

Verifier Statement

Independent Verification Report

Prepared for Circulate Capital: April 11, 2024

Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)¹, Circulate Capital engaged BlueMark to undertake an independent verification of the alignment of Circulate Capital’s impact management (IM) system with the Impact Principles. Circulate Capital’s assets under management covered by the Impact Principles (Covered Assets) totals \$189 million², for the period ending April 2024.

Summary assessment conclusions

BlueMark has independently verified Circulate Capital’s extent of alignment with the Impact Principles. Key takeaways from BlueMark’s assessment are as follows:

Principle 1: Circulate Capital’s strategic focus on financing gaps in the circular economy is directly informed by targeted research and sector evidence. The firm has identified three overarching impact objectives that additionally address secondary goals. Each objective is aligned with the SDG sub-targets and linked to measurable indicators, as articulated within the firm’s Theory of Change.

Principle 2: Circulate Capital implements a consistent impact management process, using proprietary scoring and data management tools to assess and monitor impact across the portfolio relative to targets as well as counterfactuals. Impact management responsibilities form a core component of staff performance reviews.

Principle 3: Circulate Capital employs several strategies (financial and non-financial) to contribute to each investment’s expected impact, including value addition plans, ESG/gender action plans and capacity building. The firm calculates its additionality relative to baseline impact and publishes case studies to evidence the results of its activities.

Principle 4: Circulate Capital has a consistently applied process to assess the expected impact of each investment, in line with leading industry frameworks. The standard due diligence process reviews investee baseline impact alongside analyses of existing plastic value chains to determine expected impact performance and is supplemented by third-party assessments.

Principle 5: Circulate Capital integrates ESG considerations across all stages of the investment lifecycle, including ex-ante assessments of material risks and investment-level action plans to support risk mitigation. Progress is monitored using monthly reports, independent E&S reviews, and site visits, with established processes to address underperformance.

Principle 6: Circulate Capital monitors the impact of each investment against predefined KPIs relative to baseline impact and counterfactual impact projections on a quarterly basis, aggregating investment-level impact to assess portfolio-level performance. Quality assurance and data management processes are clearly laid out in policy documentation and implemented on a consistent basis.

Principle 7: Circulate Capital’s considerations for sustaining impact at and beyond the point of exit are discussed prior to deal execution, where anticipated exit-related challenges influence impact covenants and action plans. Ex-post protocol includes post-exit ESG and impact reviews to document investment performance relative to baseline and projected impact.

Principle 8: Circulate Capital’s systematic impact review process captures investee impact performance against predefined targets alongside progress against key action items on a bi-annual basis. Additionally, Circulate Capital has clear evidence of changes made to strategic decisions and operational processes based on learnings identified within these reviews.

¹ Principle 9 states that signatories “shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.”

² Assets under management figure as reported by Circulate Capital as of April 11, 2024. BlueMark’s assessment did not include verification of the AUM figure.

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Detailed assessment conclusions

The chart below summarizes findings from BlueMark’s verification of Circulate Capital’s extent of alignment to the Impact Principles, using the following four ratings:³

- Advanced (Limited need for enhancement);
- High (A few opportunities for enhancement);
- Moderate (Several opportunities for enhancement); and
- Low (Substantial enhancement required).⁴

Principle	Alignment
1. Define strategic impact objective(s), consistent with the investment strategy	A D V A N C E D
2. Manage strategic impact on a portfolio basis	A D V A N C E D
3. Establish the Manager's contribution to the achievement of impact	A D V A N C E D
4. Assess the expected impact of each investment, based on a systematic approach	A D V A N C E D
5. Assess, address, monitor, and manage potential negative impacts of each investment	A D V A N C E D
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately	A D V A N C E D
7. Conduct exits considering the effect on sustained impact	A D V A N C E D
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned	A D V A N C E D

³ The scope of BlueMark’s assessment procedures does not include the verification of the resulting impacts achieved. BlueMark’s assessment is based on its analyses of publicly available information and information in reports and other material provided by Circulate Capital. BlueMark has relied on the accuracy and completeness of any such information provided by Circulate Capital. The assessment results represent BlueMark’s professional judgment based on the procedures performed and information obtained from Circulate Capital.

⁴ The decision to publicly disclose the results of BlueMark’s detailed assessment, and the specific ratings assigned to each Principle, is left to the sole discretion of Circulate Capital.

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Assessment methodology and scope

Circulate Capital provided BlueMark with the relevant supporting documentation for the policies, processes, and tools related to the IM system applicable to the Covered Assets. The scope of BlueMark’s work was limited to processes in place related to the Covered Assets as of April 11, 2024. BlueMark’s assessment of the IM system included an evaluation of both the system itself and supporting documentation, as well as the consistency of the draft disclosure statement with the IM system. BlueMark believes that the evidence obtained in the scope of its assessment is sufficient and appropriate to provide a basis for our conclusions.⁵

BlueMark’s full assessment methodology, based on its professional judgment, consisted of:

1. Assessment of the IM system in relation to the Impact Principles, using BlueMark’s proprietary rubric, and examining processes and policies against the following criteria:
 - *Compliance* of the IM system with a threshold level of practice;
 - *Quality* of the IM system’s design in terms of its consistency and robustness; and
 - *Depth* of sub-components of the system, focused on completeness
2. Interviews with Circulate Capital staff responsible for defining and implementing the IM system;
3. Testing of selected Circulate Capital transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to Circulate Capital, outlining areas of strong alignment and recommended improvement, as well as BlueMark’s proprietary benchmark ratings on the extent of alignment to each of the Impact Principles.

Permissions

This statement, including our conclusions, has been prepared solely for Circulate Capital in accordance with the agreement between our firms, to assist Circulate Capital in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit Circulate Capital to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate Circulate Capital’s alignment with the Operating Principles for Impact Management. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Circulate Capital for our work or this statement except where terms are expressly agreed between us in writing.

About BlueMark

BlueMark, a Delaware-registered public benefit company, is a leading provider of impact verification services in the impact investing market. BlueMark was founded with a mission to “strengthen trust in impact investing” and to help bring more accountability to the impact investment process. BlueMark has conducted this verification with an independent and unconflicted team experienced in relevant impact measurement and management issues. BlueMark has implemented a Standard of Conduct requiring our employees to adhere to the highest standards of professional integrity, ethics, and objectivity in their conduct of business activities.

BlueMark has office locations in London, UK; New York, NY; and Portland, OR; and is headquartered at 154 W 14th St, 2nd Floor, New York, NY 10011. Its outside investors include S&P Global, Temasek Trust Capital, Blue Haven Initiative, Gunung Capital, Tsao Family Office, Ford Foundation and Radicle Impact. For more information, please visit www.bluemark.co.

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