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Weighting and scoring approach





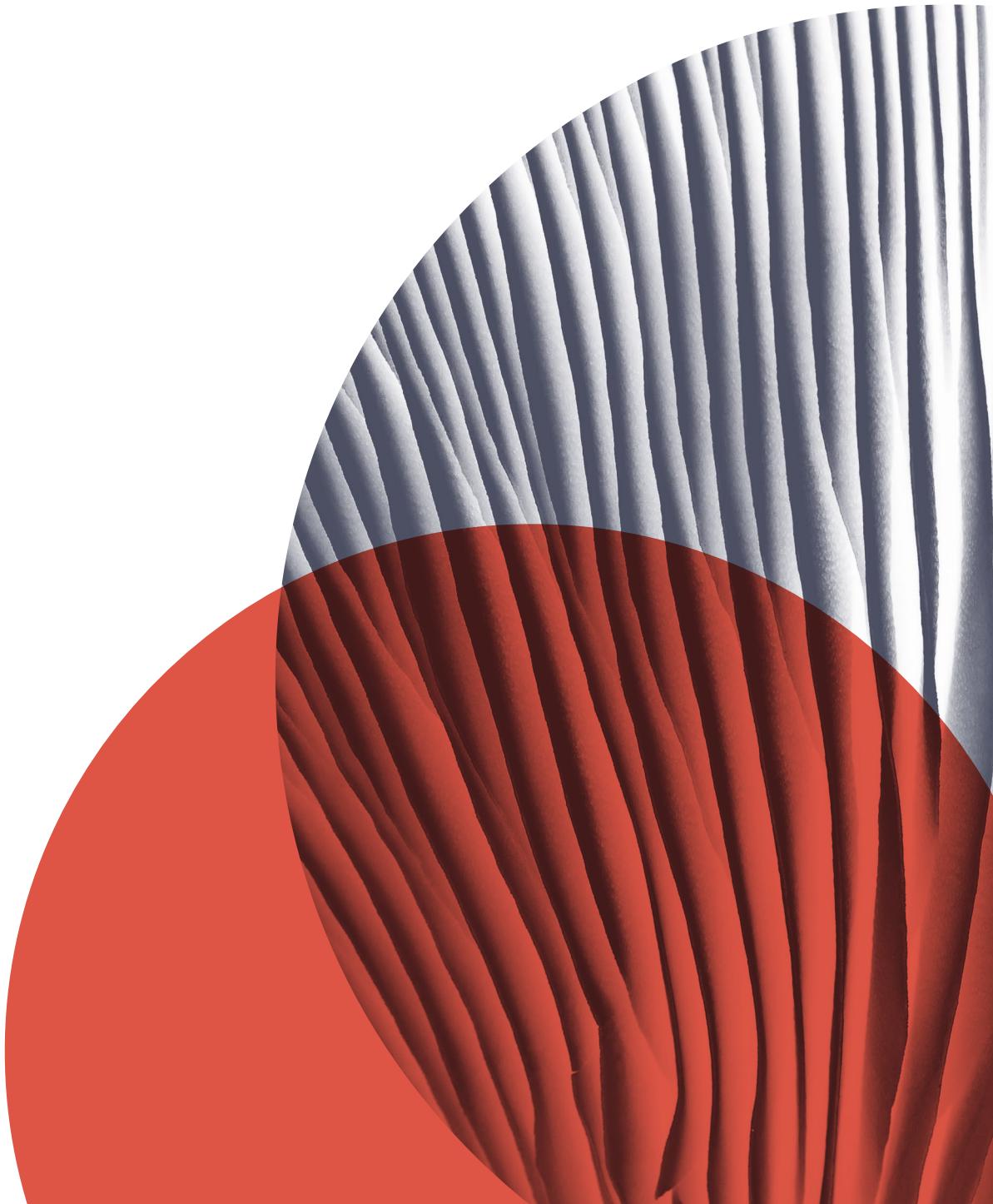
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Against the backdrop of a fast-evolving non-financial reporting landscape, the Ellen MacArthur Foundation is evolving and strengthening its approach to circular economy measurement. Now is the time for harmonisation and standardisation, so we have stepped away from collecting data and carrying out individual performance assessments through Circulytics. The following resources remain available for organisations interested in the methodology or using the indicators to support their circular economy data collection and streamlining or harmonising measurement efforts. Further information can be found on the [Circulytics website](#).

Please note this weighting and scoring approach was originally created for the Ellen MacArthur Foundation's Circulytics methodology and should not be interpreted out of this context.





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EXHIBIT 1

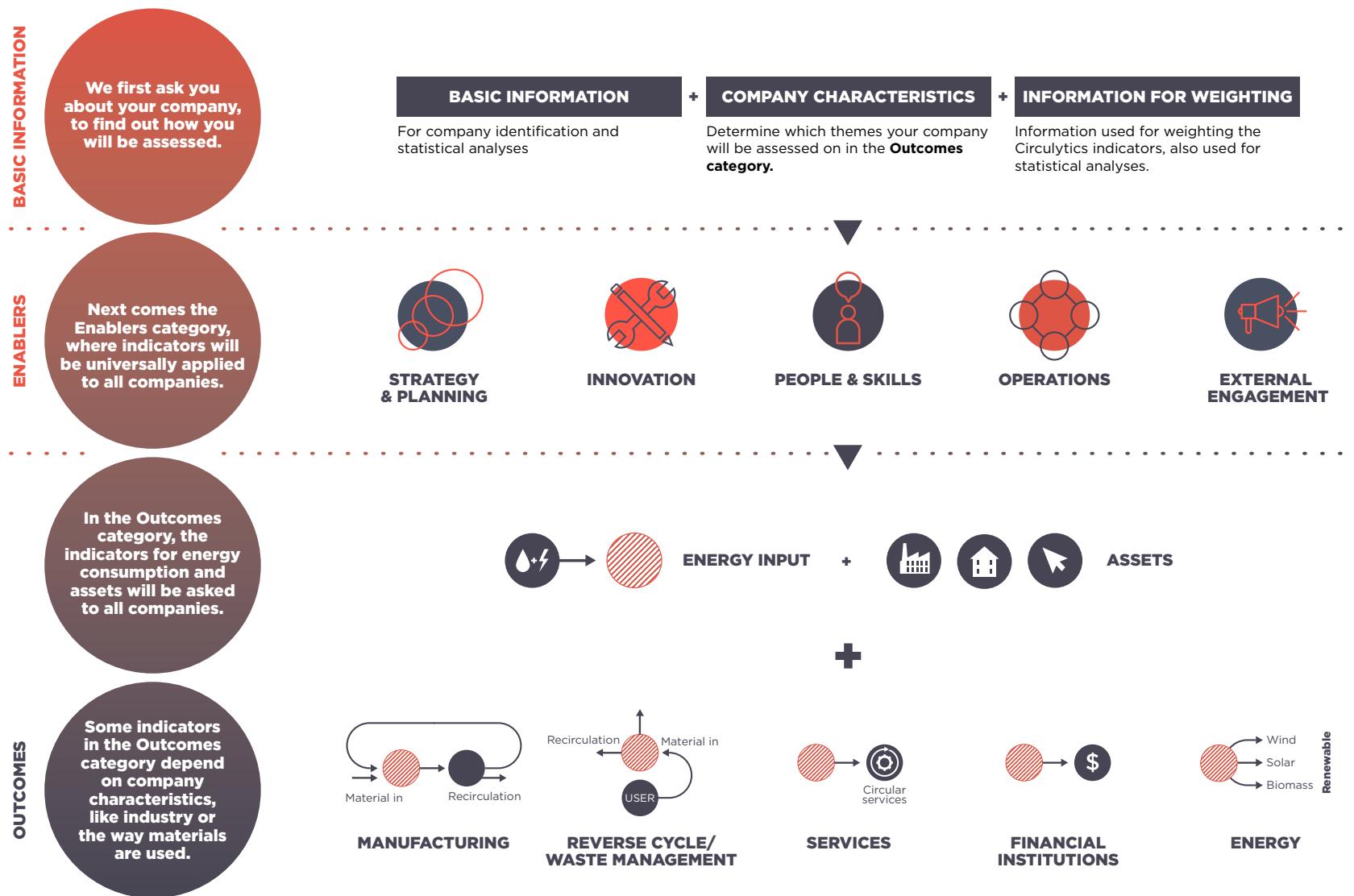
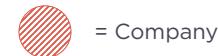
Companies are measured using a sum of weighted indicator scores, resulting in an overall alphabetical score from A to E. The scorecard will provide tailored insights by theme.



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EXHIBIT 2

The relevance of the themes in the Outcomes category is based on a set of company characteristics (e.g. whether the company has material flows, whether it operates in a water-intensive industry, or whether it is a financial institution). To understand in more detail which indicators are relevant to your company, please refer to Appendix 1. Theme 9. Water is described in more detail in Appendix 4.





Category: Enablers

The critical aspects to enable company-wide transformation.

All themes in the Enablers category are relevant to all companies.

Theme 1. Strategy and Planning

Have you placed the circular economy at the heart of your strategy?

Theme 2. Innovation

Are the conditions in place to support the development of innovative circular products and services? Are you innovating towards new circular economy products, systems, or services?

Theme 3. People and Skills

Are you supporting your employees? Have you employed people to develop the skills required to transition to a circular business model?

Theme 4. Operations

Have you invested sufficiently in your digital systems and plant, property, and equipment assets to support the change?

Theme 5. External Engagement

Are you promoting your circular economy initiatives and influencing those in your business sphere, such as clients or your supply chain?

Category 2: Outcomes

Measuring how circular a company is today.

A subset of the themes in the Outcomes category is relevant to any given company, as outlined in the Indicator list.

Theme 6. Products and materials

Are the materials you procure and the products you design supporting a circular economy?

Theme 7. Services

Are the services you provide supporting a circular economy?

Theme 8. Plant, property, and equipment assets

Are you procuring and decommissioning your plant, property, and equipment assets in ways that support a circular economy?

Theme 9. Water

If you operate in a water-intensive industry, are you using water in a circular way?

Theme 10. Energy

Are you procuring renewable energy and (if you are an energy provider) producing renewable energy to support a circular economy?

Theme 11. Finance

If you are a financial institution, are you intentionally financing companies and projects that support a circular economy?

The indicators have been chosen as representative of the company's progress towards alignment with the three circular economy principles: eliminate waste and pollution; circulate products and materials in use; and regenerate nature. The scope of Circulytics is strictly kept within the realm of the circular economy to avoid duplicating other non-financial reporting frameworks. Where themes unavoidably touch on existing frameworks, which is the case for the Water theme or the Products and materials theme, the greatest viable degree of alignment has been pursued for indicators and definitions (e.g. with GRI, CDP, or WBCSD). For the full list of indicators, please refer to the [Circulytics Indicator list](#).



Calculation of scores:

When Circulytics was operating an online reporting platform between 2020 and 2023, indicators were scored and then combined using the following approach to generate an overall score. The approach is illustrated in Exhibit 3.

From indicator score to theme score

- Indicators in the Enablers category are qualitative questions. Each indicator has a choice of text response options. Each response option is assigned a score between 0-100%, as indicated in Exhibit 4.
- Indicators in the Outcomes category typically require percentage input from 0-100%.

Each indicator is given a weight that represents its empirical significance in the transition to a circular economy. The weighted average of all indicator scores within one theme results in the theme score.

From theme score to category score

Each theme is given a weight that represents its empirical significance in the transition to a circular economy, and in the Outcomes category depends on the type of company that is being assessed (see Weights in Outcomes category). In the Enablers category, all companies have the same theme weights. The weighted average of all relevant themes within one category gives the category score.

From category score to overall score

Finally, the two categories contribute to the overall score with equal weight;

With the exception that if a company scores higher in the Outcomes category than in the Enablers category, their Outcomes score will be used as the overall score. This is because we do not want to penalise companies that have achieved tangible circular economy outcomes without following the enabling conditions defined in the Enablers category.

Alphabetical scores in Circulytics

All Circulytics submissions between 2020 and 2023 were scored from A to E. The conversion from the numerical score to the alphabetical score is shown in Appendix 2.

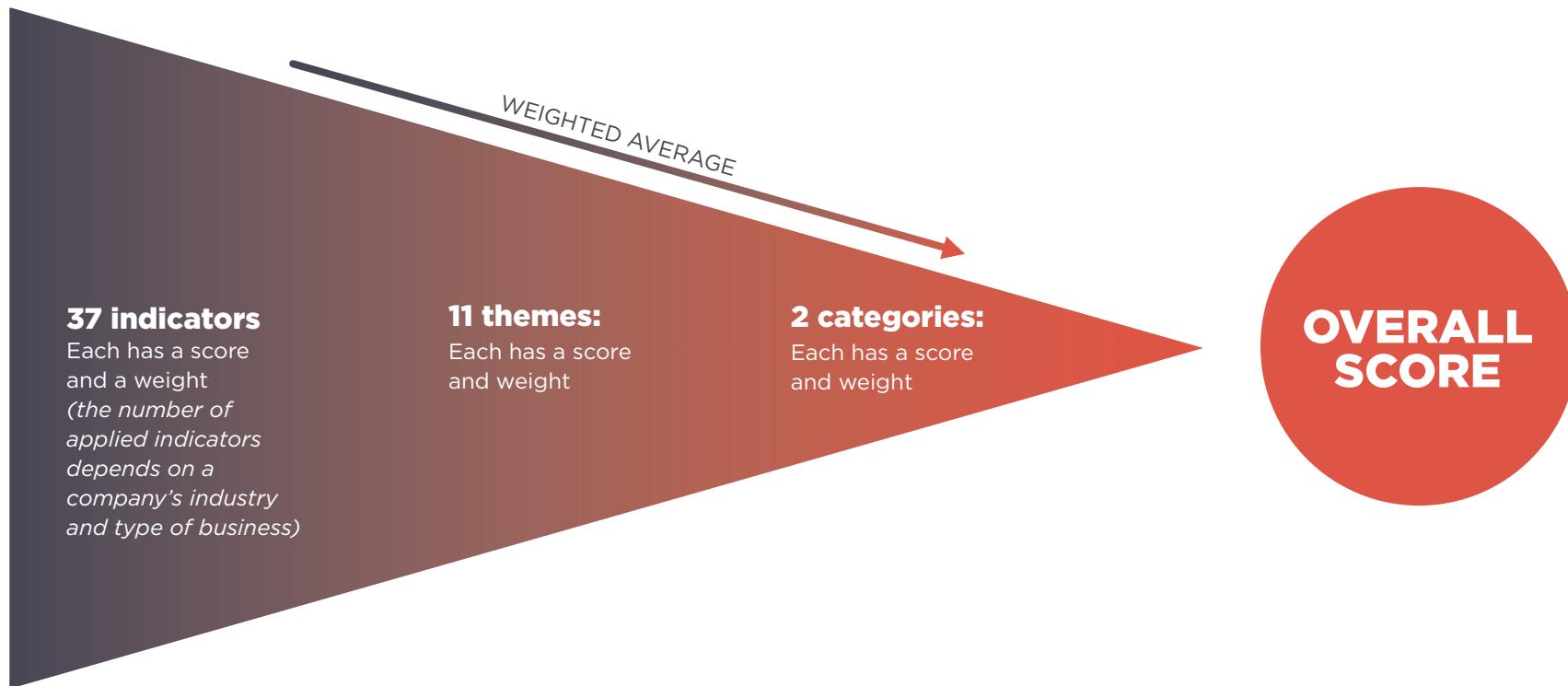


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EXHIBIT 3: METHOD LOGIC

To derive an overall score from the indicator scores, a weighted average is applied at each step.





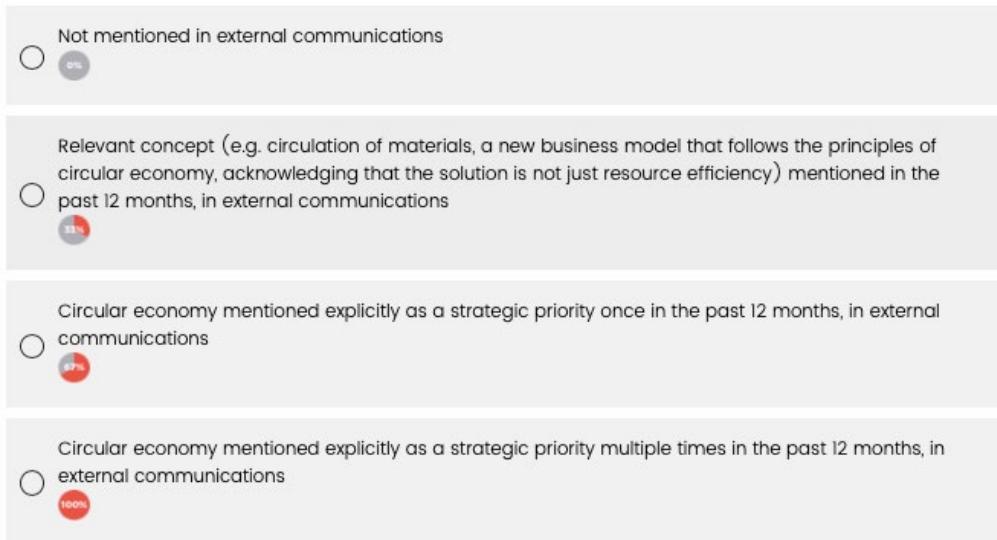
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EXHIBIT 4: EXAMPLE OF ENABLER CATEGORY INDICATOR RESPONSE OPTIONS

The pie chart diagrams represent the indicator scores that are assigned to each response option.

1a. How central is circular economy to your CEO's agenda?





Weights in the Enablers category

Indicator weights:

In the Enablers category, indicators within each theme have equal weights (e.g. in a theme with four indicators, each indicator has a weight of 25%), with the exception of Theme 5. External Engagement. In this theme, indicators on customers and suppliers (Indicators 5a and 5b) are weighted at 30%, indicators on financiers and policy makers (5c and 5d) at 15% and the indicator on initiatives (5e) at 10% to better reflect the importance of each of these external stakeholders to companies' activities.

Indicator scores:

For all indicators in the Enablers category, the score awarded for each response option follows a linear scale (e.g. for an indicator with five response options, the responses from worst to best would be scored as 0%, 25%, 50%, 75%, and 100%). In the [Indicator list](#), each response option has a pie chart diagram next to it representing the indicator score, as shown in Exhibit 4.

Theme weights:

The weights of themes in the Enablers category are displayed in Exhibit 5. They are based on:

- What is proven to be important in company transformation, and
- Consultation with companies during the development phase

EXHIBIT 5

The path from the Enablers category to the Outcomes category, and the weights in the Enablers category.





Weights in the Outcomes category

The necessary information for weighting is gathered in the Company characteristics and Information for weighting sections in the Indicator list.

Weighting within Indicators:

- In **Theme 8. Plant, property and equipment assets**, the total mass of an asset group determines how much it contributes to the indicator score. Where the total mass of an asset group is not known, but the number of items within the asset group is available, Circulytics provides an estimated average mass per item that can be used to calculate the total mass of each asset group.
- In **Theme 11. Finance**, the size of each type of financing activity in USD determines how much it contributes to the indicator scores (11a and 11b).

Indicator weights:

In **Theme 6. Products and materials**, indicator weights depend on:

- The material mass a company uses. For example, if the ratio of a company's material outflows is 60/40 between materials designed to be used and materials designed to be consumed, the indicators corresponding to these material outflows will also be weighted 60/40.
- Whether or not the company has ownership (and therefore full responsibility) over material flows. This will determine which indicators

in the theme are assessed (see Exhibits in the Indicator list - **Theme 6. Products and materials** for detail).

- A company's place in the value chain. A consumer goods manufacturer can gain a higher score for a 'tighter' recirculation loop, while upstream basic material producers can gain an equally high score for the 'loosest' loop.
 - Recirculation loops from 'tightest' to 'loosest' are as follows:
 - Reuse/redistribution
 - Refurbishment/remanufacture
 - Recycling
- In **Theme 9. Water**, the water demand and water outflow volumes of a company influence the indicator weights: The demand-to-outflow ratio will be used to weight the corresponding indicators referring to demand (9a, 9b) and outflow (9c, 9d).
- In **Theme 10. Energy**, if a company produces energy: the ratio between energy use and energy production is applied as the weight ratio of the corresponding indicators (10a and 10b).

Theme weights:

As a general rule, a weight of 70% is assigned to the themes that reflect the core business of a company. The remaining 30% is assigned to the supporting themes.

The core business is:

- **Theme 6. Product and materials** for a manufacturing company without any service offerings.
- **Theme 7. Services** for a service company without any material flows.
- A mix of **Theme 6. Products and materials** and **Theme 7. Services** for companies that have material flows as well as services. The 70% is split into 65% and 5%. The focus is on material flows if the company has ownership of them, because for most manufacturing companies, services revenue is a small proportion of business. If the company has materials flows, but does not own the materials (such as a car repair workshop which does not own the cars it repairs), the focus is on services.
- **Theme 10. Energy** (production) for energy producers.
- **Theme 11. Finance** for financial institutions.

The remaining themes are weighted with a total share of 30%. Equal emphasis is placed on **Theme 8. Plant, property, and equipment assets**, **Theme 9. Water**, and **Theme 10. Energy** (use). Only companies that operate in a water-intensive industry are assessed with the Water theme.



Examples: Theme weights in the Outcomes category

The weights shown in Exhibit 6 are for a company in a water-intensive industry that has material flows and services.

EXHIBIT 6

Base weights used for a water-intensive industry with material flows and services.

Outcomes category	Theme weight	
Theme 6. Material flows	65%	Themes that reflect the core business of a company: 70%
Theme 7. Services	5%	
Theme 8. Plant, property, and equipment assets	10%	
Theme 9. Water	10%	Supporting themes: 30%
Theme 10. Energy	10%	
Theme 11. Finance	0%	Not relevant theme: 0%

EXHIBIT 7

Base weights used for a company with services but without material flows or water flows.

Outcomes category	Theme weight	
Theme 6. Material flows	0%	Not relevant theme: 0%
Theme 7. Services	70%	Themes that reflect the core business of a company: 70%
Theme 8. Plant, property, and equipment assets	15%	Supporting themes: 30%
Theme 9. Water	0%	Not relevant theme: 0%
Theme 10. Energy	15%	Supporting themes: 30%
Theme 11. Finance	0%	Not relevant theme: 0%



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For a purely services-based company without material flows or water flows, the Outcome weights are shown in Exhibit 7. Compared with Exhibit 6, the weight of **Theme 6. Products and materials** has been moved to **Theme 7. Services**, and the weight of **Theme 9. Water** was redistributed to **Theme 8. Plant, property and equipment assets**, and **Theme 10. Energy**. Theme 6. Product and materials as well as Theme 7. Services are not applicable to Energy producers. Exhibit 8 represents the theme weights for an energy producer. The weight of the core business contributes 70% towards **Theme 10. Energy**, while the remaining 30% are divided equally between **Theme 10. Energy**, **Theme 8. Plant, property, and equipment assets**, and **Theme 9. Water**. This adds up to a theme weight of 80% for **Theme 10. Energy**. The weight ratio between the indicators **10a. Energy use** and **10b. Energy production** reflects the ratio between total energy used and produced.

EXHIBIT 8

Base weights used for an energy producer with water flows.

Outcomes category	Theme weight
Theme 6. Material flows	0%
Theme 7. Services	0%
Theme 8. Plant, property, and equipment assets	10%
Theme 9. Water	10%
Theme 10. Energy	80%
Theme 11. Finance	0%

Further information

Please refer to the Circulytics webpage for further information, including FAQs. For any other questions, please get in touch via circulytics@emf.org



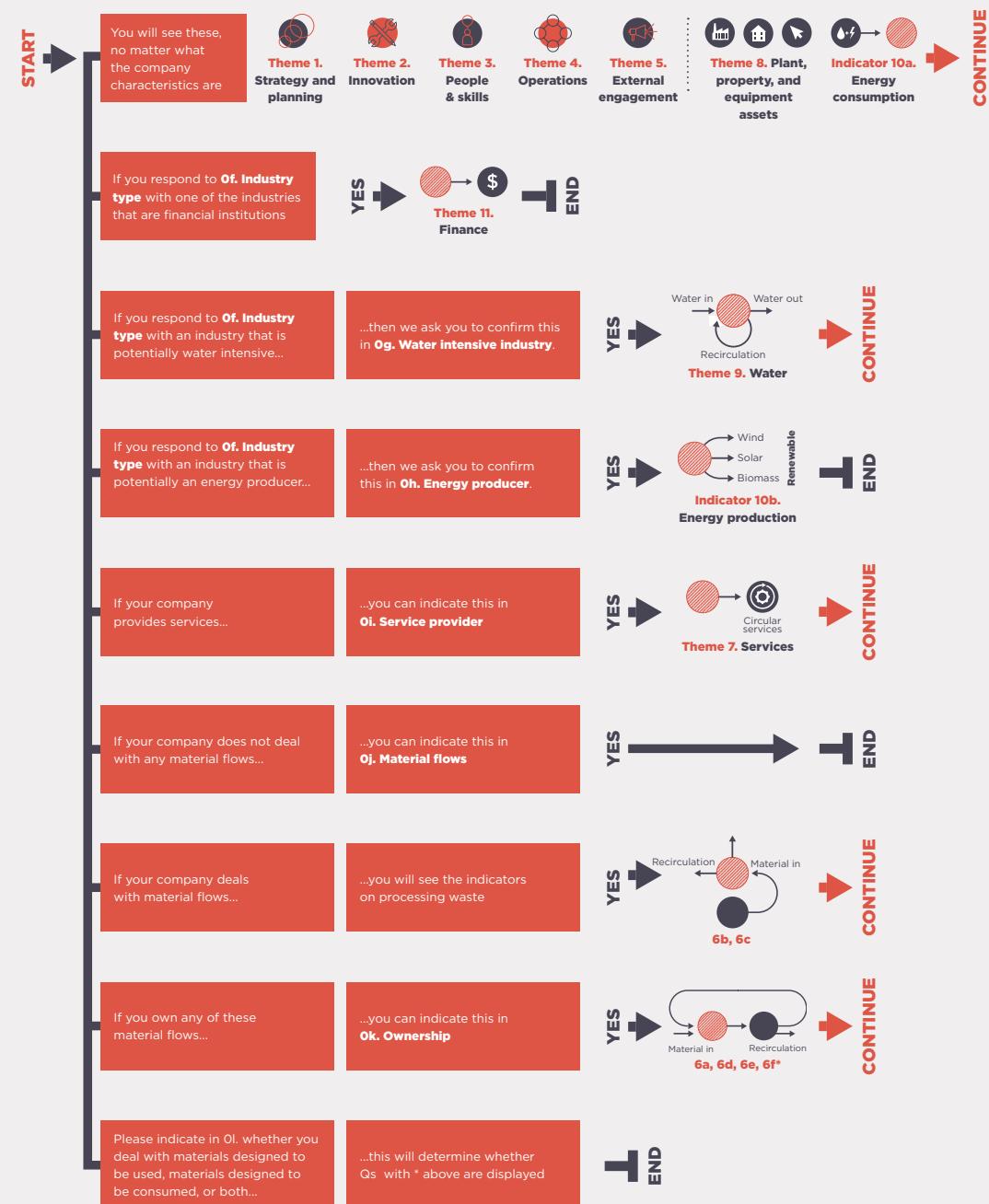
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Appendices

Appendix 1: Selection of indicators based on company characteristics

EXHIBIT 9

The first stage of the Indicator list, captures the characteristics of a company. From the company characteristics, the relevant Circulytics indicators can be derived.





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Appendix 2: Circulytics alphabetical scores

Between 2020 and 2023, when Circulytics was operating as an online reporting platform, companies were measured using a sum of weighted indicator scores, resulting in an overall alphabetical score from A to E. Each alphabetical score spans a range of numerical scores, which are used to calculate theme, category and overall scores from indicators.

EXHIBIT 10

The numerical to alphabetical score conversion in Circulytics.

Numerical score Lower limit	Numerical score Upper limit	Alphabetical score
88.89	100	A
77.78	88.89	A-
66.67	77.78	B
55.56	66.67	B-
44.44	55.56	C
33.33	44.44	C-
22.22	33.33	D
11.11	22.22	D-
0	11.11	E



Appendix 3: Water guidelines

A short introduction: Water and the circular economy

Water could be the perfect example of a circular material, as it has circulated on the planet for billions of years. Yet the ways in which we use the water resources of our surrounding ecosystems are often not compatible with natural cycles.

When applying the circular economy lens to company water usage, the emerging topics are familiar from current issues around water distribution and pollution. Examples of these water topics can be grouped under the three circular economy principles:



Eliminate waste and pollution – water pollution prevention, nutrient valorisation, etc.



Circulate products and materials – water reuse, internal recycling, water cascading, leakage reduction, etc.



Regenerate nature – allowing natural systems to regenerate themselves through balanced water withdrawal and discharge, recharging of local aquifers, water use reduction targets, etc.

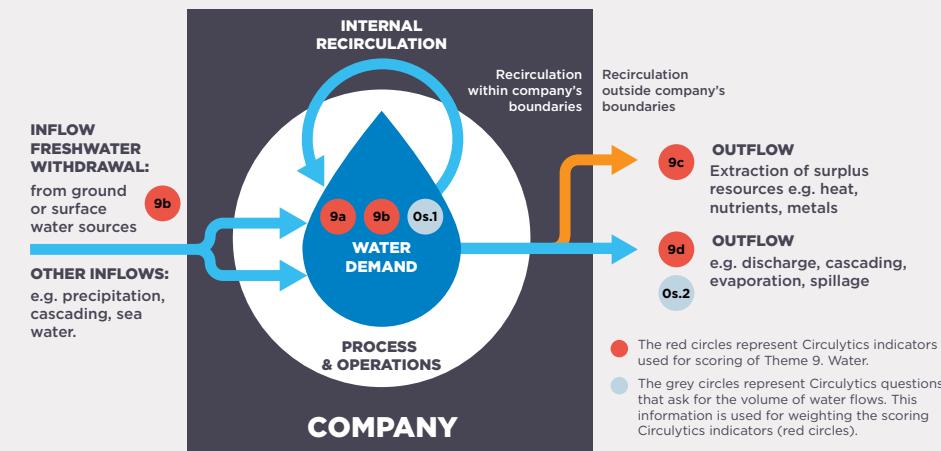
Water in Circulytics

Circulytics indicators are relevant to companies in industries that are typically water-intensive (see Circulytics Industry list) and only if the companies deal with large quantities of water.

In line with the circular economy principles, the water indicators in Circulytics cover key

EXHIBIT 11

Types of water flows into, within, and out of a company. Water demand is the volume that indicator 9a refers to. Indicator 9b refers to water withdrawal and indicators 9c and 9d refer to water outflow.



water topics from a company-level perspective. Against the background of many existing and often mandatory company water reporting tools, Circulytics keeps the scope strictly within the realm of the circular economy. Where existing indicators are used in other methods related to circular economy, definitions have been aligned to the greatest viable degree (e.g. reduction targets, avoiding withdrawal from water-stressed areas, discharge to replenish local aquifers). New metrics have been introduced where we believe these aspects are core to using water in a way that is aligned with circular economy, and would not be captured otherwise (e.g. internal recirculation and nutrient valorisation).

What it means in practice

You will first respond to whether your company is water-intensive in the Company characteristics section (see [Indicator list](#)). If this is the case, you should fill in “water demand volume” and “water outflow volume” in the ‘Information for weighting’ section. In the following Circulytics indicators, the Outcomes category will cover water demand (9a) and water outflows (9c and 9d), which refer to and will be weighted with the water volume allocated in the Information for weighting section. If the company’s responses in 9a suggest that the company has any freshwater withdrawal, you should respond to the indicator on freshwater withdrawal reduction targets (indicator 9b), which refers to freshwater taken from ground or surface water sources, see [Definitions List](#) for more details.



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Water demand (which includes water withdrawal, other water inflow, and any internally recirculated water volume) and outflow, relating to manufacturing and other business processes and operations are in scope in Circulytics.

Both process and operations water is in scope for Circulytics. An example of operations water is coolant, where the water is sourced and (after optional internal recirculation) eventually leaves the company infrastructure, not as part of a product.

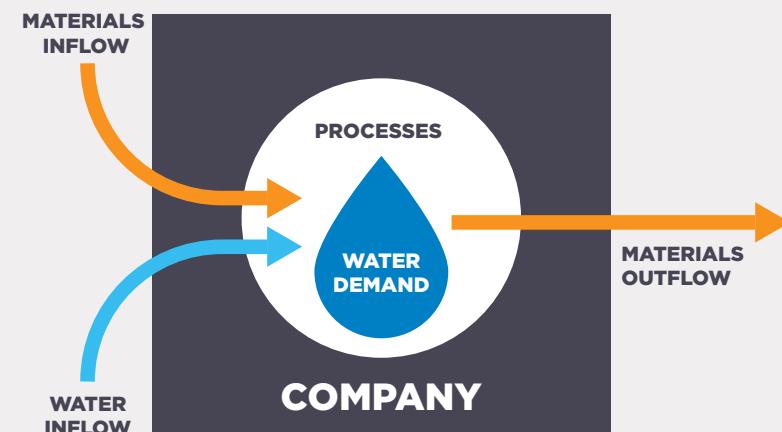
An example of process water is water that comes in contact with a product but is not incorporated in the finished product, e.g. water in pulp in paper manufacture or water in dyeing processes.

Water flows may become part of, or become separate from, material streams during manufacturing processes, as described in Exhibit 12.

Water inflow to the company, which subsequently becomes part of a physical product during manufacturing processes, and leaves the company as part of a material outflow, should be accounted for under water demand volume and material outflow mass. The water outflow indicators explicitly do not apply to water incorporated in physical products.

EXHIBIT 12

An example of water inflow that becomes incorporated into the product is water inflow for manufacturing of beverages. This counts towards the water demand volume, and the water demand indicators apply. However, this water leaves the company as part of the product and should be accounted for under material outflow mass, and therefore the material outflow indicators apply.





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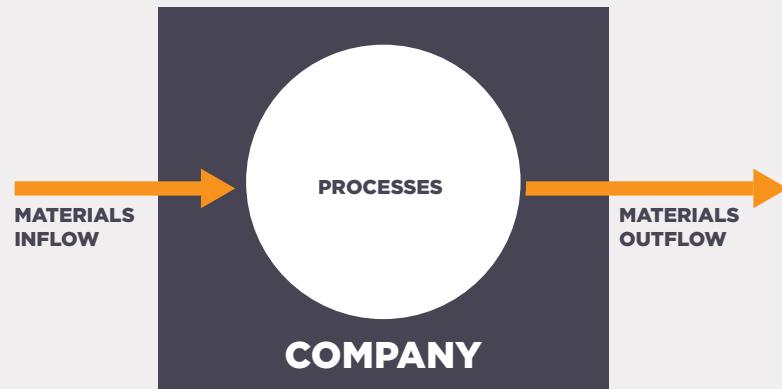
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Material flows:

The water is integrated in another material inflow or outflow, so the material inflow/outflow indicators apply, see Exhibit 13. The mass of the material flow includes the water content. Please count the water content within a material stream towards the mass of products and materials.

EXHIBIT 13

An example of water integrated in material flows is the water content in wood. This counts towards the total mass of materials designed for use. Water content in agricultural produce like tomatoes procured by the company to manufacture food products counts towards the total mass of materials designed to be consumed.



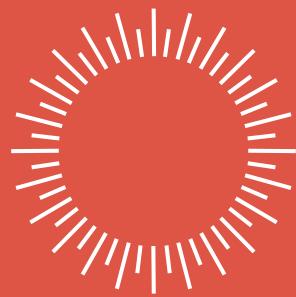
Out of scope:

Natural precipitation is excluded from the scope of Circulytics as long as it is not actively captured, e.g. through a collection system on a building roof.





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