



## Environmental, Social and Governance Policy

October 2025

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 (CCOF) I-A;
- CCOF I-B;
- CC LAC Ocean Fund (CCOF LAC); and,
- Circulate Capital Asia Fund II (Fund II).



## **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.

## **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.

Circulate Capital's investments seek to reduce pollution and mismanaged or unmanaged waste through the provision of risk-tolerant financing and related assistance to entities in South and Southeast Asia, and Latin America and Caribbean regions. The Funds contribute to such impact by investing in growth stage small- and medium-sized enterprises in the recycling and waste management sectors.

- The Funds utilize the following investment criteria:
- the potential of the portfolio company, to reduce pollution, including plastic, paper, electronic and textile 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.

## **ESG Guiding Principles and Commitments**

The Funds abide by the following ESG Guiding Principles throughout the investment process:

- Identify and evaluate E&S risks and impacts of pipeline and portfolio companies, including their supply chains, to anticipate and avoid, and 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.



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- 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 labors, including 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, including those in the supply chains of portfolio companies.

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 and an ESG Advisory Committee. 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.

### Responsible Supply Chain Management

- The Responsible Supply Chain Management (RSCM) Framework has been developed for companies in recycling supply chains and Circulate Capital as an investor in the sector to integrate responsible sourcing into daily decision-making and practice. Aligned with The Circulate Initiative's Harmonized Responsible Sourcing Framework for Recycled Materials (the "Harmonized Framework"), Circulate defines responsible sourcing as:
- Portfolio companies demonstrate transparency and rigor in supply chain engagement and risk management.
- Workers throughout the chain experience safe, stable, and dignified work with improved working conditions and quality of jobs, and where all workers of different genders, roles, and positions in society are able to participate fully in the waste management and recycling value chain.
- Potential harmful environmental effects as a result of the management of waste are recognized and measures to protect the environment are in place across the supply chain.



The RSCM Framework is designed to enable Circulate Capital to identify and mitigate the risks inherent in the waste and recycling supply chains of its portfolio companies.

### **Gender-Smart Investing**

Circulate Capital has made a commitment to gender smart investing for the circular economy and climate. In 2022, Circulate Capital embarked on a transformative journey with the introduction of our Gender Smart Investing Strategy. This strategic initiative is designed to enhance the performance of our portfolio by ensuring that our portfolio companies are not only financially attractive, but also safe and empowering environments for all employees, particularly women.

Building on the foundational principles of the 2X Challenge, Circulate Capital is committed to fostering gender equity throughout our investment processes and at our firm. Our actions to date include:

- Creating more gender-equitable companies and value through full gender integration in the investment process.
- Strengthening in-house capacity to assess each investment, define gender action plans with portfolio companies, and support and monitor progress through the life of our Funds.
- Ensuring safeguarding policies, practices, and mechanisms are in place at the firm and portfolio company levels to protect women.

Circulate Capital's Equal Opportunity, Non-Discrimination and Safeguarding Policy provides guidelines and procedures for addressing gender-related safeguarding and protections within Circulate Capital and promoting gender smart practices across the company and its portfolio companies.

At the investment level, Circulate Capital supports its portfolio companies and empowers them to build their suppliers' awareness in promoting a safe and fair work and business environment for women. Through the course of the investment process, gender and safeguarding are among the key impact and risk areas assessed and managed both at the portfolio and supply chain levels. Prevention of GBVH is a priority, and portfolio companies and their supply chains are encouraged to report and provide support to survivors and witnesses with a survivor-centered approach. Portfolio companies and their supply chains undergo trainings to raise awareness about gender-related issues, including the gender-based non-discrimination, sexual harassment prevention and related grievance and redressal mechanisms.

### **Climate Risk Management**

Circulate Capital aims to strengthen our climate risk management approach through processes in this ESMS and Impact Management System (IMS). This includes the assessment and management of physical and transition risks in alignment with Circulate Capital's investment thesis and impact strategy.

## Restrictions

The Funds apply the following Investment Restrictions from ESG and reputational risk perspectives. The Funds will not invest in:

- Activities found on its Investor Exclusion Lists, including those defined in the:
  - International Finance Corporation (IFC) Exclusion List (2007)<sup>1</sup>
  - Proparco Exclusion List AFD Group (2022)<sup>2</sup>
  - EIB Eligibility, Excluded Activities and Excluded Sectors List (2022)<sup>3</sup>
  - BII's Policy on Responsible Investing (2022)<sup>4</sup> and BII's Fossil Fuel Policy (2020)<sup>5</sup>
  - Inter American Development Bank (2021)<sup>6</sup>
  - Swiss Investment Fund for Emerging Markets exclusion list (2018)<sup>7</sup> and Harmonised European Development Finance Institution Fossil Fuel Exclusion List (2020)<sup>8</sup>.
- Category A<sup>9</sup> activity, which is defined as any activity of a portfolio company which is likely to have significant adverse social or environmental impacts that are sensitive, diverse or unprecedented such as a business activity that may include:
  - involuntary resettlement,
  - risk of adverse impacts on indigenous peoples,
  - significant risks to or impacts on the environment, community health and safety, biodiversity, cultural heritage, or
  - significant occupational health and safety risks.
- Coal-related activity, which is defined as:
  - the development or expansion of coal-fired power plants, coal mines, transportation assets used exclusively for coal, or infrastructure assets exclusively dedicated to support coal mines and coal transportation, or
  - any person that, in the prior financial year, (i) generated more than twenty percent (20%) of its energy generation from coal-fired power plants, (ii) had an annual coal production of ten (10) million tons or more, or (iii) had installed coal-fired capacity of 5,000MW or more.

<sup>1</sup> <https://www.ifc.org/content/dam/ifc/doc/mgrt-pub/ifc-exclusion-list.pdf>

<sup>2</sup> <https://www.proparco.fr/en/ressources/proparco-exclusion-list>

<sup>3</sup> <https://www.eib.org/en/publications/eib-eligibility-excluded-activities-and-excluded-sectors-list>

<sup>4</sup> <https://assets.bii.co.uk/wp-content/uploads/2022/01/25182701/Policy-on-Responsible-Investing-1.pdf>

<sup>5</sup> <https://assets.bii.co.uk/wp-content/uploads/2022/03/22173318/Fossil-Fuel-Policy-1.pdf>

<sup>6</sup> <https://www.idbinvest.org/en/download/12368>

<sup>7</sup> [https://sifem.ch/wp-content/uploads/2024/02/SIFEM\\_2018\\_Exclusion\\_List.pdf](https://sifem.ch/wp-content/uploads/2024/02/SIFEM_2018_Exclusion_List.pdf)

<sup>8</sup> <https://edfi-website-v1.s3.fr-par.scw.cloud/uploads/2021/02/EDFI-Fossil-Fuel-Exclusion-List-October-2020.pdf>

<sup>9</sup>

<https://www.ifc.org/en/what-we-do/sector-expertise/sustainability/policies-and-standards/environmental-and-social-categorization#:~:text=Category%20A%3A%20Business%20activities%20with,diverse%2C%20irreversible%2C%20or%20unprecedented.>



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- High-risk financial institution, which is defined as a financial institution/ financial services company that is materially exposed to a high-risk portfolio. “Materially-exposed” means having:
  - more than 10% of financing portfolio exposed to long term corporate or project finance in infrastructure sector 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; or
  - more than 5% of financing portfolio exposure (including pre-existing exposures and commitments or sanctions not yet funded at the time of investment) to a total of (a) activities listed on the Investor Exclusion Lists, (b) coal related activities, and (c) upstream oil and gas-related activity.

### Investment ESG Requirements and Standards

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

- Compliance with all applicable E&S laws and regulations of the host country(ies) in which the portfolio companies are located and operated, including those related to life and fire safety;
- Implementation of labor management and stakeholder engagement practices within portfolio company operations and their supply chain, in accordance with International Labor Organization (ILO) Core Labor standards, including:
  - child labor
  - forced labor
  - freedom of association
  - collective bargaining
  - equal remuneration
  - discrimination
  - occupational safety and health
  - violence and harassment
- Alignment with applicable IFC Performance Standards on Environmental and Social Sustainability (2012) (IFC Performance Standards<sup>10</sup>, PS), especially the implementation of an ESMS, management of labor and working conditions including in the supply chain, and assessment of climate risks;
- Support and monitoring of improvements at the supply chain level in accordance with the Harmonized Responsible Sourcing Framework for Recycled Materials (2025)<sup>11</sup>;

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<sup>10</sup> <https://www.ifc.org/en/insights-reports/2012/ifc-performance-standards>

<sup>11</sup> The Circulate Initiative, <https://www.thecirculateinitiative.org/responsible-sourcing/harmonized-framework-for-recycled-materials/>



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- Environmental, health and safety standards as per World Bank Environmental, Health and Safety (EHS) General Guidelines (2007)<sup>12</sup> and World Bank EHS Guidelines for Waste Management Facilities (2007)<sup>13</sup>, as applicable to the investments and their supply chains;
- Carrying out the requirements of the Environmental and Social Action Plan (ESAP).

### Policy Communication

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.

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<sup>12</sup> <https://documents1.worldbank.org/curated/en/157871484635724258/pdf/112110-WP-Final-General-EHS-Guidelines.pdf>

<sup>13</sup> <https://www.ifc.org/content/dam/ifc/doc/2000/2007-waste-management-facilities-ehs-guidelines-en.pdf>