



CIRCULATE CAPITAL

Environmental, Social and Governance Policy

May 2024

This document sets out Circulate Capital's Environmental, Social, and Governance (ESG) Policy, which guides Circulate Capital in considering prospective investments and managing existing ones, as well as in engaging internal and external stakeholders.

This ESG Policy informs the processes defined in Circulate Capital's Environmental and Social Management System (ESMS) that govern how Circulate Capital identifies, manages and monitors the environmental and social (E&S) as well as governance risks and impacts at both fund and portfolio levels, which includes physical or natural environment, health and safety, and gender and safeguarding for both workers and surrounding communities, and corporate governance structures and processes.

As a Signatory to the United Nations Principles for Responsible Investment (UN PRI), Circulate Capital aligns with the [core Principles for Responsible Investment](#) ("Principles"):

- We incorporate ESG issues into investment analysis and decision-making processes.
- We incorporate ESG issues into our ownership policies and practices.
- We seek appropriate disclosure on ESG issues by the entities in which we invest.
- We promote acceptance and implementation of the Principles within the investment industry.
- We work together to enhance our effectiveness in implementing the Principles.
- We report on our activities and progress towards implementing the Principles.

Scope of the ESG Policy

This Policy applies to the following funds (herein referred to as the "Funds") and investments managed by Circulate Capital:

- Circulate Capital Ocean Fund I (CCOF I);
- CCOF I-B; and,
- CC LAC Ocean Fund (CCOF LAC)



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Investment Strategies

Circulate Capital invests through two complementary investment strategies:

- Circulate Capital Recycling Supply Chains: This strategy targets investments that transform recycling and waste management supply chains, scaling the highest-potential solutions and replicating their success.
- Circulate Capital Disrupt: This strategy targets disruptive innovations that represent milestone “leaps of progress” toward circularity, including novel re-usable materials, alternative delivery models, with great potential for technology transfer.

The Funds utilize the following investment criteria:

- the potential of the portfolio company, to reduce pollution, including plastic waste, and combat environmental deterioration;
- the potential of the portfolio company to return capital to the Fund; and
- the potential of the portfolio company to scale and be replicated in other communities.

Restrictions

The Funds apply Investment Restrictions based on ESG and reputational risks, in alignment with the following Investor Exclusion Lists:

- [International Finance Corporation \(IFC\) Exclusion List \(2007\)](#), [Proparco Exclusion List AFD Group \(2022\)](#),
- [EIB Eligibility, Excluded Activities and Excluded Sectors List \(2022\)](#), and
- [BII's Policy on Responsible Investing \(2022\)](#) and [BII's Fossil Fuel Policy \(2020\)](#).

In accordance with these Investor Exclusion Lists, Circulate Capital screens investments against the following business activities, which the Funds will not invest in:

- Production or activities involving forced labor or child labor
- Involuntary resettlement
- Significant risks to or impacts on the environment, community health and safety, biodiversity, cultural heritage or indigenous peoples, or significant occupational health and safety risks
- Generation of net greenhouse gas emissions of greater than one million tons per annum of CO₂ equivalent
- Landfill, unsegregated municipal solid waste, or incineration
- Production of plastic alternatives where feedstock is derived from food, including biomass projects that undermine food security and/or biodiversity in the location concerned or require significant resettlement of local populations



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- Fossil fuel activities, e.g., coal-fired power plants, oil and gas exploration and production, transport (road/rail/port) infrastructure where the primary use is fossil fuel transport, exclusively provide services, produce goods for and/or provide goods to excluded fossil fuel activities, and related activities
- Infrastructure sector activities including mining, railways, roads, ports, harbor, pipeline, power generation, transmission and distribution, large scale plantation or forestry operations, large scale real estate development including any slum rehabilitation project
- Production or trade in the following:
 - weapons and munitions, tobacco, hard liquor for human consumption, or gambling, casinos and equivalent enterprises;
 - any product or activity deemed illegal under host country laws or regulations or international conventions and agreements; and,
 - hazardous materials such as asbestos fibers, products containing PCBs, and radioactive materials.

Guiding Principles

Circulate Capital and the Funds abide by the following ESG Guiding Principles throughout the investment process:

- Identify and evaluate environmental and social risks and impacts of pipeline and portfolio companies to anticipate and avoid; if avoidance is not possible, mitigate and manage the adverse impacts, on the environment, or health or safety of both the workforce and the affected community, during the life of the investments.
- Safeguard the environment and society in a manner that avoids or minimizes risks to local communities while respecting their human rights, dignity, identity, aspirations, culture, and livelihoods.
- Ensure that investments responsibly operate without adversely affecting the environment and the community through maintaining safe and healthy working conditions, undertaking fair treatment and non-discrimination and providing equal opportunities to their employees and workers, avoiding use of child and forced labor, especially within their supply chains, and implementing gender-sensitive policies and practices including prevention and management of gender-based violence and harassment (GBVH).
- Respond to and appropriately manage grievances from affected communities and external communications from other stakeholders.

ESG Requirements and Applicable Standards

The Funds and portfolio companies will achieve the following ESG Requirements:

- Alignment with applicable IFC's Performance Standards on Environmental and Social Sustainability (2012) (IFC Performance Standards, PS), especially the implementation of an ESMS (IFC PS1), management of labor and working conditions (IFC PS2), and community (IFC PS4), and the protection of both the physical environment (IFC



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PS3), workers, and community as per applicable World Bank World Bank Environmental, Health and Safety (EHS) General Guidelines (2007);

- Compliance with all applicable E&S laws and regulations of the host country(ies) in which the portfolio companies are located and operated;
- Implementation of labor management and stakeholder engagement practices within portfolio company operations and their supply chain, in accordance with International Labour Organization (ILO) Core Labour standards including:
 - child labor (Conventions 138 and 182)
 - forced labor (Conventions 29 and 105)
 - freedom of association (Convention 87)
 - collective bargaining (Convention 98)
 - equal remuneration (Convention 100)
 - discrimination (Convention 111)
 - occupational safety and health (Conventions 155 and 187)
 - violence and harassment (Convention 190)
- Carrying out the requirements of the Environmental and Social Action Plan (ESAP), as defined in our investment agreements.

Roles and Responsibilities

Circulate Capital has established appropriate organizational structures, roles and responsibilities, and capacity to ensure the ESG Policy and ESMS procedures described herein will be duly implemented.

Circulate Capital's Impact Team will ensure that the ESMS is communicated to and understood by all employees including contractors and service providers.

Circulate Capital will continuously build its internal capacity to get updated on the principles of ESG risk management as it applies to the waste sector. Additionally, Circulate Capital will participate in and contribute to investment, ESG and circular economy conferences as well as other similar fora.



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Commitment

Circulate Capital commits to conform to the ESG Guiding Principles by ensuring that:

- There is adequate capacity and competency within the team, which is further augmented by engaging specialist ESG consultants or advisors. Furthermore, portfolio company-capacity building and awareness training are integrated in the portfolio management stage of the investment process to enable companies to implement opportunities to improve their ESG performance and practices over the life of the investment.
- Suitable financial provisions are available to carry out the Funds' activities in line with the ESG Guiding Principles, and the procedures outlined in the following sections.
- Investor safeguards, access, and monitoring rights are built into the investment agreements signed with the portfolio companies, in line with expectations expressed in the investor's partnership or other agreements signed with the Funds.

Stakeholder Engagement

Circulate Capital recognizes the importance of communicating the ESG Policy and commitments both internally and externally. This ESG Policy is made accessible and communicated to all employees of Circulate Capital, investments, and other external stakeholders.