompts questions to project owners or teams.

	Section name	Section description	Score
1 Business model and revenue streams (Maximum score 40; Passing score 26)			
	Business model quality	**Is the business model (BM) and structure well defined and sustainable in the long run?**	**Range: 0 to 10** **0-1** The BM lacks any structure and relevance, and assumptions are not explained. **2-3** The BM is somewhat relevant, but assumptions are not explained. **4-5** The BM is relevant but poorly structured and the assumptions are not well clarified. **6-7** The BM is somewhat well structured and relevant, and assumptions are clarified only in part. **8-9** The BM is well structured and relevant, assumptions are mostly clear and consistent. **10** The BM is very well structured and relevant; assumptions are clear and consistent throughout the proposal, and it presents innovative and promising features in its designed implementation.
	Revenue streams	**Are the mentioned revenue streams relevant, scalable, recurrent, and how easily can they be mobilised?** **Is there a possibility for other revenue streams to be mobilised in an effective way?**	**Range: 0 to 15** **0-2** The venture lead has not proposed a single viable revenue stream and there is minimal appreciation that revenues streams are critical to raise financing. The venture assessment has not shown any potential to set up viable revenue streams. **3-5** One/some revenue streams identified but detail is minimal, and they are neither scalable nor recurrent. **5-7** The identified revenue streams are either scalable or recurrent but are not sufficient to run the venture or to receive financing from investors.

			8-10 The identified revenue streams are either scalable or recurrent, but are not sufficient to run the venture or to receive financing from investors. **10-11** The identified revenue streams are either scalable or recurrent, yet they will generate returns far away into the future (3+ years), making them incompatible with a project appraisal within the DEFINITE CCRI timeline. **12-13** The identified revenue streams are both scalable and recurrent. They are likely to be deployed in a timely manner and they will start to generate returns within less than 2 years. **14-15** The venture lead has identified a set of relevant, recurrent and scalable revenue streams, which can be easily deployed and generate returns within the DEFINITE CCRI framework, consistent with capital deployment within 1 year since the FIB report publication.
	Demand for service/product offered	**Has a market study and/or a demand analysis been performed? If yes, does this indicate the need for this product or service?** **How credible and relevant are the demand projections?** **Are they sufficient to justify the projected revenues?**	**Range: 0 to 10** **0-2** No demand analysis has been performed; a demand analysis is present but not compelling; the venture shows little to no potential to attract any client and generate revenues. **3-4** No comprehensive demand analysis has been performed but some proof has been presented to show client interest. However, this is insufficient to determine whether it would generate the projected returns and it is unclear whether a venture pivot would improve the demand potential. **5-6** No comprehensive demand analysis has been performed but consistent and relevant proof has been presented to show client interest. Yet, with a venture pivot, more demand could be leveraged. **7-8** The product shows compelling proof to justify interest from the market

			(market analysis, macro trends), but it has no track record of selling its product or service nor any signed a memorandum of understanding (MoU). **9-10** A compelling demand analysis has been performed; the product shows great potential to attract clients and has already shown that the demand is present either through MoUs or through a sales track record; the demand justifies the revenue projections presented in the financial section.
	Circularity relevance to the BM	**Is circularity central to the business model, or is it a tangential or ancillary activity?**	**Range: 0 to 5** **0** Circularity is not being leveraged nor mentioned. **1** Circularity is only tangentially mentioned. **2** Circularity is present, but the venture could exist even without relying on circularity. **3** Circularity is well defined and present, but not leveraged in a satisfactory fashion. **4** Circularity is central to the value proposition and operations of the venture, but circular approaches generate less than 50% of the revenue streams total capital. **5** Circularity is central to the value proposition and operations of the venture, and circular approaches generate more than 50% of the revenue streams total capital.
2 Financials (Maximum score 20; Passing score 13)			
	Financial track record	**For how many years has the venture, company or entities related to the proposed activity reported income statements?**	**Range: 0 to 3** **0** No income statement has been presented.

			1 One year of income statements. **2** Two years of income statements. **3** Three or more years of income statements.
	Existing investors and funds	**Has the company or venture already received private investments, funding or a blend of public and private capital?**	**Range: 0 to 5** **0** The venture has received no investments, grants or capital commitments of any sort. **1** The venture has received some grant /public non repayable capital commitments pending milestones achievement. **2** The venture has received the first instalment of a grant / public non repayable capital. **3** The venture has received a grant in full and commitments from private investors. **4** The venture has already successfully raised capital from private investors for a value equal or superior to 10% of its valuation. **5** The venture has already successfully raised capital from private investors for a value equal or superior to 30% of its valuation.
	Detail of financial information provided	**How extensive are the disclosed financial statements? Balance sheets, profit & loss, cash flow, unit economics, expected use of funds, etc.**	**Range: 0 to 5** **0** No financial statement, balance sheet or income statement has been presented. **1** No financial statement, balance sheet or income statement has been presented, but some rough projections have been drafted.

			2 At least one among financial statement, balance sheet or cash flow has been presented, alongside rough financial projections. **3** At least two among financial statement, balance sheet or cash flow have been presented, alongside fairly accurate financial projections OR two documents have been presented but no financial projections. **4** The venture has presented balance sheet, income statements and cash flow, alongside fairly accurate financial projections. **5** The venture has presented balance sheet, income statements and cash flow, alongside very accurate financial projections with solid assumptions and clear descriptions.
	Accuracy and relevance of provided financial data	**What is the accuracy and quality of the provided financial data?**	**Range: 0 to 7** **0** No financial data has been provided. **1-2** Financial data is lacking (2) or severely lacking (1) clear assumptions, explanations and consistency. **3-4** Financial data is partially (3) or fairly well (4) outlined, but multiple inconsistencies are identified. **5** Financial data is fairly well presented, accurate and estimates are realistic. **6-7** Financial data is well presented, accurate and the estimates are relevant, realistic and consistent.
3 Management and team (Maximum score 15; Passing score 10)			

	Management team	**Is the management team structured effectively to meet the project's demands?** **Does the team have the time and resources needed to focus on the project?** **Are team members qualified and experienced in the technical and operational aspects of the venture?** **How consistently has the team delivered on expectations during prior phases?**	**Range: 0 to 10** **0-2** The team's structure may not fully support the project's demands, and they lack sufficient time, resources, or expertise in key technical areas. The team has struggled to meet expectations in prior phases. **3-4** The team is somewhat structured but may need adjustments. They have some time and resources, but not fully dedicated. Team members have basic qualifications, but there are gaps. Consistency in meeting expectations has been an issue. **5-6** The team is reasonably structured to meet the project's demands and has the necessary time and resources. Team members are qualified in the technical areas, and the team has consistently met expectations in prior phases. **7-8** The team is well-structured and has sufficient time, resources, and expertise. Team members possess strong qualifications, and the team has consistently met expectations. **9-10** The team is exceptionally well-structured with ample resources and expertise. Team members are highly qualified, and the team has consistently exceeded expectations, demonstrating proactive leadership.
	Diversity and inclusion in the management and staff teams	**Has the team taken the necessary steps to ensure the diversity, equity and inclusion (DEI) of the management and staff team members?**	**Range: 0 to 5** **0** No step has been taken to ensure DEI in the management and in the staff teams. **1** Some steps have been taken to ensure only gender and/or ethnic diversity in the team. **2** Minor steps have been taken to ensure both gender and ethnic diversity in the management and in the staff team.

			3 A DEI strategy has been drafted but not implemented. **4** A satisfactory strategy has been conceived and implemented to ensure DEI integration across the management team and the staff. **5** A comprehensive strategy has been conceived and implemented to ensure DEI integration across the management team and the staff.
4 Legal review (Maximum score 10; Passing score 7)			
	Legal concerns	**Is there any legal concern or hurdle that might prevent, delay or hinder the execution of the venture?**	**Range: 0 to 5** **0-1** Immediate and significant legal concerns that might prevent the venture from being carried out successfully. **2-3** Moderate legal concerns that might pose an issue to the venture overtime. **4-5** No major legal concerns.
	Regulatory concerns	**Is there any regulatory concern or hurdle that might prevent, delay or hinder the execution of the venture?**	**Range: 0 to 5** **0-1** Immediate and significant regulatory concerns that might prevent the venture from being carried out successfully. **2-3** Moderate regulatory concerns that might pose an issue to the venture overtime. **4-5** No major regulatory concerns.
5 Risk assessment (Maximum score 15; Passing score 10)			
	Financial risks		**Range: 0 to 5**

		How likely and material are the risks assessed and presented by this venture? **Are the mitigations measures compelling and relevant?**	**0-1** The financial risks are highly likely and material. **2** The financial risks are highly likely and material, but mitigations measures are somewhat compelling. **3** The financial risks are moderately likely and material. **4** The financial risks are moderately likely and material, but the mitigation measures are compelling. **5** No major financial risks have been identified.
	Operational risks		**Range: 0 to 5** **0-1** The operational risks are highly likely and material. **2** The operational risks are highly likely and material, but mitigations measures are somewhat compelling. **3** The operational risks are moderately likely and material. **4** The operational risks are moderately likely and material, but the mitigation measures are compelling. **5** No major operational risks have been identified.
	Other risks		**Range: 0 to 5** **0-1** Other risks are highly likely and material. **2** Other risks are highly likely and material, but mitigations measures are somewhat compelling. **3** Other risks are moderately likely and material.

			4 Other risks are moderately likely and material, but the mitigation measures are compelling. **5** No other major risks have been identified
TOTAL – Minimum passing score is 65/100			

IMPORTANT:

When provided with a score, users should understand that this is not a judgement on the project itself, but only on its readiness level.

A passing score of 65, or two-thirds of the total amount, should be considered the floor threshold for moving onto the Self-Paced Due Diligence phase. This scoring should be checked alongside the technical and impact assessment score.

Until a passing score is reached, project owners should keep working on their project, following the guidelines provided by the scoring matrix.

3.2 Technical and Impact Potential Assessment

The technical assessment of a project derives from a structured framework. Within this framework several key aspects are evaluated: the technology readiness level (TRL) of the project; its level of circularity in relation to the 9R strategy it employs; and its potential impact on three key domains: the environmental domain, the social domain, and the macro-economic domain.

A set of qualitative and quantitative data are taken into account to assess the technology and impact potential of projects. The quantitative data requests information on the material input and output of the project, the use of resources such as water and energy, as well as data on the overall operation of the project. The qualitative questions aim to collect information on the perceived circularity and impact. To simplify the process of performing an initial self-assessment, the combination of the quantitative and qualitative data needed is gathered through answering the questions in the table below. The qualitative questions are scored from 1 to 5.

Criteria	**Sub-criteria**	**Questions prompted**	**Scoring (1-5)**
Circularity assessment (Maximum score 20; Passing score: 13)	Circularity Strategy –the 9Rs	What are the R-strategies that correspond to the project's business model?	1. The project's business model focuses (purely) around either R9 Recover or R8 Recycle. 2. The project's business model focuses around either R7 Repurpose or R6 Remanufacture. 3. The project combines different strategies from R3 to R8. At least one from R3 to R5.

			4. The project's business model focuses around either R5 Refurbish, R4 Repair or R3 Reuse or their combination. 5. The project's business model focuses around either R2 Reduce, R1 Rethink or R0 Refuse or their combination.
	Circular input*	What is the amount of circular input that the project uses? ** circular input refers to the share of materials or components that are reintroduced as input into a circular economy model though reuse, repair, refurbishment or recycling.*	1. The project uses no circular input, only virgin material. 2. The project uses a minor share of circular input compared to the amount of virgin material (less than 50%). 3. Half of the amount of input material is circular (around 50%). 4. The project primarily sources its input materials from circular inputs, reducing its reliance on virgin materials. 5. The totality of material are sources from circular inputs (i.e., reuse business model).
	Material output*	What is the amount of material output of the project? (This will indicate the potential for waste reduction and deployment of waste treatment methods according to the waste hierarchy) ** material output refers to the amount of waste generated by the project / the solution and the types of waste treatment that applies.*	1. Waste generation is substantial compared to the material input and the treatment method is either energy recovery or landfilling. 2. Waste generation is low compared to the material input and the treatment method is either energy recovery or landfilling. 3. Waste generation is substantial but the majority, if not all, is recycled. 4. Waste generation is low and the majority, if not all, is recycled. 5. Waste generation is minimal or does not exist (at least not as part of the project e.g., lifetime extension business model).
	Systemic solution	Does the project offer a systemic cross-sectoral solution that integrates various aspects of the circular economy?	1. The project primarily focuses on one specific sector within the circular economy, with limited consideration for cross-sectoral integration (e.g., waste management or sustainable product design). 2. The project addresses one sector from the circular economy but has the potential

			for cross-sectoral impacts, although these connections are not fully developed (e.g., waste reduction in manufacturing and resource efficiency in supply chains). 3. The project encompasses multiple sectors within the circular economy, but the connections between them are not well-defined or integrated. 4. The project spans across two or three sectors within the circular economy, demonstrating versatility and potential for addressing multiple aspects of circularity. 5. The project covers more than three sectors within the circular economy, showcasing a comprehensive and highly integrated approach to promoting circularity across various industries and activities, minimising trade-offs in impact between them.
Technology and innovation **(Maximum score 15; Passing score 10)**	Technology Readiness Level (TRL)	What is the TRL of the project (from a scale 1-9)?	1.The project's TRL is between 1 and 2 2.The project's TRL is 3 3.The project's TRL is 9 4.The project's TRL is between 7 and 8 5.The project's TRL is between 4 and 6
	Integration of digital tools and smart technologies	What is the total score of the indicators related to technology for the project?	1. No (relevant to their business model) smart technologies or digital are integrated in the project. 2-4. smart technologies or digital are somewhat integrated. (Use your best judgment to assess the appropriate score.) 5. Smart technologies and digital tools are very well integrated, optimising the production process, logistics, and any other pertinent activities aligned with the specific business model.
	Innovation potential	How innovative is the idea for that specific context?	1. Low Innovation Potential: The project lacks significant innovative elements in its approach to circular economy principles. It mainly replicates existing practices or relies on conventional methods without introducing novel solutions or technologies. 2. Limited Innovation Potential: The project shows some level of innovation in its

			circular economy approach, but it mostly builds upon existing ideas or incorporates commonly known practices. There might be some minor improvements, but the overall level of novelty remains limited. 3. Moderate Innovation Potential: The project introduces notable innovative elements to support circular economy principles. It demonstrates a willingness to explore new ideas, technologies, or partnerships, but there is room for further development and more ambitious solutions. 4. Substantial Innovation Potential: The project demonstrates a substantial level of innovation in its circular economy approach. It goes beyond merely building upon existing ideas and practices, presenting unique and inventive solutions. 5. High Innovation Potential: The project exhibits a high level of innovation in its circular economy approach. It introduces novel and creative solutions, potentially incorporating cutting-edge technologies or adopting a groundbreaking approach that sets it apart from conventional practices.
Impact assessment **(Maximum score 25; Passing score 17)**	Environmental potential	Climate mitigation: How much GHG emission can potentially be reduced compared to the conventional/linear alternative? This will depend on the sector, as some are more GHG emissions intensive than others (due to their reliance on fossil fuels)	1. The project appears to make no contribution to GHG emissions reduction. 2. The project appears to reduce GHG emissions only in small quantities, given that the sector produced only a small share of emissions from the total (e.g., food & beverage, tourism). 3. The project appears to moderately reduce GHG emissions, as the sector falls in the middle of the spectrum in terms of GHG intensity (e.g., electronics, textiles, etc). 4. The GHG emission savings from the project combine the savings coming from different sectors, at least one of them corresponding to one of the top GHG-intensive sectors. 5. The project appears to have the potential for significant GHG emissions reductions, as the sector is known to be a major contributor to total emissions (e.g., energy production, transportation, heavy industry,

			agriculture, plastics). (Middle to higher GHG-intensive sectors.)
		Climate adaptation: To what extent does the project considers climate adaptation and therefore addresses the impacts of climate change and builds resilience to its effects?	1. The project does not consider climate adaptation at all. 2. The project has minimal consideration for climate adaptation, with limited efforts to address the impacts of climate change. 3. The project moderately considers climate adaptation and takes some steps to address the impacts of climate change and build resilience. 4. The project substantially considers climate adaptation and implements measures to address the impacts of climate change effectively. 5. The project fully integrates climate adaptation into its design and implementation, effectively addressing the impacts of climate change and building strong resilience to its effects.
		Renewable energy integration	1. The project does not produce any renewable energy and relies entirely on fossil fuels for its energy needs. 2. The project does not produce any renewable energy and only a small portion of its energy supply is renewables (e.g. from electricity mix). 3. The project does not produce any renewable energy and but a substantial portion of its energy supply is renewably sourced. 4. The project produces energy on-site (e.g. through solar PVs or wind turbines), which is used to cover their internal energy demand. 5. The project runs entirely on renewable energy and may even generate surplus energy to supply to the grid or store for future use.
	Economic impact potential	Does the project identify a clear positive impact on the local economy, for example, via job creation and skills development, local	1. The project does not exhibit any potential for job creation or skills development in the local economy. 2. The project demonstrates minimal potential for job creation or skills

		self-sufficiency and the resilience of the local economy, or others?	development, with limited opportunities for local employment or training. 3. The project identifies moderate potential for job creation and skills development, with opportunities for local employment, training, or capacity building 4. The project identifies significant potential for job creation and skills development, with substantial opportunities for local employment, training, or capacity building. 5. The project identifies extensive potential for job creation and skills development, with a clear strategy for maximising local employment, training, and capacity building initiatives.
	Social impact potential	Social potential: Does the project identify a clear positive social impact, for example, via community engagement and empowerment, equitable employment opportunities, cultural preservation, or others?	1. The project does not identify any potential for community engagement or empowerment. 2. The project identifies minimal potential for community engagement or empowerment, with limited opportunities for local participation or community involvement. 3. The project identifies moderate potential for community engagement and empowerment, with opportunities for local participation, consultation, or community-led initiatives. 4. The project identifies significant potential for community engagement and empowerment, with substantial opportunities for local decision-making, capacity building, or community development initiatives. 5. The project identifies extensive potential for community engagement and empowerment, with a clear strategy for maximising community involvement, participation, and empowerment.
TOTAL 60 Points	**Passing Score 40 points (67%)**		

IMPORTANT:

When provided with a score, users should understand that this is not a judgement on the project itself, but only on its readiness level.

A passing score of 105 between the financial and impact section (65 in the financial and 40 in the impact section) should be considered the floor threshold for moving onto the Self-Paced Due Diligence phase.

Until a passing score is reached, project owners should keep working on their project, following the guidelines provided by the scoring matrix.

4. Section 3 – Self-Paced Due Diligence Guidelines

This is the most complex but also the most critical section of this Guidebook.

Once project managers and leads have gathered and assessed all the requested data and checked their financial and technical readiness, they can begin focusing their efforts on producing the documents that potential investors will require, assessing their legal, operational and financial risks, and refining their circularity strategy and impact.

The self-paced due diligence exercise can often require a significant period of time as the complexity of the work and deliverables required can be daunting for non-practitioners. However, by carefully and methodically following the steps and advice set out in this section, it is fully possible for project teams to successfully complete this phase and move forward to investor outreach.

On the online tool available on DEFINITE-CCRI's website, guidance videos are available for each step of the process.

Financial Due Diligence

4.1 Financial Modelling, Business Plans, and Financial Documentation

The guidance in this section is designed to take project managers and leads through a rigorous due diligence process and help them develop a robust financial model. By following this structured approach, project teams can gain clarity on their market potential, operational needs, and financial viability, ensuring they are well-prepared to engage with investors and secure funding. The advice and guidance provided builds on insights gained from evaluating projects under the CCRI initiative and is presented as actionable steps for project teams to evaluate their business model and financial readiness.

4.1.2 Financial Modelling

1. **Market Size and Analysis:** Understanding the market is the foundation for any business plan. A clear market analysis helps quantify the opportunity, validate the business idea, and demonstrate scalability to investors.

   What Will Be Achieved?
   This step identifies the market opportunity available for the start-up and breaks it into actionable segments that it can target.

   Steps to Follow:
   - Define the Total Addressable Market (TAM):
     TAM is the total market size for the product or service assuming universal adoption. It provides a high-level view of the overall opportunity. For example, for a pallet wrap start-up, the TAM could be the total number of pallets wrapped globally in a year.

   - Define the Serviceable Addressable Market (SAM):
     SAM narrows TAM to the portion of the market that the start-up can serve with its current capabilities and resources. For instance, SAM might focus on a specific region or industry.

   - Define the Serviceable Obtainable Market (SOM):
     SOM represents the realistic portion of SAM the business expects to capture in the short term. This is often based on customer acquisition goals and competitive positioning.

- ***Tools and Resources: Industry reports, market surveys, competitor data, and pilot testing results can help validate assumptions.***

2. **Demand Analysis:** Demand analysis ensures that the start-up has a clear understanding of its potential customers and their needs.

   What Will Be Achieved?
   This step provides an estimate of how many customers are likely to adopt the product or service and how frequently they will use it. It sets the basis for realistic revenue projections.

   Steps to Follow:
   - Quantify Demand:
     Start by estimating the number of potential customers in the SOM. Multiply this by the average usage or purchase frequency of the product to calculate total annual demand.

   - Understand Customer Needs:
     Identify what drives customer decisions in the target market, such as cost savings, environmental impact, or compliance requirements. Align the product features with these needs to maximise adoption.

   - Address Barriers:
     Consider obstacles such as cost, lack of awareness, or competing solutions, and develop strategies to overcome them. For example, for a reusable pallet wrap start-up, demand might be based on the number of pallets wrapped annually by target customers and the number of uses per wrap.

3. **Revenue Streams Determination, Analysis, and Projections:** Revenue modelling is essential to understand how the business will generate income and grow over time.

   What Will Be Achieved?
   This step identifies all potential revenue sources, validates their feasibility, and projects income over time.

   Steps to Follow:
   - List Revenue Streams:
     Identify all possible ways to earn income, such as product sales, subscriptions, maintenance services, or consultancy. For example, a circular library start-up might generate revenue from hardware sales and software-as-a-service subscriptions.

   - Build Pricing Models:
     Establish pricing for each revenue stream, using competitor benchmarks or customer feedback. For instance, a reusable pallet wrap might be priced at €140 per wrap, with a servicing fee per use.

   - Forecast Revenue:
     Estimate the number of customers, average spend, and usage frequency over a defined period (e.g., 10 years). Incorporate assumptions about customer acquisition rates, market growth, and pricing changes.

4. **Direct Costs and Gross Margin Determination:** Direct costs reflect the expenses directly tied to delivering the product or service.

   What Will Be Achieved?
   This step calculates the cost of producing or delivering the product, enabling the start-up to assess profitability and determine pricing strategies.

   Steps to Follow:
   - Identify Direct Costs:
     These include raw materials, manufacturing, logistics, and packaging costs. For example, the production cost of a reusable wrap might include fabric, stitching, and quality testing.
   - Calculate Gross Margin:
     Subtract direct costs from revenue to determine gross profit. Divide gross profit by revenue to get the gross margin percentage.
   - Benchmark:
     Compare gross margins with industry norms to ensure competitiveness.

5. **Capital Expenditure (CapEx) Requirements:** CapEx includes long-term investments needed to scale the business.

   What Will Be Achieved?
   This step identifies and plans for the major investments required to grow operations and infrastructure.

   Steps to Follow:
   - Identify CapEx Needs:
     List major investments such as facilities, equipment, or software development. For instance, CapEx for a hospitality project might include building renovations and solar panel installation.
   - Estimate Costs:
     Obtain vendor quotes or use industry benchmarks to estimate CapEx for each phase. Include a contingency buffer for unforeseen costs.
   - Plan Depreciation:
     Allocate CapEx costs over the useful life of the assets, incorporating depreciation into financial projections.

6. **Building Financial Projections:** Projections for profit and loss (P&L), balance sheets, and cash flow statements are crucial for understanding the business's financial health.

   What Will Be Achieved?
   This step provides a comprehensive financial overview that will be scrutinised by investors.

   Steps to Follow:

- P&L Statement: The P&L statement forecasts how much revenue the business will generate, the costs associated with running the business, and the profitability over time.
    - Structure:
        - Revenue: Projected sales from all identified revenue streams.
        - Direct Costs: Costs directly linked to producing or delivering the product/service.
        - Gross Profit: Revenue minus direct costs.
        - Operating Expenses (OpEx): Include salaries, rent, utilities, marketing, and administrative expenses.
        - Depreciation and Amortisation: Reflect the wear and tear on long-term assets such as equipment or facilities.
        - Net Income: Gross profit minus OpEx, depreciation, and interest.

    - How to Project P&L items:
        - Use a percentage of revenue approach for items such as direct costs and OpEx, benchmarking against industry norms. For example, if marketing typically represents 15% of revenue in the sector, this ratio can guide projections.
        - Forecast revenue growth rates based on market size, customer acquisition rates, and pricing assumptions. Start conservatively for the first few years and ramp up growth in alignment with scaling plans.
        - Expense Allocation: Divide costs into fixed (e.g., salaries, rent) and variable (e.g., marketing, utilities) components. Fixed costs remain stable regardless of revenue, while variable costs grow with revenue.
        - Key Ratios to Consider: Gross Margin = (Gross Profit ÷ Revenue) × 100. Benchmark this against industry standards to validate profitability. Operating Margin = (Operating Income ÷ Revenue) × 100. A strong operating margin reflects cost efficiency.

- Balance Sheet: The balance sheet provides a snapshot of the company's assets, liabilities, and equity over time. It demonstrates how resources are managed and supports liquidity assessments.
    - Structure:
        - Assets:
            - Current Assets: Cash, accounts receivable, and inventory.
            - Fixed Assets: Long-term assets such as equipment, buildings, and intellectual property.
        - Liabilities:
            - Current Liabilities: Accounts payable, short-term debt, and accrued expenses.
            - Long-Term Liabilities: Loans or other obligations due beyond a year.
        - Equity: Includes founder investments, retained earnings, and external funding.

    - How to Project Assets:
        - Use industry-specific ratios for current assets relative to revenue. For example, accounts receivable might be certain days of annual revenue in a subscription-based business.

        - Fixed assets should align with CapEx investments, factoring in depreciation schedules.

    - How to Project Liabilities:
        - Short-term liabilities such as accounts payable are often tied to direct costs. A common assumption is that accounts payable represent a certain number of days (30/60/90) of cost of goods sold (COGS).
        - Long-term liabilities should reflect the repayment terms of loans or leases.

    - Key Ratios to Consider:
        - Current Ratio = Current Assets ÷ Current Liabilities. A ratio above 1 indicates sufficient liquidity.
        - Debt-to-Equity Ratio = Total Liabilities ÷ Total Equity. This highlights the balance between borrowed and invested capital.

- Cash Flow Statement: The cash flow statement tracks the movement of cash in and out of the business. It ensures the company has enough liquidity to cover operational and investment needs.
    - Structure:
        - Operating Activities: Cash generated or used in day-to-day operations. Includes net income, adjustments for non-cash items (depreciation), and changes in working capital.
        - Investing Activities: Cash used for CapEx, acquisitions, or other long-term investments.
        - Financing Activities: Cash inflows from loans, equity investments, or outflows for loan repayments and dividends.

    - How to Project Operating Cash Flows:
        - Start with net income from the P&L. Adjust for non-cash expenses (e.g., depreciation) and changes in working capital. For example, if revenue grows, accounts receivable and inventory may also grow, reducing cash in the short term.

    - How to Project Investing Cash Flows:
        - Reflect CapEx investments as negative cash flows. Use depreciation schedules to match cash outlays with asset life spans.
        - Include expected inflows from asset sales or grants.

    - How to Project Financing Cash Flows:
        - Identify funding requirements from projected cash deficits.
        - Include inflows from planned equity raises or debt financing and outflows for repayments or dividend payouts.

    - Key Ratios to Consider:
        - Free Cash Flow = Operating Cash Flow – CapEx. This measures the cash available for reinvestment or distribution.
        - Cash Flow Coverage Ratio = Operating Cash Flow ÷ Total Debt. A higher ratio signals better debt repayment capacity.

- ***General Tips for Projections:***

- *Be Conservative: Avoid overly optimistic assumptions. Use realistic growth rates and cost estimates based on market data and industry benchmarks.*
- *Incorporate Sensitivity Analysis: Test how changes in key variables (e.g., slower revenue growth or higher costs) impact financial projections. This helps assess risks and prepare contingency plans.*
- *Visualise Data: Use charts and graphs to present key financial trends (e.g., revenue growth, EBITDA margin) for easier interpretation by stakeholders.*

7. **Fundraising Assessment and Free Cash Flow (FCF):** A fundraising plan outlines how much capital is needed and why. FCF highlights long-term financial sustainability.

What Will Be Achieved?
This step ensures a start-up can identify its funding requirements, justify its investment ask, and demonstrate financial sustainability through FCF analysis. A well-defined fundraising plan linked to operational milestones increases investor confidence, while FCF calculations highlight the business's long-term potential to generate liquidity and returns.

Steps to Follow:

- Calculate Funding Needs:
  This involves determining how much capital is required and aligning the funding request with the business's growth trajectory and operational milestones.

  - Identify Cash Flow Shortfalls: Analyse the projected cash flow statement to pinpoint periods where cash outflows exceed inflows. These shortfalls often occur during high-investment phases, such as scaling operations, launching new revenue streams, or making significant CapEx investments.

  - Break Down Funding Requirements: Categorise funding needs into operational expenses, capital expenditures, and working capital. For example, operational expenses may cover salaries and marketing, while CapEx could include facility upgrades or equipment purchases.

  - Align Funding with Milestones: Funding requests should correspond to specific milestones, such as launching a product, entering a new market, or reaching a target customer base. For instance, a start-up in the testing phase may require smaller bridge funding to validate its product before seeking larger investments for scaling.

  - Incorporate a Buffer: Include a contingency buffer (e.g., 10–20%) in the funding ask to account for unforeseen expenses or delays.

- Assess FCF
  FCF measures the cash available after covering OpEx and CapEx, highlighting the financial sustainability of the business and its ability to generate returns.

  - Calculate FCF: FCF = Operating Cash Flow – CapEx. This metric reflects the cash available for reinvestment, debt repayment, or distribution to investors.
  - Incorporate Financing Costs: Subtract financing costs, such as loan repayments or interest expenses, from the cash flow to account for the actual liquidity available.

- Forecast Over Time: Project FCF over a 10-year horizon to illustrate the business's ability to generate liquidity as it scales. Highlight when FCF turns positive, which typically signals breakeven and self-sustainability.

- Tie FCF to Investor Appeal

  - Demonstrate Long-Term Potential: Show how FCF grows over time, reflecting efficient operations and the ability to scale profitably. For example, start-ups with high initial CapEx may show negative FCF in early years but project strong positive FCF as revenues scale and fixed costs stabilise.

- ***Additional Considerations***
  - *Sensitivity Analysis: Run scenarios to test how FCF is affected by slower revenue growth, higher costs, or delays in operational milestones. This helps start-ups prepare for potential risks and address investor concerns.*
  - *Investment Phasing: Outline how funding will be deployed over time, ensuring efficient use of capital and clear accountability for achieving milestones.*
  - *Cash Flow Management: Demonstrate strong cash flow management practices, such as optimising payment terms with suppliers or accelerating receivables, to enhance liquidity during early stages.*

4.1.3 Financial Documents

Based on its expert knowledge of the documentation that investors typical require collect when carrying out financial due diligence on a potential investment, the DEFINITE-CCRI team compiled a list of key documents that should be prepared for use. These documents are outlined in Table 3 below.

Document type	Document structure	Need/Reason for such document
Business plan	• Executive summary • Market analysis • Product/service offering • Operational strategy • Revenue streams • Competitive positioning	Outlines the company's overall strategy, market positioning, competitive edge, and growth potential, providing context for evaluating financial metrics. Helps determine whether plans for revenue generation, scaling, and profitability are realistic and aligned with the strategic vision of the business.
Financial statements (income statement, balance sheet, cash flow)	• Income statement (P&L): Projects revenue, costs, and profitability over a defined period. • Balance sheet: Summarises assets, liabilities, and equity at specific points in time to show the company's financial health. • Cash flow statement: Tracks cash inflows and	Provide a detailed picture of historical performance and current financial health, offering insights into revenue, expenses, assets, liabilities, and liquidity. Critical for identifying trends, evaluating stability, and spotting potential red flags such as excessive debt or cash flow issues.

	outflows, highlighting liquidity and funding needs.	
10-year financial projections	• Detailed revenue, expense, and cash flow projections, including assumptions for growth rates, cost structures, and market dynamics.	Illustrate expected revenue, profit margins, and cash flow over the next 10 years, helping investors to assess growth potential and sustainability. Allow investors to evaluate the credibility of financial goals and the likelihood of achieving returns.
Capitalisation table	• Shares outstanding. • Percentage ownership. • Valuations across funding rounds (if any).	Provides a clear view of ownership structure and equity distribution among stakeholders. Essential for understanding equity dilution, control dynamics, and how future investments may impact existing shareholders and decision-making power.
Use of funds table	• Breakdown of funding into categories such as R&D, marketing, operations, and CapEx, linked to milestones.	Explains how raised funds will be allocated, ensuring alignment with strategic goals and priorities. Offers a clear picture of financial management and whether the funds will suffice for planned activities such as expansion, product development, or scaling.
Revenue and customer metrics	• Metrics such as customer acquisition, lifetime value, churn rate, monthly recurring revenue, and growth rates.	Shed light on revenue streams, customer base, and market traction, offering insights into the sustainability of revenue generation. Metrics such as customer acquisition cost, lifetime value, and retention rates are crucial for understanding growth models and scalability.
Budget and operating plans	• Quarterly / annual budgets for departments (e.g., sales, marketing, operations) • Resource allocation • Cost control measures.	Detail resource allocation for achieving short to medium-term objectives, demonstrating operational efficiency and the practicality of plans. Help assess whether targets can be met effectively.

Table 3 - List of documents required for financial due diligence

4.1.4 Potential complexities arising from the due diligence

The due diligence process can be a challenging phase for start-ups, particularly for those in their early stages or operating in niche sectors such as the circular economy. Start-ups must be prepared to address potential complexities while avoiding common pitfalls that can hinder the process.

- **Potential Complexities**
  - Lack of Historical Financial Data: Start-ups in early stages often lack detailed financial records, audited statements, or historical performance data. Investors may find it challenging to validate assumptions and projections without a solid financial baseline.

- Evolving Business Models: Business models may still be in flux, with revenue streams, pricing, and customer acquisition strategies under development. Frequent changes can make it difficult to produce consistent financial projections or establish clear growth trajectories.
- Unclear Market Positioning: Defining a start-up's competitive edge and market positioning can be complex, especially in emerging industries with few direct benchmarks. Overestimating market size or underestimating competition can lead to unrealistic projections.
- Regulatory and Compliance Challenges: Start-ups operating in heavily regulated industries may encounter complexities in aligning business practices with local and international compliance standards. Addressing environmental or safety certifications, such as EUMOS for logistics solutions, can delay timelines.
- High Dependency on Assumptions: Projections rely heavily on assumptions about market demand, cost structures, and scalability. If these assumptions are not rigorously validated, the financial model may lack credibility.
- Misalignment Among Founders: Differing visions or priorities among founders can create inconsistencies in presenting the business plan and financial projections. These misalignments can raise red flags for investors.

- **Common Pitfalls to Avoid**
  - Overly Optimistic Projections: Start-ups often inflate revenue growth or understate costs, leading to unrealistic financial models. Avoid this by basing projections on conservative assumptions and validating them with market data.
  - Lack of Transparency: Withholding information, such as liabilities or unresolved legal issues, can erode investor trust. Transparency in presenting all aspects of the business, including risks, builds credibility.
  - Insufficient Focus on Cash Flow: Start-ups sometimes prioritise revenue growth without considering cash flow management. Highlighting liquidity and operational cash flow ensures the business is perceived as sustainable.
  - Ignoring Operational Scalability: Projections often overlook operational challenges such as hiring, logistics, or manufacturing capacity. Address these elements in the financial model to demonstrate readiness for growth.
  - Overcomplicating Financial Models: Complex, poorly organised financial models can confuse stakeholders and obscure key insights. Use clear assumptions, logical formatting, and detailed explanations for each component.
  - Underestimating Due Diligence Timelines: Failing to allocate sufficient time and resources for due diligence can lead to rushed outputs and errors. Start the process early and ensure all documentation is accurate and up to date.
  - Lack of Founder Financial Literacy: Founders unfamiliar with financial terminology or modelling may struggle to convey key metrics to investors. Invest time in understanding basic financial concepts or seek external support.

- **Tips for Overcoming Complexities and Avoiding Pitfalls**
  - Prepare Early: Start gathering and organising financial and operational data well before the due diligence process begins. Create a data room with all necessary documentation for easy access.
  - Validate Assumptions: Use market research, competitor benchmarks, and expert consultations to validate revenue and cost assumptions.

- Simplify the Narrative: Ensure the business plan and financial model present a clear, consistent, and compelling story. Highlight the start-up's unique value proposition and potential for scalability.
- Engage Professionals: Seek the assistance of accountants, financial consultants, or legal experts to refine financial statements and address compliance requirements.
- Prioritise Investor Communication: Maintain open and honest communication with investors. Proactively address risks and challenges while demonstrating mitigation strategies.

4.2 Legal and Regulatory Assessment

Once all the financial steps have been completed, the self-paced due diligence moves on to legal and regulatory considerations, which are necessary to assess risks, identify potential regulatory opportunities, and ensure that all legal documentation that potential investors commonly require has been well prepared.

4.2.1 Regulatory Compliance

The first step is to ensure alignment with international and local legal frameworks. In particular, project leads should focus on the following categories of regulatory compliance:

- **Hurdles / Costs:** The challenges and financial burdens a project must overcome to succeed. Identifying these is crucial because they allow project leaders to anticipate and plan for potential obstacles, whether related to logistics, resources, or regulatory requirements. Understanding these hurdles also helps in setting realistic goals and timelines, ensuring that the project remains grounded and viable. Moreover, addressing costs early on helps in determining the financial feasibility of a project and securing the necessary resources to move forward.
- **Requirements:** The fundamental conditions or criteria that a project must meet to be viable or sustainable. These can range from technical specifications to legal and regulatory obligations. A clear understanding of requirements ensures that the project aligns with industry standards and societal expectations. It also helps define the scope and deliverables, ensuring all stakeholders have a shared understanding of what success looks like. Meeting requirements not only minimises risks but also builds credibility, increasing the likelihood of support from partners, funders, and communities.
- **Opportunities / Grants:** Provide the support and resources needed to advance a project. These can take the form of funding, partnerships, or access to markets and expertise. Identifying and leveraging opportunities is critical for reducing financial strain, fostering innovation, and accelerating progress. Grants and similar mechanisms can also validate a project by signalling its relevance and potential impact. They enable projects to scale effectively and connect with broader networks, which can enhance visibility, collaboration, and overall success.

4.2.2 Required legal and compliance documents

When preparing to engage with investors, project leads should make sure they produce all the necessary legal documents. The essential /most commonly required documents are outlined in Table 4 below:

Document type	**Document structure**	

		Reason for such document
Articles of incorporation	Outlines the foundational details of the business, including its legal name, purpose, registered office, organisational structure, and initial board of directors. Includes provisions for governance, decision-making processes, and compliance with applicable regulations.	Establishes the company's legal existence and provides details about its structure, purpose, and governance. Essential for verifying the company's legal status, compliance with regulatory requirements, and ownership framework.
Shareholder agreement	Defines the rights, responsibilities, and obligations of shareholders. Includes clauses on share ownership, transfer restrictions, decision-making processes, dividend policies, and conflict resolution mechanisms to ensure fair and transparent operations.	Outlines the rights and obligations of shareholders, governance rules, and procedures for decision-making. Critical for understanding ownership dynamics, dispute resolution mechanisms, and protections for minority or majority stakeholders.
Employment agreement and offer letters	Summarise the terms of employment, including job title, responsibilities, compensation, benefits, and termination provisions. Ensure alignment with labour laws and the company's values, emphasising sustainability and employee development.	Define the terms of employment, including roles, compensation, and obligations of key personnel. Necessary for assessing the alignment of employment terms with labour laws, employee retention risks, and the company's ability to protect intellectual property and business interests.
Stock option plan	A benefit program that gives employees or other stakeholders the right to purchase company stock at a predetermined price, typically lower than the market rate, within a specific timeframe. This plan is often used to attract and retain talent, align employee interests with company performance, and incentivise long-term commitment, as the value of the options increases if the company's stock price rises	Details the terms under which employees and stakeholders can acquire equity in the company. Important for evaluating equity incentives, understanding potential dilution, and assessing the company's ability to attract and retain talent.
Key contracts	Provide a concise summary of major agreements, such as supplier contracts, partnerships, or customer agreements. Include essential terms, obligations, payment schedules, and termination conditions, ensuring they align with the business's circular goals.	Include agreements with customers, suppliers, partners, and service providers. Crucial for assessing revenue stability, dependency on specific relationships, risk exposure, and compliance with contractual obligations.

Legal compliance documents	List and describe required permits, licenses, and certifications necessary for operations. Include compliance with environmental regulations, circular economy standards, and reporting obligations to demonstrate regulatory alignment.	Provide evidence of adherence to industry regulations, licensing requirements, and statutory obligations. Essential for identifying potential regulatory risks, fines, or liabilities and ensuring the business operates lawfully.
Litigation history	Presents a brief account of past or ongoing legal disputes, including their nature, outcomes, and potential impact on the business. Emphasises actions taken to mitigate future risks and maintain transparency.	Covers past and ongoing legal disputes involving the company. Necessary for assessing the risk of financial liabilities, reputational harm, and potential impacts on operations or future growth.

Table 4 - List of legal documents required for due diligence

4.3 Risk Assessment and Risk Matrices Structuring

Effective risk assessment and mitigation planning are critical steps in the due diligence process, particularly for circular projects. The guidance below outlines a structured approach to identifying, evaluating, and addressing risks that may affect the financial health and development trajectory of a project.

1. Understand and Document Material Risks

Projects vary significantly in maturity, industry focus, and geographical context, resulting in a wide range of potential risks. The absence of a pre-existing risk mitigation strategy necessitates a focused effort to identify and document material risks. This process ensures that the financial due diligence preparation is thorough and aligned with the specific needs of the project.

2. Define the Purpose of Risk Assessment and Mitigation

The risk assessment and mitigation process serve two primary purposes:

i) Demonstrates awareness of risks: Ensures that potential outcomes or external factors affecting the project's financial health are identified and documented.
ii) Addresses investor concerns: Reassures investors and other stakeholders that identified risks have been accounted for in the project's business plan and development strategy.

3. Conduct an Initial Risk Assessment

A preliminary risk assessment should begin early in the project cycle to map potential risks across six distinct categories:

1. Financial Risks
2. Counterparty Risks (Management Team)
3. Market Risks
4. Operational Risks
5. Legal Risks
6. Regulatory Risks

This risk-mapping exercise includes two steps:

- Identifying potential risks within the six categories.

- Plotting risks on a matrix to evaluate their severity and likelihood.

Incorporating external perspectives (e.g. from a relevant and experienced specialist or project advisor) will helps, to ensure a comprehensive risk profile.

4. Refine and Finalise the Risk Matrix

Revisit the preliminary risk map toward the end of the due diligence preparation process to refine the assessment. During this phase:

Conduct a critical review of the risk map, updating the position of risks based on developments since the initial assessment.

Finalise the risk matrix, which is built by assessing both the likelihood and the impact of the identified risks on the venture, highlighting material risks that pose significant implications for the project's success.

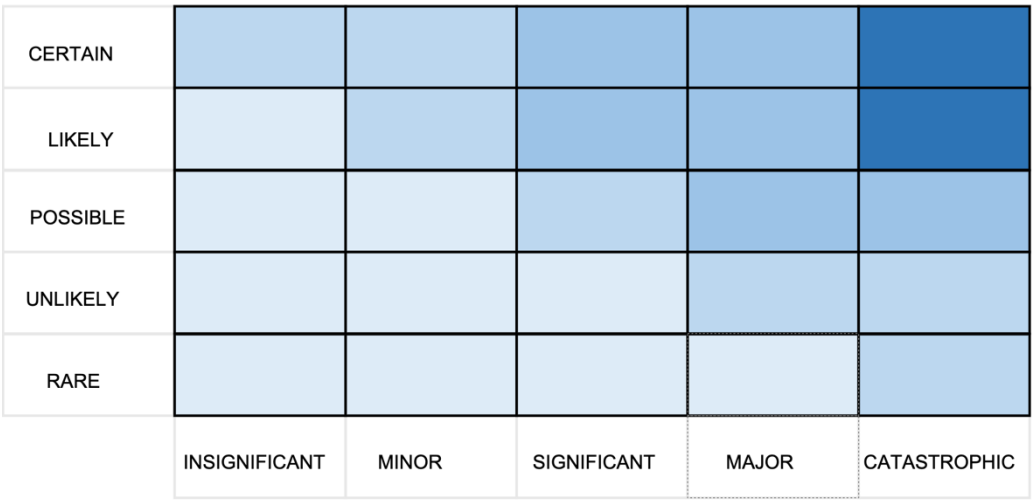

Figure 2 - Risk matrix structure used to identify material risks

5. Develop Risk Mitigation Plans

Collaboratively design mitigation plans to address material risks. This involves:

- Tailoring mitigation strategies to align with the project's existing development trajectory.
- Avoiding significant changes unless absolutely necessary.
- Ensuring the plans are realistic, actionable, and supportive of project growth.

6. Communicate Outcomes Clearly

Present the finalised risk mitigation plans in a clear, structured format, such as a table, to ensure accessibility and transparency. Emphasise how the plans integrate with the project's broader strategy to address risks effectively without impeding progress.

Technical due diligence

The guidance in this section is designed to ensure project managers and leads assess key technical aspects and requirements of their project as part of a robust due diligence process.

As an aid to project teams, a simple scoring system has been applied to each of the technical considerations outlined below. This system provides a useful initial evaluation and a quantifiable means of gauging project readiness and investability. However, it is important to note that such systems cannot capture special circumstances or situational nuances. It is therefore advisable to complement this scoring system with qualitative assessments and contextual analysis to ensure projects are comprehensively and equitably assessed.

4.4 Market Analysis

- **Deliverable:** Perform a market analysis.Define the scope of the product or service and the group and/or problem it is targeting.
- Assess the competition and identify where the product or service sits in comparison.
- Identify the sectors of the market where the proposed product or service is addressed.
- Identify the key motivations and priorities of the potential users of the product or service.
- Identify the main obstacles to successfully reaching potential users and the ways in which these could be overcome.

Each of these components scores 1 (i.e., if all components are included in the market analysis, it will score 5).

4.5 Technology Optimisation

Deliverable: List of requirements for or prototypes of the necessary technology, or, where technology already exists, details of how this should be optimised.

- Define the user requirements.
- Define the technological components of the product and of any associated platforms or services.
- Examine the technological potential of upgrading the production process and increasing automation.
- Conduct a technical study on the automation of a manufacturing process and plan the next steps.
- If relevant, develop a prototype of any technology that needs to be developed.

If a technological component is part of the project, TRL can be used as a metric. TRL scores range from 1 to 9, with 9 indicating that the technology is already out in the market.

4.6 Energy efficiency and building decarbonisation

Deliverable: Prepare a report on the selected interventions and their impact on the facilities.

- Measure the energy consumption of the facilities.
- Perform an energy audit by employing an engineering team.
- Measure the overall carbon footprint of the facilities.
- Study all levels of interventions that can be applied in the facilities (behavioural changes, small and medium-scale interventions, large-scale technical interventions).
- Define the interventions that correspond to the needs of the facilities and the users.
- Start to apply / implement these interventions.
- Continue to monitor and assess energy consumption and overall carbon footprint to track process of improved performance.

If a building is a significant part of a project's activities, it scores 2 if it is renovated for energy efficiency, 1 if the project has planned energy efficiency interventions have been developed and planned, and 0 if no work has been done in this area.

4.7 Material Symbiosis

Deliverable: Prepare a mapping of the potential material symbiosis (within the workflow of the project. Material symbiosis is defined as a mutually beneficial relationship between two or more entities, where materials or resources are shared, exchanged, or reused in a way that reduces waste, conserves resources, or enhances efficiency.

- Define and record the material inputs and outputs of the workflow within the project.
- Examine the potential waste optimisation and material symbiosis within this workflow.
- Map the potential synergies and symbiosis.

If the project is a hub, showcasing the material inputs and outputs and the potential symbiotic relationships among the tenants is advised. If the hub has this information, it scores 1. If this information is not available, it scores 0.

4.8 Strategic Partner Analysis

Deliverable: Prepare an assessment framework based on the project's key principles and values to help identify the best potential partners and clients.

- Define the scope of the product or service and the group and/or problem it is targeting.
- Assess the competition and identify where the product or service sits in comparison.
- Conduct an extensive stakeholder mapping.
- Identify the principles and values that govern the project and that it wishes to promote.
- Develop a framework of assessment for new partnerships based on these principles and use this in combination with the results of the stakeholder mapping to identify good potential partners and clients.
-

If the project has completed this analysis, it scores 1. If it has not, it scores 0.

4.9 Social Impact

Deliverable: Prepare an assessment framework based on the ways the project benefits the local community / society more generally. Provide an initial report on the expected impacts and regularly report on progress over time.

- Define the scope of the product or service and the group and/or problem it is targeting.
  - Define the ways in which the product or service directly impacts society.
  - Define the ways in which the product or service indirectly impacts society.
  - Identify the factors that can be used in the local context to demonstrate this impact.
  - Develop a framework to assess the social impact of the project on a regular basis over time.

If the project measures its social impact, it scores 1. If it does not, it scores 0.

4.10 Environmental Impact

Deliverable: A report with a life-cycle assessment (LCA) analysis, or any other environmental impact assessment.

Environmental impact

  - Clearly outline the purpose of the LCA, the system boundaries (e.g., cradle-to-grave or cradle-to-gate), and the functional unit for comparison.
  - Collect data on all inputs (e.g., raw materials, energy) and outputs (e.g., emissions, waste) associated with each stage of the product's life cycle.
  - Evaluate the environmental impacts of the inventory data, such as GHG emissions, energy use, water consumption, or toxicity.
- Analyse and interpret the results to identify key impact contributors, assess trade-offs, and validate conclusions with respect to the goal and scope. Communicate the results transparently, providing actionable insights for decision-making, design improvements, or stakeholder engagement.

If the project has conducted an LCA or it measures and monitors its environmental impact it scores 1. If it has/does not, it scores 0.

5. Section 4 – Checklist and indications on how to attract investors

5.1 Self-Directed Project Appraisal Preparation

Effective preparation is essential for start-ups to present their projects compellingly to potential investors. This section outlines a structured approach to crafting, refining, and practicing a pitch to ensure it is clear, engaging, and aligned with investor expectations. Through careful planning, self-critique, and practice, start-ups can build the confidence, skills, and professionalism needed readiness for investor interactions.

5.1.1 Pitch Development

Developing a pitch that captures the essence of the project and addresses investor priorities is a critical first step. The following actions are recommended:

- **Research Effective Pitching Techniques:**
  - Start-ups should study successful pitches to understand effective storytelling and presentation techniques.
  - The pitch should follow a logical structure, including a hook, business overview, market analysis, competitive advantage, financial projections, and the investment ask.
  - Emphasis should be placed on clarity and brevity while presenting a compelling narrative that highlights the problem, the innovative solution, and the market opportunity.

- **Draft and Refine the Pitch:**
  - A concise executive summary should be developed to immediately capture attention and communicate the project's unique value proposition.
  - Visuals such as charts, graphs, and infographics should be incorporated to effectively communicate data and key insights.
  - Potential investor concerns, such as scalability, competition, or profitability, should be pre-emptively addressed within the presentation.
  - The pitch should undergo multiple iterations to ensure it is coherent, engaging, and aligned with the expectations of the target audience.
- **Practice Pitch Delivery:**
  - Delivery should be rehearsed to ensure confidence, appropriate pacing, and professional body language.
  - The pitch should be timed to fit within the allotted timeframe, typically between 8 and 10 minutes.
  - Recording practice sessions can help identify areas for improvement, such as tone, pacing, and the emphasis placed on key points.

5.1.2 Self-Critique and Peer Review

Objective evaluation and constructive feedback are essential for improving the quality and effectiveness of the pitch.

- **Record and Critically Analyse the Performance:**
  - The pitch should be recorded during practice sessions and reviewed to assess vocal clarity, pacing, and overall delivery.

- Any weaknesses, such as rushed sections or unclear explanations, should be identified and addressed in subsequent revisions.

- **Engage Peers or Mentors for Feedback:**
  - Trusted colleagues or industry professionals should be invited to review the pitch.
  - Feedback should be sought on the narrative, the persuasiveness of supporting data, and the delivery style.
  - Suggestions from reviewers should be incorporated, particularly those that address recurring concerns or highlight areas of potential improvement.

- **Refine Based on Feedback:**
  - Feedback should be systematically applied to improve the pitch.
  - Areas of focus might include simplifying complex ideas, enhancing visuals, or improving transitions between sections of the presentation.

5.1.3 Mock Pitch Session

Simulating a real-world pitch session helps identify potential challenges and prepares start-ups for actual investor interactions.

- **Organise the Session:**
  - A mock session should be arranged with colleagues, mentors, or industry peers acting as potential investors.
  - Participants should be provided with background information about the project to simulate a realistic investor audience.

- **Simulate the Investor Interaction:**
  - The pitch should be delivered as it would be in a formal appraisal setting, using the full deck and adhering to time constraints.
  - A Q&A segment should follow the pitch, allowing participants to ask questions as investors would.

- **Gather Feedback and Adjust:**
  - Participants should provide detailed feedback on the pitch, with particular attention to its strengths and weaknesses.
  - Common questions or concerns raised during the Q&A should be carefully noted, as these often highlight areas investors will prioritise.

- **Refine and Repeat:**
  - Feedback should be used to make targeted improvements to the pitch and refine responses to anticipated questions.
  - Additional mock sessions should be conducted if necessary to ensure the pitch is polished and the presenter is confident.

5.2 Preparing for Investor Engagement

Engaging with investors is a critical step in securing funding and building long-term partnerships. This section provides a structured approach to prepare for effective investor communication, maintain

ongoing relations, and anticipate their concerns. While start-ups can use this guide as a framework, it is advisable to seek professional advice for complex legal, financial, or regulatory matters. The goal is to present a well-prepared, confident, and compelling case for investment.

1. **Researching Best Practices for Investor Communication:** Effective communication sets the foundation for building trust and credibility with investors.

   - Understand Investor Priorities:
     - Research the types of investors you are targeting, such as venture capitalists, angel investors, or institutional funds.
     - Identify their key interests, which may include scalability, return on investment, impact metrics, or alignment with their portfolio.

   - Tailor Messaging:
     - Develop key messages that resonate with investor priorities, focusing on the business's unique value proposition and potential impact.
     - Highlight financial sustainability, market positioning, and the competitive edge of the business.

   - Simplify Complex Concepts:
     - Avoid technical jargon or overly detailed explanations. Use visuals, analogies, and case studies to make the pitch relatable and engaging.

   - Maintain Professionalism:
     - Communicate confidently and professionally in all interactions, including emails, calls, and in-person meetings.
     - Pay attention to tone, clarity, and responsiveness to establish a positive impression.

2. **Developing a Strategy for Ongoing Investor Relations:** Building relationships with investors goes beyond the initial pitch; maintaining communication is essential for fostering trust and ensuring their continued support.

   - Create a Communication Plan:
     - Establish a regular cadence for updates, such as quarterly or biannual reports. Include progress on milestones, financial performance, and strategic developments.

   - Be Transparent:
     - Share both successes and challenges openly, demonstrating accountability and problem-solving capabilities. Provide clear explanations for any deviations from projections or plans.

   - Engage Beyond Updates:
     - Involve investors in key decisions or seek their advice on strategic issues, reinforcing their role as valued partners.
     - Organise periodic calls or meetings to keep them engaged and informed.

   - Leverage Investor Networks:
     - Tap into investors' networks to explore new opportunities, partnerships, or market insights.

3. **Creating Templates for Progress Updates and Milestone Reports:** Professional, consistent reporting reflects organisational maturity and helps keep investors informed.

    - Report Content and Design:
        - Key Milestones: Highlight achievements related to product development, market expansion, or team growth.
        - Financial Performance: Share revenue growth, expense trends, cash flow status, and any funding updates.
        - Strategic Initiatives: Provide insights into ongoing projects, partnerships, or new revenue streams.
        - Metrics and Impact: Include performance metrics such as customer growth, retention rates, or sustainability impact (e.g., CO_2 savings).
        - Design and Format: Use clear, concise language and include visual aids such as charts or tables for financial data. Create standardised templates to ensure consistency across all reports and updates.

4. **Preparing for Investor Questions:** Anticipating investor concerns and preparing thoughtful responses helps build confidence during discussions.

    - Compile Potential Questions:
        - Revenue and Market: *"What are your main revenue streams?" "How do you plan to scale your customer base?"*
        - Financials: *"What is your breakeven point?" "What assumptions underlie your financial projections?"*
        - Operations: *"How scalable is your supply chain or production model?" "What are the key operational risks?"*
        - Competition: *"How does your offering compare to competitors?" "What prevents others from replicating your model?"*
        - Team: *"What expertise does your team bring?" "How do you plan to expand the team as you grow?"*

    - Draft Clear, Concise Answers:
        - Prepare responses that are factual, confident, and data driven. Avoid overpromising or deflecting difficult questions. If an answer is not immediately available, commit to providing follow-up information promptly.

    - Practice Responses:
        - Rehearse answers with team members or advisors to ensure clarity and confidence during discussions.

5. **Seeking Professional Advice:** While this guide equips start-ups with a robust framework, professional assistance can be invaluable for specific areas:

    - Legal Matters: Ensure compliance with contracts, shareholder agreements, intellectual property rights, and regulatory requirements.

    - Financial Projections: Work with accountants or financial consultants to validate models and projections.

    - Market Research: Engage experts for deeper market insights or competitive analyses.

5.3 Investor Due Diligence

Investor due diligence is often an intensive process that can span weeks or even months, requiring start-ups to provide a wide range of information and engage in repeated rounds of inquiries and discussions. To ensure this process proceeds as smoothly as possible, start-ups must adopt proactive strategies and maintain consistent communication with potential investors. This section outlines practical steps and considerations to navigate the due diligence phase efficiently.

1. **Establish a Centralised and Comprehensive Data Room:** A well-organised, centralised repository of information significantly reduces back-and-forth and instills confidence in investors.

- What to Include:
    - Legal Documents: Articles of incorporation, contracts, IP filings, and regulatory compliance certifications.
    - Financial Records: Detailed financial projections, historical statements, capitalisation tables, and funding history.
    - Operational Information: Organisational structure, operational plans, and supply chain details.
    - Market Data: Market analyses, customer metrics, and competitor benchmarks.

- Best Practices:
    - Use cloud-based platforms to enable secure access for investors.
    - Update the data room regularly to ensure the latest information is available.
    - Organise the documents into clear categories with descriptive file names for easy navigation.

2. **Maintain Consistent and Transparent Communication:** Investors value clarity and transparency during due diligence. Being proactive in communication can help address concerns early and avoid delays.

- Prepare for Regular Updates:
    - Schedule periodic check-ins with the investor to discuss progress and respond to queries.
    - Be upfront about any potential challenges or changes in assumptions.

- Centralise Responses:
    - Designate a single point of contact to manage investor communications, ensuring consistency in messaging.
    - Use templates to provide structured responses to frequently asked questions.

- Be Honest About Risks:
    - Investors understand that every venture involves risks. Acknowledging these risks and outlining mitigation strategies demonstrates maturity and preparedness.

3. **Anticipate Extended Timelines and Allocate Resources Accordingly:** Investor due diligence can take longer than anticipated due to the need for validations, third-party consultations, or legal reviews.

- Plan for Team Involvement:

- Ensure key team members are available to address specific areas of the business, such as operations, finance, or technology.
- Avoid overburdening the team by delegating responsibilities where possible.

- Allow for Document Refinement:
  - Be prepared to provide additional analyses or refine documents based on investor feedback.
  - Build flexibility into project timelines to accommodate these requirements.

4. **Maintain a Flexible and Responsive Approach:** Adaptability during due diligence can help manage unexpected requests or changes in investor focus.

- Respond Quickly:
  - Promptly provide information or documents requested by investors to maintain momentum.
  - Delays in responses can signal disorganisation and undermine investor confidence.

- Adapt to New Questions:
  - Investors may identify new areas of concern as due diligence progresses. Be prepared to pivot and address these emerging questions.

5. **Stay Focused on Business Operations:** While due diligence is a priority, it is essential to maintain focus on the day-to-day operations of the business to avoid disruptions.

- Divide Responsibilities:
  - Allocate specific team members to handle due diligence while others focus on operational continuity.
  - Avoid letting due diligence efforts delay product development, customer acquisition, or other critical activities.

- Share Operational Progress:
  - Use milestones achieved during due diligence as opportunities to demonstrate progress to investors. For example, acquiring new customers or hitting revenue targets during this period reinforces confidence.

6. **Prepare for Follow-Up Rounds:** Due diligence often involves multiple rounds as investors seek deeper insights or validations.

- Engage with Third Parties:
  - Be ready for investors to involve legal, financial, or technical consultants to verify claims. Provide access to necessary resources or personnel to facilitate this process.

- Demonstrate Alignment with Investor Goals:
  - Show how the start-up's vision aligns with the investor's strategic priorities, addressing concerns raised during follow-up discussions.

7. **Document Key Learnings from the Process:** Each interaction with an investor during due diligence is an opportunity to learn and refine the approach.

- Capture Feedback:
    - Take note of recurring questions or challenges faced during the process. Use these insights to improve internal processes and prepare for future engagements with other investors.

- Evaluate Performance:
    - Assess how well the team handled due diligence and identify areas for improvement, such as documentation quality or response efficiency.

6. Conclusion

This Project Evaluation Guidebook has been designed as a practical, step-by-step resource to empower start-ups and project teams within the circular economy to navigate the complex landscape of financial and technical due diligence. The primary aim is to demystify the processes required to build investor-ready proposals using the Deal Engine mechanism developed by DEFINITE-CCRI.

This Guidebook provides the tools and frameworks needed for self-assessment, helping projects progress from conceptual ideas to investment-ready ventures. By covering everything from foundational market and demand analysis to detailed financial projections and investor communication strategies, it takes a holistic approach to ensuring readiness. Start-ups are provided with a clear roadmap for identifying and addressing preparedness gaps, structuring their business plans effectively, and presenting their value proposition confidently to investors.

The Guidebook also acknowledges the common challenges faced by start-ups, including limited financial literacy, nascent business models, and evolving market dynamics. By addressing these complexities head-on, it encourages start-ups to adopt best practices, maintain transparency, and prepare for long-term sustainability.

This Guidebook can be used as a standalone tool or in conjunction with the online project assessment tool that is available on the DEFINITE-CCRI website.

At its core, the Project Evaluation Guidebook serves as a bridge between early-stage circular economy projects and the funding and financing ecosystem, supporting innovation and the amplification of actions and activity that contributes to a sustainable future.


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