Circulate Capital
Impact Management System

JUNE 2026

Circulate Capital's approach to impact assessment is based on transparency and continuous improvement. We publicly disclose our indicators and methodology for impact measurement to help industry and investors consider how we can collectively understand our progress toward preventing pollution from plastics and other materials, advancing a circular economy and creating positive social and climate impact.

CIRCULATE CAPITAL

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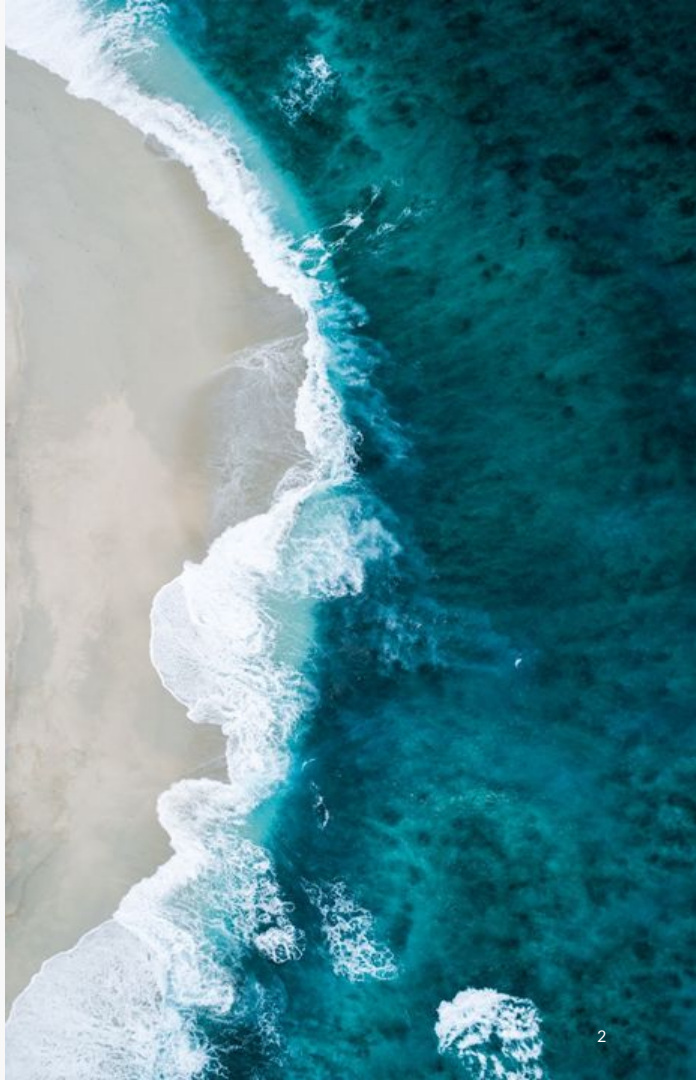


01 - OUR THEORY OF CHANGE, IMPACT OBJECTIVES AND PRINCIPLES

Our **Theory Of Change**

Circulate Capital addresses the global waste crisis by targeting the investment gap in sustainable waste management and recycling in high-growth markets. Our approach channels capital into circular economy solutions with strong fundamentals, demonstrating sustainability, scalability as well as environmental and social benefits. Through strategic investments and value addition in such companies, Circulate Capital intends to drive a just transition to climate benefit, and to inspire further investment into the circular economy sector, with the goal of unlocking billions of dollars into the sector and preventing millions of tonnes of mismanaged waste from plastics and other materials.

Impact Objectives

To measure the advancement of the circular economy, we seek investments that prevent or reduce plastics and other materials leakage into the environment. Our approach to evaluating our impact focuses on the promotion of transparency to support the creation of common measurement language in a practical and accessible manner to investors.

1. Generate Circular and Climate Benefit

Circulate Capital measures its impact on the global waste challenge in a variety of ways – a reflection of the **diversity of solutions needed to fully achieve a circular economy**. Each investment must demonstrate net climate benefit, creating sustainable patterns of production and consumption, and advancing circular economies.

Key metrics include: (i) volume of plastics and other materials circulated away from current/default end-of-life (EOL), (ii) reduction in production of virgin petroleum-based plastics and other materials; (iii) CO2 equivalent tonnes of emissions reduced via recycling (including the impact of mismanaged disposal or littering of waste) or avoided via alternatives; (iv) total infrastructure capacity to increase and sustain the environmental impact of investments

2. Scale Investable Business Models

In order to advance a circular economy at scale, business models need to be competitive and **operate in alignment with the highest global standards of ESG performance** demonstrating that more companies can meet global supplier codes of conduct and ensure **more recycled content** is used in higher-value, circular applications.

By demonstrating the superior performance of new circular business models, we can also **attract more capital** to bridge the financing gap that exists for companies in the circular economy sector.

Key metrics are deal-specific, likely to include: (i) meeting global operating and governance standards at exit (such as ISO 9000 or 14000 series); (ii) volume of recycled plastics and other materials sold; (iii) additional capital invested by other sources (including co-investments in same and subsequent rounds)

Impact Objectives (continued)

3. Improve Livelihoods and Communities

Investments in the circular value chains must consider the **well-being of all workers, including women, migrants and informal waste collectors.** For Circulate Capital, improving livelihoods means creating economic other long-term health, education, and social benefits for workers and their families because they are participating in more equitable and inclusive solutions.

Circulate Capital also implements a **Responsible Supply Chain Management Framework** to integrate supply chain risk management at both fund and portfolio levels. Circulate Capital's framework is aligned with the industry's first Harmonized Responsible Sourcing framework and relevant standards and principles such as IFC Performance Standards, NextWave Socially Responsible Ocean-Bound Plastic Supply Chains Framework, Fair Circularity Principles, Ethical Trade Initiative Base Code, ILO Standards, United Nations standards on human rights and labor practices, and the EU Guidance addressing forced labor.

Key indicators include:

(i) the cumulative number of workers directly or indirectly benefiting, defined as: unique individuals whose economic and/or working conditions have improved beyond government requirements and baseline status quo, as a result of the company's actions. Such impact extends to suppliers, including the informal sector, who may not be direct employees, but play an integral role in the supply chain.

(ii) percent (%) of portfolio companies meeting 2X gender smart investing targets at exit, reflects our alignment with the 2X Challenge, and indicates percentage (%) of **female representation** in our portfolio companies - not just in the workforce, but also in senior management and board/ownership positions – as well as the establishment of gender-equitable policies and practices.

(iii) Additional indicators may be used, depending on the specific deal, policy context, and individuals represented.

Our **Impact Objectives & Key Indicators**

Generate

Circular and Climate Benefit

1. Plastics and other materials circulated or reduced
2. GHG emissions reduced or avoided
3. Total infrastructure capacity

Scale

Investable Business Models

4. Improvements in ESG practices
5. Recycled plastics and other materials sold
6. Capital funded by other sources

Improve

Livelihoods and Communities

7. Workers with improved livelihoods
8. % of companies meeting 2X gender smart investing targets at exit

Alignment with Global Impact Frameworks and Standards

OBJECTIVES	KEY INDICATORS — Universal	SUB INDICATORS — Relevant deals only	Related SDG Indicators	Related IRIS+ Indicators
Circular and Climate Benefit How, and to what extent, are our portfolio companies preventing or avoiding plastics and other waste materials pollution and greenhouse gas emissions, and advancing a circular economy?	1. Plastics and other materials circulated or reduced 2. GHG emissions reduced or avoided 3. Total infrastructure capacity	‣ A1 Plastic and other waste pollution leakage prevented (MT) ‣ A2 All waste managed (MT) ‣ A3 Quantity of fuel used (L) ‣ A4 Electricity used (KwH) ‣ A5 Water used (L)	1: C120501 2. C090401	1: OI8141, PD4646, OI2535, OD8536 OI7549, 2: OI2764 3. OD8781
Investable Business Models How, and to what extent, are our portfolio companies demonstrating financial sustainability, world-class operations, and value creation across a more circular system?	4. Improvements in ESG practices 5. Recycled plastics and other materials sold 6. Capital funded by other sources	‣ B1 Utilization rate (%) ‣ B2 Yield rate (%) ‣ B3 Capital from CC committed (USD$)	4: C060303, C120402, C070301 5: C120501 6: C170304, C170701, C170901, C171702, C090a01	4: OI1023, OI3368, OI4229, OD9483, OD1234, OI1502, OI9266, OI3757, OI3601, OI4724 5: OI8514, OI4328, PI5926, PI5678, OI8364 6: PI4142, PI5476, FP8293, OD8648
Improved Livelihoods and Communities To what extent, and for whom, are our portfolio companies contributing to equitable economic growth and opportunity, and a just transition for workers in the countries they operate in?	7. Workers with improved livelihoods 8. % of companies meeting 2X gender smart investing targets at exit	‣ C1 No. of new jobs created ‣ C2 No. of workers with access to improved policies and practices	7: C080302, C080701, C080801, C080802, C200204, C050101 8: C050502	7: OD9151, OD9751, OI8865, 8: OI2840, OI8118 OI8197, OI6213 Sub: PI3687, PI4874

Impact Assurance & Validation

Operating Principles for Impact Management

PRI Principles for Responsible Investment

BLUE MARK CIRCULATE CAPITAL OCEAN FUND I

Assurance of Impact Management

As signatories to the **Operating Principles for Impact Management** and the **United Nations Principles for Responsible Investment**, Circulate Capital commits to adhering to global standards for the management of Circulate Capital's impact investments. **Circulate Capital's IMS is structured in accordance with the 9 Principles of OPIM.** Within each of the principles, Circulate Capital elaborates its impact management approach, and where relevant, describes alignment with global standards, including:

- **Impact Objectives & Key Indicator**s are aligned with the **United Nations Sustainable Development Goals** and **IRIS+ Indicators.**
- **Assessment, monitoring and management** of the investment pipeline and portfolio is aligned with **Impact Frontiers' 5 Dimensions of Impact.**
- For Asia Fund II, in accordance with Limited Partner reporting requirements Principle Adverse Impact (PAI) indicators are tracked in alignment with **Sustainable Finance Disclosure Regulation (SFDR).**
- Where necessary, Circulate Capital also develops sector-specific frameworks for the waste management industry with ecosystem players, e.g., the **Harmonized Responsible Sourcing Framework for Recycled Materials**

In February 2026, **BlueMark** a leading provider of independent impact verification and intelligence for the sustainable and impact investing market, added Circulate Capital Ocean Fund I to its **Fund ID Leaderboard**, highlighting impact investors with best-in-class impact management practices, including Circulate Capital.

Impact Management & Transparency

Impact management is critical to the success of our investments. Transparency is key to driving systemic change beyond our investments.

Impact Management

We invest in companies that demonstrate strong financial returns because of their impact performance. Because the two are closely linked, managing the impact performance of our investments helps drive financial growth and scale.

Conversely, if this correlation weakens over time, it can indicate changes in a business model or impact potential, which necessitates a re-evaluation of our position vis-a-vis the company.

By maintaining a robust impact management system, Circulate Capital is able to better manage its portfolio overall and make clearer investment decisions.

Impact Transparency

We promote accountability for ourselves and to our stakeholders by disclosing our impact performance and methodology. We have designed our impact framework to be as clear, direct and evidence-based as possible, balancing the urgent need for scaling solutions while acknowledging the limitations of existing standards and research.

We share our approach so that others may learn and take action.

We have aligned our impact management system to globally adopted indicators, such as the UN SDGs and IRIS+; which allows Circulate Capital to benchmark its performance against other funds. As a signatory to the UN PRI, we are committed to publicly disclose our impact methodology and performance alongside the broader investment community.

02 - IMPACT INTEGRATION IN THE INVESTMENT LIFECYCLE

Integrating Impact Throughout The Investment Process

TARGET SETTING

Fund Projections: Analysis of baseline metrics and projected impact over life of the Fund.

Models: Impact modeling allows investment team and potential investors to understand how investment decisions and capital commitments affect impact.

COMPANY SCREENING

RFPs: Use impact management system to communicate the types of projects CC seeks to fund.

Initial Review: Standardized template for reviewing potential deals includes evaluation against impact metrics.

Briefing Note: Early stage guidance and key questions to support understanding of full environmental life-cycle of product and system requirements

DUE DILIGENCE

Technical Review: Summary information on potential deals includes impact metrics, may engage technical experts in answering impact-related questions.

Impact projections: Analysis of expected project performance against key metrics, other potential deals and overall portfolio, included in Investment Memo.

ESG and HSE Compliance: ESG and climate risks, mitigations, and additional impact metrics identified, based on third party assessment.

DEAL STRUCTURE

Terms: Impact targets calculated in Impact projections, reporting requirements, and templates are incorporated into term sheet and full agreement.

Conditions: In some cases, deals could be structured to meet minimum performance requirements based on impact projections and due diligence findings.

MONITORING

Reporting Data: Client reporting allows team to analyze ongoing financial and impact performance of individual deals and detect/mitigate trouble areas early.

Portfolio Analysis: Team aggregates and summarizes progress of overall portfolio for internal monitoring, learning and decision making.

ESG and HSE Compliance: Update assessments and remediations as required.

REPORTING

Dashboards & Quarterly Reports: Portfolio performance summarized against key metrics for LPs and Investment Committee members.

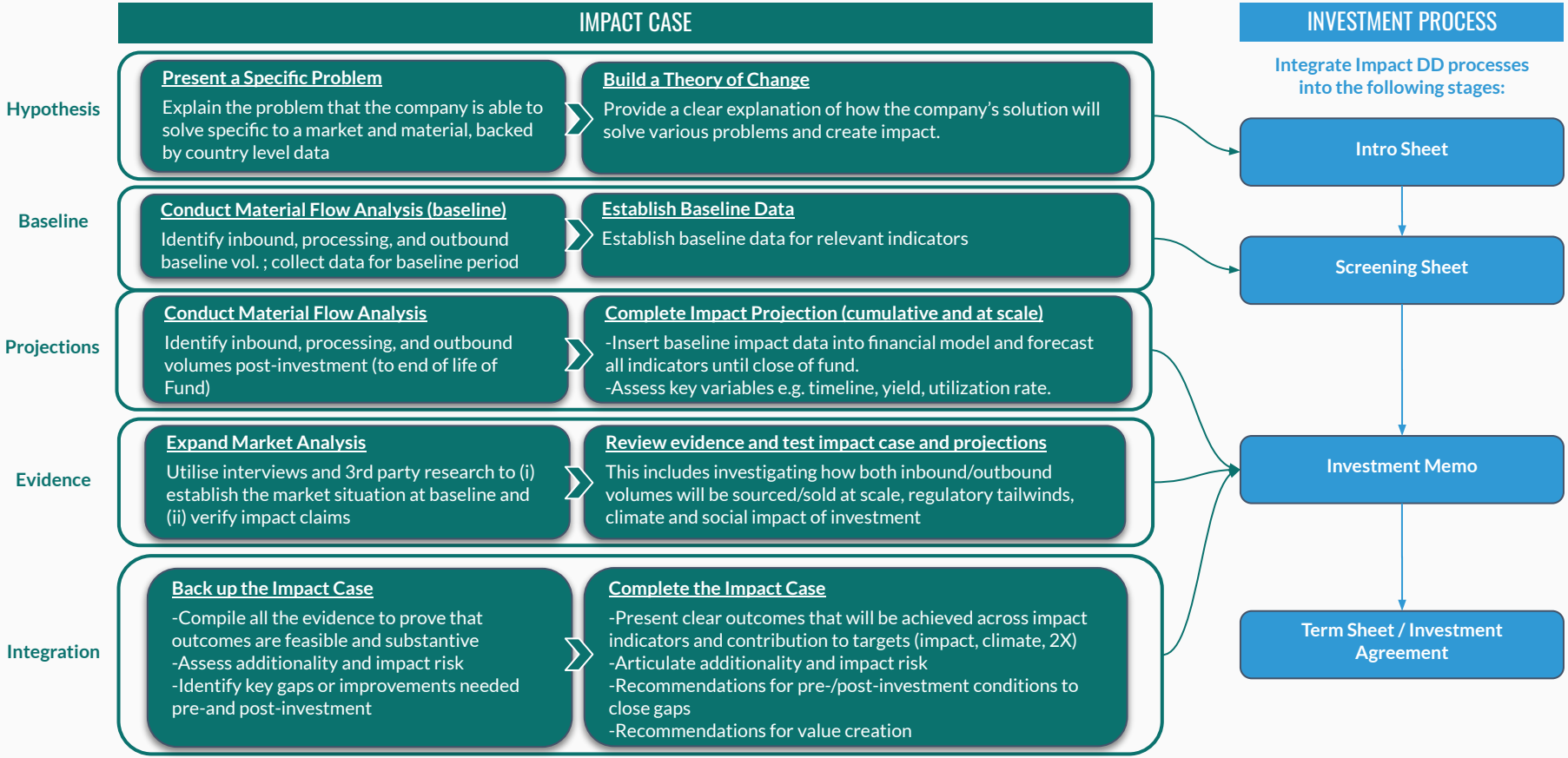
Impact Report: Annual report published for public and key stakeholders.

Roles & Responsibilities

The following table provides an overview of the impact data requested from all companies at various stages of our relationship with a portfolio company, as well as the persons responsible for each item:

Data required from companies	Action required	Lead	Supported by
Material Flow Analysis	To work with the pipeline company and map out all volumes of inbound, processed, and outbound plastics and other materials	Investment Manager	Impact Strategy Manager ESG Manager
Baseline Data	Establish baseline period, collate baseline data against relevant impact indicators		
Impact Projections	Complete impact projections for all relevant indicators based on the financial model		
Evidence	As needed, to request additional evidence (e.g. interviews, market research) to substantiate the impact case.	Impact Strategy Manager	ESG Manager
Integration	-Present clear outcomes that will be achieved across all 3 impact categories (i.e. environmental, operational, and social) in the investment memo. -Assess additionality and impact risk. -Provide recommendations for pre-/post-investment conditions to close gaps Suggest post-investment value creation steps	Impact Strategy Manager and ESG Manager	
(Post-internal due diligence)	*-Coordinate with external consultants to conduct ESG due diligence* *-Support on inclusion of impact & ESG terms in the term sheet/investment agreement*	*ESG Manager*	*Impact Strategy Manager*

Pre-investment: Impact Diligence - Process Overview



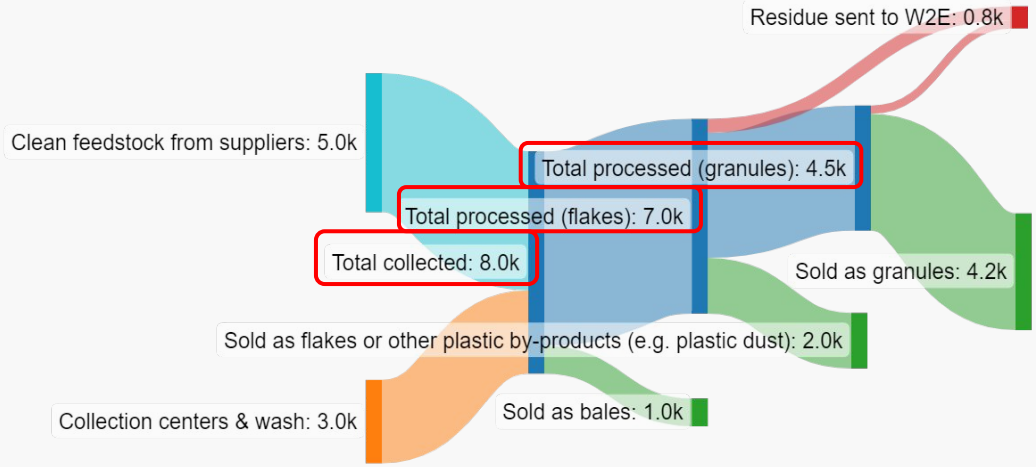
Pre-investment: Material Flow Analysis (example)

A single company can operate in multiple points of the recycling value chain simultaneously. As such, we will have to map and measure the materials that are collected (inbound), processed, and sold (outbound) through each company's operations.

Two versions of the material flow analysis is required: once at baseline, and another based on projected operations at scale.

Once this flow is mapped out, we can easily identify where impact should be measured so as to prevent double counting of impact across the company's operations.

The example shown below illustrates how we will calculate plastics and other materials'-related indicators:



Indicator 1 - Plastics and other materials circulated or reduced

Referring to the figures circled in red on the left: we compare "total collected", "total processed (flakes)", and "total processed (granules)", and select the largest portion of the material flow.

As such, the total volume of plastics and other materials circulated is **8k MT**.

We **do not** add up the volumes circled, as this will double-count the same volume collected.

Pre-investment: Defining the baseline for quantitative additionality

The baseline period refers to the 12 months prior to the start of our investment into a company. We use this to establish the impact already present in a company prior to our involvement, and thereafter measure additional impact generated henceforth.

For pipeline companies, we will use the 12 months prior to the start of our impact due diligence process instead. This baseline will be recalculated once they become part of our portfolio.

Depending on the indicator, we will require different baseline data from the baseline period, as listed below:

BASELINE DATA REQUIRED	KEY INDICATORS — Universal	SUB INDICATORS — Relevant deals only	HOW QUANTITATIVE ADDITIONALITY IS CALCULATED (EXAMPLE)
Aggregated over baseline period (12 months prior to start of investment)	• Plastics and other materials circulated or reduced • GHG emissions reduced or avoided • Recycled plastics and other materials sold		Company A has sold a total of 10,000 tonnes of recycled plastics during the baseline period. Post-investment, this volume will be subtracted from the total recycled plastics sold annually to show additionality.
Taken from the end of the baseline period (the month right before start of investment)	• Total infrastructure capacity created • Improvements in E&S governance performance • Workers with improved livelihoods • % of companies meeting 2X gender smart investing targets at exit	‣ Utilization rates ‣ Yield rates ‣ New jobs created	Company B has a processing capacity of 20,000 TPA at the end of the baseline period. During the investment period, this capacity is subtracted from the total capacity at the end of each reporting year to show additionality.
Not applicable (baseline data not required)	• Capital funded by other sources	‣ Pollution from plastics and other waste materials prevented ‣ All waste managed ‣ Quantity of fuel used ‣ Electricity used ‣ # and % of ESAP action items completed ‣ Capital from CC committed	Additionality is not required for these indicators.

Pre-investment: Defining additionality in relation to Circulate Capital's Additionality Framework

Circulate Capital intends to create additional impact with each investment it makes. We identified six criteria for "Additionality", however the significance of each criteria differs between investments and an investment does not have to fulfil all six criteria to be considered additional.

Additionality criteria	Method to quantify or attribute
1. Material Quantity (as illustrated in previous slide): Additional tonnes above what was (collected, processed, and sold) prior to investment. Where the target company is operational, the baseline is defined as total impact in the 12 months preceding the start date of our investment into the company. In certain cases, especially where the company is facing distress, our investment will directly impact the business viability (see point 3), the baseline selected will be adjusted to reflect the state of the business (e.g. 0 for companies which have ceased operations)	• Clear, documented explanation as to how the baseline is determined • Tonnes collected, processed above the baseline
2. Material Quality: Tonnes of material that has achieved an improved or enhanced attribute, whether or not there is a quantitative increase, e.g., • From non-food-contact to food-contact grade (e.g., installation of SSP line) • From mixed color to color separated (e.g., installation of sorting capacity) • From not traced to traceable (e.g., digitization) • From not responsibly managed to responsibly managed (e.g., ESG or RSCM improvements); where appropriate, we will support companies on obtaining 3rd party certification • From imported to locally sourced feedstock (e.g., implementation of local sourcing strategy) • Impact-prioritized sourcing of feedstock, e.g., from a more developed market to one of significant environmental need (Australia v. Indonesia), or from post-industrial to post-consumer material • More efficiently sourced, less contaminated, vertically integrated sourcing (e.g., integration to collections, improved pre-processing technologies, improved sourcing strategies, consolidation of business model) • Purchased at premium or improved pricing, or from spot to long-term contract (e.g., improvements in offtake partnerships or product marketing)	• Clear, documented explanation of the fulfilment of any of the criteria listed. Details may include: date of installation of new line, data of implementation of traceability and outcomes, tonnes of domestic vs imported feedstock at different points in the investment

Pre-investment: Defining additionality in relation to Circulate Capital's Additionality Framework

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Additionality criteria	Method to quantify or attribute
3. Business Viability: Where the target company is facing a significant challenge to business continuity, due to short-term market conditions or one-time disruptions, and would likely have to discontinue operations at commercial scale without investment (e.g., temporary work stoppage or facility closures, bankruptcy, acquisition). To determine this, we will consider financial metrics e.g. Profitability ratio, Liquidity, Solvency ratio, and Efficiency Ratio during the investment due diligence process and portfolio monitoring	• Clear, documented explanation as to how the investment supports the business viability of the company with financial metrics as available (e.g., cash flow, revenue)
4. Climate-related benefits and reduced risks: Where operational improvements made as a condition of investment lead to reduced climate impact based on intensity or in absolute terms, or reduced physical climate risk – depending on the improvement, additionality can apply to environmental or social indicators	• Fulfilment of ESAP in relation to climate-related actions (e.g. fuel switching)
5. Achieving world-class operations and governance: Where operational improvements made as a condition of investment lead to achievement of international standards and full compliance with local laws and regulations in more markets	• Fulfilment of ESAP in relation to implementing operational and governance policies • Undertaken Responsibly Supply Chain training provided by Circulate Capital; completed assessment and action plan (if relevant) • Achievement of global certifications and assurances, e.g., ISO 9001 or RecyClass Module C

Pre-investment: Defining additionality in relation to Circulate Capital's Additionality Framework

Circulate Capital intends to create additional impact with each investment it makes. We identified six criteria for "Additionality", however the significance of each criteria differs between investments and an investment does not have to fulfil all six criteria to be considered additional.

Additionality criteria	Method to quantify or attribute
6. Diversity and Inclusion: Where policies have been introduced to support diversity and inclusion in hiring; indicators that will be monitored include women owned/led business, men/women ratio in workers, and % of women in senior management	• Progress towards meeting 2x targets • Additional qualitative practices towards more inclusive and equitable work above and beyond compliance • Fulfilment of ESAP in relation to implementing gender diversity policies

Summarising Projections

The baseline material flow analysis and data collection must be completed before we can proceed with the impact projections.

The projections must show both (i) annual performance on each indicator once company has reached scale, and (ii) where relevant, the cumulative impact from start of investment to end of fund.

All impact projections should be completed alongside the development of a new financial model. This applies to both pipeline and portfolio companies.

Category	Indicators	Units	Baseline	Annual at scale	Cumulative (by end of fund)
Generate Circular and Climate Benefit	Plastics and other materials circulated or reduced	Metric Tonnes (MT)	XXX	XXX	XXX
	GHG emissions reduced or avoided	tCO2e	XXX	XXX	XXX
	Total infrastructure capacity	Tonnes per Annum (TPA)	XXX	XXX	
Scale Investable Business Models	Improvements in ESG practices	% of actions completed	XX% Utilization		
	Recycled plastics and other materials sold	Metric Tonnes (MT)	XXX	XXX	XXX
	Capital funded by other sources	USD	XXm	XXm	XXm
Improve Livelihoods and Communities	Workers with improved livelihoods	#	Baseline assessment of working conditions	# of workers with improved working conditions based on CC's Responsible Sourcing Framework	
	Company meeting 2X gender smart investing targets at exit	Y/N	XX% women employees in the company, XX% in C-level, any gender and inclusion policy	A more gender diverse team at all levels: At least 30% in C-level, 30% overall female ratio, a set of gender and inclusion policies implemented	

Investment Exclusions

To maintain the integrity of our impact measurement and reporting and guard against greenwashing, we exclude the following from our investments:

Categories	Exclusions
Forced/child labour	Harmful or exploitative forms of forced labor/ harmful child labor, or trafficking in human beings.
Illegal production and trade	With reference to host country laws or regulations or international conventions and agreements
Operations/Business models	Transboundary trade of wastes, except those consistent with the Basel Convention and its underlying regulations
	Adverse and irreversible impact to biodiversity, cultural heritage and indigenous peoples
	Biomaterial and biofuel production that make use of feedstocks that can serve as food or compromise food-security
	Biomass co-firing with fossil fuels and/or peat
	Waste incineration plants or any other form of thermal treatment of waste for the recovery of energy or fuels
	New landfills or landfill cells, landfill mining
	Hazardous waste treatment and disposal facilities
	Recycling of waste electrical and electronic equipment (WEEE or ”e-waste”) classified as hazardous waste.
	“Oxo-biodegradable” or “Oxo-degradable products” - these products can only degrade into micro-plastics and continue to pollute the environment

Post-investment: Collecting and Reporting Data*

FUND & COMPANY LEVELS

Progress Report | Case Study | Trends Report

Insights are synthesized for internal reviews, public progress report, case studies, and other publications.

FUND LEVEL

Quarterly Internal Impact Reviews | Fund-level Performance Dashboards | Semiannual Portfolio Reviews | Quarterly LP Fact Sheets and Reports

Actual results are incorporated into fund-level reporting to LPs and public, case studies, or other publications.

COMPANY LEVEL

Due Diligence	Early Monitoring	Ongoing Monitoring
• Baseline data collected (12 months prior to close). • Impact considered in recommendations to Investment Committee. • Projected impact and targets incorporated into contract agreement.	• Projected impacts incorporated into fund level targets. • Actual performance data collected monthly, reviewed and analyzed **quarterly** at the company and fund levels by Circulate Capital.	• Stable reporting achieved: accurate, comprehensive, timely. • Actual performance data collected monthly, reviewed and analyzed **quarterly** at the company and fund levels by Circulate Capital.

* We will not share confidential business data beyond our internal team. Please refer to our definition on data confidentiality here.

Post-investment: Impact Verification and Audit

EXTERNAL IMPACT MANAGEMENT SYSTEM VERIFICATION

Impact Management System Verification

Regular independent reviews of Circulate Capital's impact management systems and processes with: Bluemark, OPIM, UNPRI. Verification statements are available on Circulate Capital's website

EXTERNAL IMPACT DATA VERIFICATION

Independent, external audit of key impact metrics

Scope of the portfolio company's financial audit includes data related to key metrics

INTERNAL IMPACT DATA VERIFICATION

Monthly Impact Data QA/QC

- Impact and ESG managers triangulate reported data with their understanding of the business operations and related information from the Investment Managers

Portfolio Company Engagement

- Impact and ESG Managers conduct monthly touchpoints with portfolio companies / ad hoc queries to check data discrepancies across various metrics

On-site Supervision Visits

- Performed by the Impact and ESG Managers to verify reported data (scope varies on a case-by-case basis)
- An Impact Verification Report will be prepared that records observations on impact data processes / discrepancies, and recommendations to improve data accuracy and/or traceability

03 - RESPONSIBLE EXITS

RESPONSIBLE EXIT PROCESS

Studies on approaches to responsible exits have concluded that there is no single consensus approach to ensuring responsible exits. Circulate Capital's Responsible Exit Policy encourages the use of a combination of one or more of the mechanisms outlined herein to ensure both financial return to shareholders and the long-term success and impact continuity of the companies.

The likelihood that the impact will continue and grow after exiting from the investment increases by using methods across all stages of the investment lifecycle from pre-investment to exit. The exit strategy will be integrated into the investment process and strategy.

Pre-investment

1.1 Identify companies with impact integral to their business models

1.2 Understand the companies' plans for growth and future funding needs

1.3 Invest in companies with mission-driven founders and managers

1.4 Align with co-investor

At the Time of Investment

2.1. Incorporate impact into legal structures and documentation

During Investment

3.1 Actively manage the relationship

3.2 Embed impact within the companies' processes, policies and culture

At Exit

4.1 Exit at the right time

4.2 Manage continuity

4.3 Review aligned buyers

4.4 Exit Environmental, Social and Governance (ESG) and Impact Review and Exit Memo Preparation

04 - GLOSSARY

Key Indicator 1 - Plastics and other materials circulated or reduced

The impact of Circulate Capital's investments follows Circulate Capital's investment strategies: (i) recovering/collecting and recycling waste materials, and diverting them from current EOL (end-of-life), and (ii) replacing virgin fossil-based plastics and or other virgin materials by substituting them with climate-beneficial alternative materials or business models, from which Circulate Capital can estimate the equivalent volume of virgin materials avoided.

Circulate Capital tracks impact by material type where possible e.g for plastic: PET, HDPE, PP, LDPE, MLP/BOPP, flexible films, PS, PU, etc.) and by the material's country of origin

Unit of measurement: metric tonnes or metric tonnes equivalent

Key Terms

Circulated: Plastic and other waste material that is collected for recycling, that would have otherwise been bound for a non-recoverable end-of-life (EOL) fate, e.g., landfill, incineration, open burning, processed as RDF (residue-derived fuel), or unmanaged / likely to leak into the environment. Materials that are collected but not bound for recycling or a circular solution is not considered circulated.

Reduced: Virgin materials e.g., petroleum-based plastic (usually single-use plastics) that are not produced as a result of being replaced by recycled content or by alternative materials or reuse models. This figure is estimated.

Alternative materials: to qualify as a suitable alternative to petroleum-based plastics, the material must be (i) bio-based and (ii) biodegradable and/or compostable within the waste system it is present in. For example, if an industrial compostable cup is disposed of in a location with no industrial composting capabilities, it will not decompose and thus cannot be considered as suitable alternative material.

Reuse models: Products or services that avoid the use of single-use items, and hence reducing the generation of waste.

Direct vs. Indirect Impact

Direct: For companies that perform direct collection, processing and remanufacturing of recycled plastics and other materials, Circulate Capital considers their impact as direct.

Indirect: Companies that facilitate or improve material flows (e.g., a digital marketplace, traceability solution, or technology licensing to facilitate production of circular solutions) or replace virgin petroleum-based plastics via more climate-beneficial new materials or business models (e.g., replace single-use plastics via reuse or bio-based plastics) have an indirect impact on the current waste challenge.

Key Indicator 1 - Plastics and other materials circulated or reduced

Methodology

Circulate Capital calculates both, total and additional (excl. baseline) plastics and other materials circulated or reduced per year.

Additional materials circulated or reduced per year is based on the following:

$$\sum_{i=1}^{n} x_i - \frac{b \times n}{12}$$

n: number of months that plastics and other materials impact is reported on in a year

x: volume of materials impacted

b: baseline volumes, which refers to the total material impact in the 12 months preceding the start date of Circulate Capital's investment into the company

If impact for a certain reporting year falls below the baseline volumes, Circulate Capital reports the negative figure

Circulate Capital calculates plastics and other materials impacted differently based on the impact strategy:

Circulated: Includes all volumes collected and/or sorted for recycling.

Alternative materials: Circulate Capital evaluates the material and the type of material is meant to replace, for expected end uses. For plastic, Circulate Capital assumes a replacement ratio of 1:1 between the product produced and the item it is supposed to replace (e.g. material material bottle replacing plastic bottle), unless proven otherwise.

Reuse models: Volume of material impacted is estimated based on (a) the volume of the item that each reusable product or service is meant to replace, and (b) a calculation of the number and volume of each item avoided based on the estimated cycles of reuse.

Key Indicator 2 - GHG emissions reduced or avoided

This indicator looks at the estimated GHG emissions reduced or avoided directly as a result of the plastics and other materials recycled or avoided by Circulate Capital's portfolio companies. Circulate Capital tracks total and additional GHG emissions reduced or avoided per year, hence uses the same formula as Key Indicator 1.

GHG impact for plastic recycling infrastructure investments in Asia and LAC is estimated using the PLACES calculator developed by The Circulate initiative and A*STAR. Where significant updates are made to the PLACES calculator emission factors, baselines may be recalculated.

GHG emissions benefits of other materials as well as innovative business models and technologies are modeled or estimated based on the best research and evidence available, including specially commissioned life cycle assessments, when possible.

Unit of measurement: tCO2e (tonnes of CO2 equivalent)

Key Terms

Reduced: Circulate Capital investments can help to reduce GHG emissions in the following ways:

-Diverting plastics and other waste materials from current end-of-life fates (e.g. incineration, open dumps, or landfills) to recycled material in the countries Circulate Capital invests in

-Improvements made in energy source, usage and efficiency, or logistics, which lead to a reduction in emissions per tonne of material processed, as compared to baseline prior to investment

Avoided: Investments in solutions that avoid GHG emissions

Use of an alternative solution or feedstock can be said to avoid emissions that would otherwise have occurred (e.g. using recycled or bio-based material v. virgin petroleum-based material)

Sub-Indicators

Other environmental indicators are also tracked periodically:

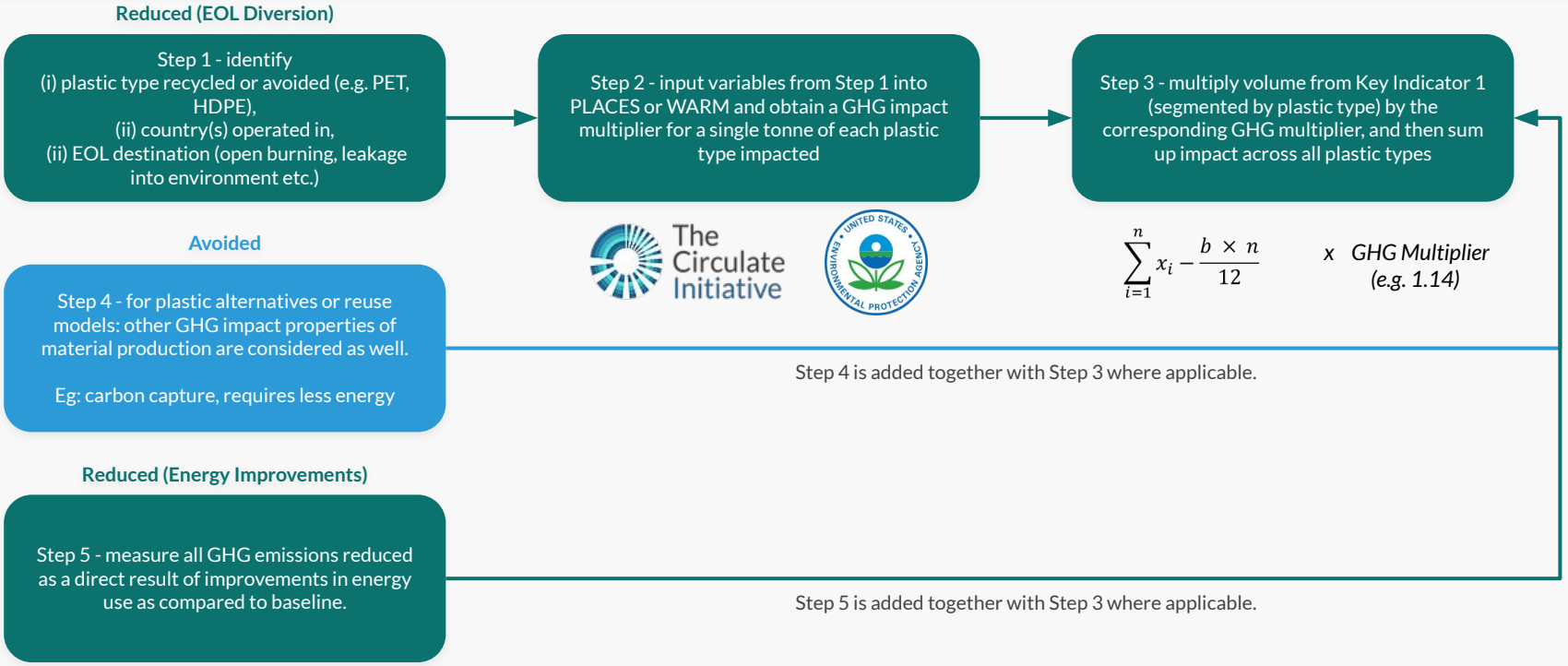
- Quantity of fuel used
- Electricity used
- Water used

Environmental indicators are also used to estimate the operational carbon footprint of portfolio companies, with reference to the US Environmental Protection Agency (EPA) Greenhouse Gas Equivalencies calculator and country-level grid emission factors, as applicable.

Key Indicator 2 - GHG emissions reduced or avoided

Methodology for plastic - mechanical recycling

The following diagram shows how GHG impact is estimated based on type of plastic impacted, as well as the type of product/service offer:



Key Indicator 3 - Total Infrastructure Capacity

This indicator reflects the total capacity of existing and new facilities, less baseline (since deal close). “Capacity” refers to the intended, or designed for, maximum amount of material produced, managed or processed by a portfolio company. By tracking capacity created Circulate Capital demonstrates the long-term impact Circulate Capital's investments have on infrastructure for waste management, recycling and circularity. Built capacity drives Circulate Capital's projections of future plastics and other materials circulated and GHG impact, and allows Circulate Capital to evaluate a company’s operational performance by measuring utilization rates.

Unit of measurement: TPA (tonnes per annum

Key Terms

Infrastructure capacity: refers to the intended maximum volumes of recycled plastic or alternative material that can be processed as the system was designed. We assume:

- All equipment runs at its actual technical capacity, not theoretical maximums
- There are no limitations to labor or feedstocks
- Example: If a company has the equipment to produce 10k TPA of rPET flakes at baseline, and purchases a new flaking line with a maximum processing capacity of 5k TPA, the new total infrastructure capacity is 15k TPA, and additional capacity is 5k TPA.

NOTE: Only the maximum capacity of the largest point in a continuous process is reported, in order to prevent double-counting as material flows through each phase of the process.

- Example: If a company processes both rPET flakes and granules, and maximum capacity of both products increases, only the larger of the two is counted.

Direct vs Indirect capacity

- Direct: For companies that perform direct collection, processing and remanufacturing of recycled plastics and other materials, Circulate Capital considers their infrastructure capacity as direct.
- Indirect: Companies that facilitate collection, processing and remanufacturing of recycled plastics and other materials, e.g., by contracting/outsourcing, licensing technology to external OEMs, Circulate Capital considers their infrastructure capacity as indirect. Information on indirect capacity can be challenging to obtain given the confidentiality of commercial agreements between Circulate Capital's portfolio companies and third parties (e.g. licensing agreements). Hence, reported information on indirect capacity is reported subject to data availability.

* Click here for an example of different points in a single company’s supply chain.

Key Indicator 3 - Total Infrastructure Capacity

Methodology

Circulate Capital calculates both, total and additional (excl. baseline) infrastructure capacity per year.

Circulate Capital calculates additionality based on the infrastructure capacity at the end of the reporting year (either as of end December or the final month before investment exit, whichever is earlier), and subtract the baseline

$$Total\ infrastructure\ capacity = 12x_n$$
$$New\ infrastructure\ capacity = 12x_n - b$$

n: final month of the reporting year
x: infrastructure capacity per month, to be multiplied by 12 months
b: baseline capacity, which refers to a company's annual Infrastructure capacity at the start date of our investment
max: if the latest annual Infrastructure capacity falls baseline, we report 0 additional TPA from that year instead of a negative figure

* Click here for an example of different points in a single company's supply chain.

Key Indicator 4 - Improvements in ESG practices

This is a quantitative indicator that monitors portfolio companies' completion of environmental, social, governance and business integrity action plans, in alignment with Circulate Capital's Environmental and Social Management System.

Action plans (APs) are defined and agreed to by Circulate Capital and portfolio companies during due diligence (pre-investment) and portfolio monitoring (post-close) stages of the investment process to remediate gaps relating to each risk area. The APs reflected in this KPI include: Environmental and Social Action Plan (ESAP), Gender Action Plan (GAP), Business Integrity Action Plan (BIAP) and Corporate Governance Action Plan (CGAP).

Circulate Capital encourages its portfolio companies to obtain local/international certifications where necessary to demonstrate improvements in ESG practices or material quality

Key Metrics: % of actions completed (company level) , % of portfolio companies on track in completing APs (fund level), # certifications obtained by portfolio companies

Key Terms

Action Plans (APs): developed as a result of the potential investee and portfolio company's agreement and commitment to close the gaps identified during due diligence and monitoring reviews.

Pre-investment, these corrective actions will need to be implemented within reasonable timelines and will be thoroughly discussed, agreed with the potential investee company, and covenanted into the investment agreements.

At a minimum, these actions consist of a set of mitigation, management, monitoring, and institutional measures to be taken during portfolio company's operation to address gaps, in alignment with CC's ESMS, applicable standards and relevant policies.

Methodology

At the portfolio company level: CC measures the % of actions completed by the portfolio company at the end of the reporting year. The KPI is further sub-categorized based on:

1. Pre-investment APs (which are based on the external due diligence process) vs. post-investment APs (agreed with the portfolio company during periodic supervision reviews)
2. Priority level of the findings and/or gaps being remediated (low, medium, high)

At the fund level: CC measures the % of portfolio companies who are "on track" in completing their APs for medium and high priority actions. Low priority actions are not evaluated.

A portfolio company is deemed "on track" if all statuses of medium and high priority actions are either "Completed" or "In Progress". Conversely, if any status is "Overdue", the portfolio company is not "on track".

Key Indicator 5 - Recycled plastics and other materials sold

This indicator measures the total volumes of recycled plastics and other materials sold by a company during the investment period. With this indicator, Circulate Capital monitors (i) the proportion of plastics and other waste materials collected for recycling that moves on to the next stage of the recycling value chain, as well as some segmentation by source (e.g., post-consumer versus post-industrial), and by end customer (e.g., Circulate Capital's corporate partners and other global brand owners or large buyers). Circulate Capital tracks total and additional recycled plastics and other materials sold, hence uses the same formula as Key Indicator 1.

Only companies that collect and recycle plastics and other materials are required to track this indicator (e.g., it may not be relevant for alternative materials or upstream solutions).

Unit of measurement: metric tonnes

Key Terms

Recycled plastics and other materials sold: Any recycled plastics and other materials that have been sorted and/or processed with the intention of recycling can be counted towards this indicator so long as it is sold to end markets for recycled plastics and other materials used to make products and packaging - except for W2E (waste-to-energy). This includes (but is not limited to):

- Bales
- Flakes
- Granules
- Packaging materials (e.g. bottles, bags)
- Other by-products (e.g. plastic dust, sludge)

If the end product is a blend of virgin and recycled material, calculate the recycled content only.

Recycled material feedstock that is held in inventory, but not yet sold, is not included in this metric.

Pre-processed: Materials that have been sorted and/or baled, but have not undergone flaking or any other fragmentation processes.

Post-processed: Materials that have completed the initial flaking process. Products include (but are not limited to): flakes, granules, packaging materials, and building materials.

For other materials, the process may look different and these stages will be updated as required.

Product Types

Where possible, we will also segment the recycled plastics and other materials sold sold based on the final end uses, e.g.

- Packaging (further segmented by food-grade vs. non-food grade)
- Textiles, Apparel & Footwear
- Construction & Furnishings

Where possible, Circulate Capital tracks material destination (exports/domestic) to gain deeper insight into the value add to end markets

Key Indicator 5 - Recycled plastics and other materials sold

Methodology

$$\sum_{i=1}^{n} x_i - \frac{b \times n}{12}$$

n: number of months that volume is reported on in a year

x: volume of recycled plastics and other materials sold

b: baseline volumes, which refers to the total recycled plastics and other materials sold in the 12 months preceding the start date of Circulate Capital's investment into the company

max: if impact for a certain reporting year falls below the baseline volumes, Circulate Capital reports a negative figure

Direct vs. Indirect Impact

If a company has added value through processing and sold recycled plastic materials, their impact is considered **direct**.

If a company helps to facilitate trade/transactions of such materials, but does not directly add value by processing the material, we consider this **indirect** impact.

LP Offtake

A key part of Circulate Capital's investment thesis is to build up supply chains in emerging markets to enable production of quality materials for Circulate Capital's Limited Partners (LPs). Some of Circulate Capital's LPs are large, multinational corporations with the capability to incentivise investment and transform market demand through their purchasing power of recycled materials. Hence, Circulate Capital uses best efforts to support/facilitate LP offtake of recycled materials from its portfolio companies to the extent possible.

LP offtake is tracked through direct engagement with portfolio companies and monthly reporting data. Where the portfolio companies have indicated that tonnes of material have been transacted with a particular LP, Circulate Capital informs the LP so that they can net off the impact from their annual allocated impact statement.

Key Indicator 6 - Capital funded by other sources

Beyond the capital that is invested by Circulate Capital, we also track other funding made into portfolio companies alongside or following Circulate Capital's initial investment. This indicator reflects how much capital we helped to catalyse in the circular economy.

Units of measurement: USD (millions); ratio (Other : CC)

Key Terms

Other sources: Funding received by a company beyond Circulate Capital's investment can be counted. This means that our LPs can also provide funding directly to a company and the amount would be considered additional.

These include:

- Primary equity (excluding refinanced amounts)
- Debt (excluding refinanced amounts)
- Capital invested by the investees themselves
- Grants

…and does **NOT** include:

- Secondary equity
- Offtake agreements
- Donation of non-financial assets

Timing

Any capital invested in the same or subsequent round as an initial investment by Circulate Capital, including post-exit.

ETPrime

Recykal raises $22 million funding from Morgan Stanley, existing investors

ET Bureau · Last Updated: Jan 11, 2022, 10:06 AM IST

SHARE FONT SIZE SAVE

Synopsis

Recykal plans to use these funds for strengthening its technology, expanding its B2B marketplace pan-India and building hyper-local waste processing infrastructure.

SUSTAINABILITY

Textile-to-Textile Recycling Company Circ Closes $25 Million Investment

European retail giant Zalando, material science and digital labels maker Avery Dennison and outdoor and sportswear manufacturer Youngone participated in the funding round announced Wednesday,

Key Indicator 7 - Workers with improved livelihoods

This qualitative indicator represents the positive impact of our investments on the livelihoods of workers contracted or employed by our portfolio companies and, where relevant, workers and waste pickers in the supply chain.

Over the course of the investment period, CC works closely with portfolio companies to identify and address challenges or gaps, protect human rights and improve labor conditions, and thereafter monitor the number of workers benefited, as compared to the situation at baseline.

Unit of measurement: # of workers (both direct and indirect)

Key Terms

Improved livelihoods for the portfolio companies: references closure of pre-investment ESAP items

Improved livelihoods for the supply chain: references our Principles for Responsible Supply Chain Management (RSCM), which comprises 5 key areas:

1. Prioritised Child Welfare
2. Beneficial Health and Safety Conditions to Support the Success of Workers
3. Opportunity for Livelihood and Choice of Work
4. Support for Marginalized Populations
5. Strong Business Ethics, Traceability, and Documentation

These principles have been defined in alignment with global human rights frameworks, including the IFC Performance Standards, NextWave Socially Responsible "Ocean-Bound Plastic" Supply Chains Framework, Fair Circularity Initiative Principles, Ethical Trading Initiative Base Code, ILO Standards, United Nations standards on human rights and labor practices and more.

Direct workers: Refers to individuals who are directly remunerated by the portfolio company for their labor. Such workers may or may not be considered formal employees.

- Includes full-time, part-time, and contract-based employees

Indirect workers: Refers to individuals who work in the value chain of the portfolio company. These workers may be employees of registered companies to individual entrepreneurs and waste pickers. People in such employment often work informally in the geographies Circulate Capital invests in without contractual proof of employment or registration as a business owner.

- Includes Tier 1 suppliers, and Tier 2 whenever traceable

Where Circulate Capital cannot validate whether they benefited from Circulate Capital policies and improvements, a qualifier will be added that it is subject to validation.

Gender: Data on workers impacted are disaggregated by gender, as an intervention can impact men and women differently (e.g., maternity benefits).

Circulate Capital also considers the social context in which these workers operate in when evaluating impact between genders.

Key Indicator 7 - Workers with improved livelihoods

Methodology

Circulate Capital calculates total number of improved livelihoods per year based on the following:

$$max(x_1, x_2, x_3 \ldots)$$

x:# of workers (both direct and indirect) reported to Circulate Capital on a quarterly basis. As this indicator fluctuates due to seasonality in hiring, the maximum # of workers in the year/time period of reporting will be selected as the impact number.

As part of Circulate Capital's ongoing ESG engagements with portfolio companies, Circulate Capital continually monitors the portfolio company's approach to protecting workers through its value chain, in alignment with the Responsible Supply Chain Management Framework Principles and Guidelines, and in accordance with the Harmonized Responsible Sourcing Framework for Recycled Materials Themes.

Although this indicator focuses on the positive impact of Circulate Capital's investments, Circulate Capital also engages portfolio companies in understanding potential negative impacts and risks via a progressive process of traceability mapping, assessment, capacity building, action planning, management and monitoring.

Circulate Capital's partnership with the TCI's Responsible Sourcing Initiative, through support from their implementation partners, allows for investments to participate in technical and financial-aided projects that improve human rights practices and increase the supply of responsibly sourced recycled materials. Impact, including learning and knowledge sharing of findings from its implementation partners, are measured and tracked in collaboration with TCI.

The Responsible Sourcing Initiative, through its Process-Based Assurance Model (herein referred to as the "Assurance Model", which is currently in planning/ piloting stage), is envisioned to supplement the measurement and monitoring of this indicator. The Assurance Model is designed to move beyond traditional models by prioritizing proactive due diligence and meaningful stakeholder engagement. Furthermore, the Assurance Model focuses on processes and management systems, aiming to demonstrate that an organization is advancing responsible sourcing standards across its value chain. The results from the assurance activities can be used to validate the data reported in this indicator, emphasizing continuous improvement and covering the full value chain, including meaningful inclusion of informal-sector actors. This subsection will be updated as soon as more information is available based on progress of the Assurance Model project implementation.

From time to time, Circulate Capital substantiates portfolio companies' self-reporting with data collected from the workers themselves and independent research.

Key Indicator 8 - % of portfolio meeting 2X gender smart investing targets at exit

Circulate Capital Ocean Fund (1 and 1B) is qualified as an eligible investment towards the 2X Challenge, a commitment among the world's largest DFIs to channel capital towards gender-smart investments, particularly in developing countries. Circulate Capital's 2x-aligned commitments are described in detail below.

Unit of measurement: Yes/No

Key Terms

Please refer to the 2X Global website for the latest criteria

Methodology

Circulate Capital collects data regarding gender from portfolio companies on an annual basis. This data is then used to conduct in-house analysis on alignment with 2X criteria and to track our progress towards the targets.

Where possible, Circulate Capital engages with portfolio companies to improve diversity and inclusion in hiring, retention, human resource management, and training strategies.