

Waste2Worth Fund

Converting biodegradable refuse into financial returns

Our financial instrument aligns a diverse suite of stakeholders to finance sustainable waste processing facilities, converting compostable waste into several revenue streams. This fund gives investors access to stable and predictable returns and builds the resilience of local communities through economic empowerment and a healthy environment.

OPPORTUNITY

Many countries aim to ban the retail distribution of single-use plastic, yet fail to consider the full product life-cycle of biodegradable alternatives. The unintended consequence is that without additional waste collection and management services, these plastic alternatives still end up in the ocean¹ or in landfills, where they emit methane during decomposition. It is even more worrying that biodegradable plastics still pose a threat to human and marine life because they can only be properly disposed of in industrial composting facilities.

Another challenge for waste management in developing countries is the exponential increase in food waste, a bi-product of tourism. Food waste is often dumped in the environment or ends up in landfills, negatively impacting terrestrial and marine ecosystems and the climate.

STAKEHOLDERS

We see an opportunity to address these problems and convert compostable solid waste² (predominantly food and bioplastics) into financial returns. This is possible by bringing together different stakeholders in an innovative investment approach:

- **Investors:** Seek profitable investment opportunities with positive social and environmental impact
- **Corporate Offtakers:** Seek partners that facilitate and scale sustainability objectives to tackle the damage of waste generation throughout value chain
- **Local Communities:** Seek impactful jobs and more environmentally sound waste management solutions

SOLUTION

Funds raised by investors will be used for:

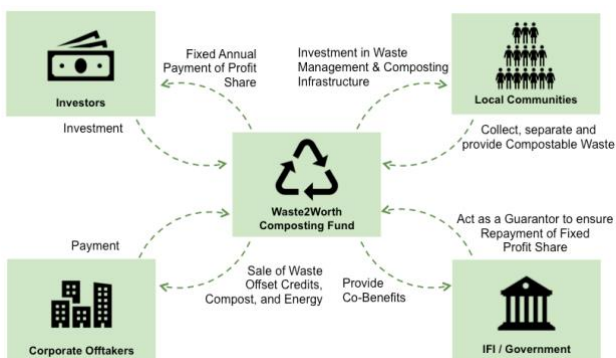
1. **Installing New Composting Infrastructure**
2. **Waste Collection and Sorting Systems**
3. **Community Education, Employment, and Empowerment**

Local communities operate the optimized system, which would yield **three** streams of revenue:

1. **Sale of Waste Offset Credits:** Issued to waste-intensive global companies to meet net-zero waste targets
2. **Sale of Compost:** Solid biodegradable waste is converted into compost and sold to agricultural businesses
3. **Sale of Energy:** Heat energy generated from decomposition is harnessed and distributed locally and used to meet plant energy needs

The facility operations cover the payment of a fixed annual profit share to investors with a combination of these sources of income. Development banks or governments (depending on the region of operation) act as guarantors to ensure the continuation of operations in the event of unexpected budget deficits.

INVESTMENT APPROACH



Investors: Impact/institutional investors, high-net-worth individuals, and foundations, who receive a fixed return and a share of profits in the fund.

Corporate Offtakers are welcome to invest too, thereby generating a return on their sustainability spending and creating a “shared value” model.

Corporate Offtakers: Companies with over-average amount of waste caused in their value chain, keen on offsetting their negative impact.

Composting Fund: Responsible for financing the scheme and pricing revenue streams.

International Financial Institutions /

Government: Guarantor to intervene in case of financial distress. Strong interest in the control of waste and pollution in their region.

INNOVATION

1. Introducing composting plants that do not yet exist in many developing countries
2. Combining a waste reduction approach with a scalable financial instrument
3. Offering waste offset credits as an innovative solution to optimize corporate brand reputation
4. Creating a public-private partnership to ensure that the desired results are achieved

IMPACT

Environmental: Less compostable waste is disposed of improperly, reducing negative environmental impacts.

Social: Less pollution caused by poorly managed waste. Local economies stimulated with opportunities for low-skilled workers.

Alignment: All stakeholders are incentivized to scale impact and collaborate in project execution:

- Investor returns increase with higher profit expectations from the sales proceeds of the facility’s operations.
- Corporate Offtakers reduce the impacts of downstream waste generation, resulting in reputational benefits.
- IFI / Governments obtain facilities at a fraction of normal costs thanks to access to external capital from the private sector.

Impact Metrics: For each initiative, specific impact metrics will be developed to reflect appropriate targets. We will leverage third-party impact tools (e.g. GIIN’s IRIS) to inform design of impact metrics and report against evolving industry standards, as well as consider how our progress furthers the UN SDGs.

1ST INVESTMENT PROPOSITION: BUILDING AN INDUSTRIAL COMPOSTING FACILITY IN BELIZE

Belize has a booming tourism industry³, and has recently implemented a full ban on the retail and distribution of single-use plastics. This provides an ideal environment to launch our financial instrument because both bioplastic and food waste disposal issues can be addressed by the introduction of an innovatively financed industrial composting facility.

FINANCIAL INFORMATION

Key Financial Information (all values in USD)

Initial Funding Structure	Special Purpose Vehicle (SPV)*
Fees	2% Management Fee 20% Incentive Fee (12% Hurdle Rate)
Construction Period	2 years
Initial Investment	\$30,000,000
Recurring Costs	\$4,200,000 per year
Revenues	\$12,200,000 per year

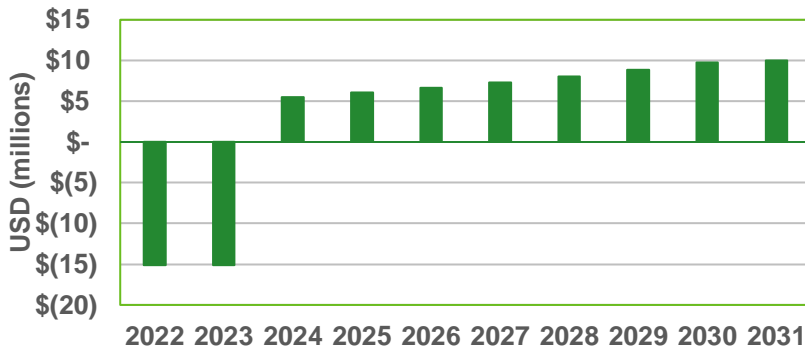
Projected 10-Year Performance

Financial	
Net Present Value	\$13,300,000 (Discount Rate 10%)
Payback Period	5 years
IRR	15.2%
Environmental/Social	
Composted Waste⁴	+ 160,000 Metric tonnes
Jobs Created	+ 180
Avoided Damages⁵	+ \$200,000,000

*Once scaled to multiple locations, the instrument will act as a private equity fund.

PROJECTIONS

Free Cash Flows (10 year Period)



As soon as the financing round is completed, the operator will be equipped with funds to build the waste collection and processing framework. Starting after the successful construction in 2024, investors will benefit from the returns generated by the operations of the composting facility. Assuming a constant 10% growth rate, the plant is expected to run at full capacity by the end of the investment period. The profitable operation of the composting plant allows further use of the infrastructure for more than 40 years.

SCALABILITY

The global volume of mismanaged compostable waste in developing countries is estimated to be 630 million tonnes every year⁵. Multiplying this figure by the social and environmental cost yields an addressable market size of approx. 950 billion USD. Our financial instrument is uniquely positioned to address this market, as it is both flexible and replicable. Additional regions well suited to implementation are countries in Latin America, Africa and Asia, where the volume of mismanaged waste is high and the agricultural industry is well developed, creating an ideal environment for compost generation and sale.

DUE DILIGENCE

1. Is there an urgent need and public support for an investment in composting infrastructure? (Market Risk)
2. Does the operator have the required technical skills to construct and operate the facility? (Operational Risk)
3. Is sustainability at the core of the business model of the operator? (ESG Risk)
4. Can we obtain suitable land that is connected to the existing infrastructure? (Financial Risk)

RISK MITIGATION

Offtaker purchasing (Compost, Energy and Offset Credits) and continued interest

Probability	Medium	Mitigation Measure	Fund tailored to Corporate Offtaker's sustainability and strategic priorities. Market research and active stakeholder engagement.
Materiality	High		

Returns not high enough to attract capital to scale

Probability	Medium	Mitigation Measure	Potential incorporation of "first-loss" concessionary capital from Corporate Offtakers, philanthropic foundations, or development banks to improve returns for private investor.
Materiality	Medium		

Perceived as greenwashing

Probability	Low	Mitigation Measure	Rigorous impact reporting, verified by third-party auditor. Issuance of officially recognized waste offset credits and screening of prospective Corporate Offtakers.
Materiality	Medium		

References: ¹UNEP (2018), ²WorldBank (2018), ³Belize Tourism (2018), ⁴Belize Solid Waste (2018), ⁵FAO (2011, 2014)