

Circulate Capital Impact Management System Overview

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 ocean plastic pollution, advancing a circular economy and creating positive social and climate impact.



CIRCULATE CAPITAL



Generate
Circular and Climate
Benefit



Scale
Investable Business
Models



Improve
Livelihoods and
Communities

How We Measure: Guiding Principles

We Maximize Impact Through **Strategic Management & Transparency**

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

IMPACT MANAGEMENT

- ▶ Circulate Capital **invests** in companies with strong financial returns due to impact performance.
- ▶ We **manage** impact performance to drive financial growth and scalability.
- ▶ We **re-evaluate** investments if financial-impact correlation weakens.
- ▶ We **maintain** a robust impact management system for better portfolio management and investment decisions.

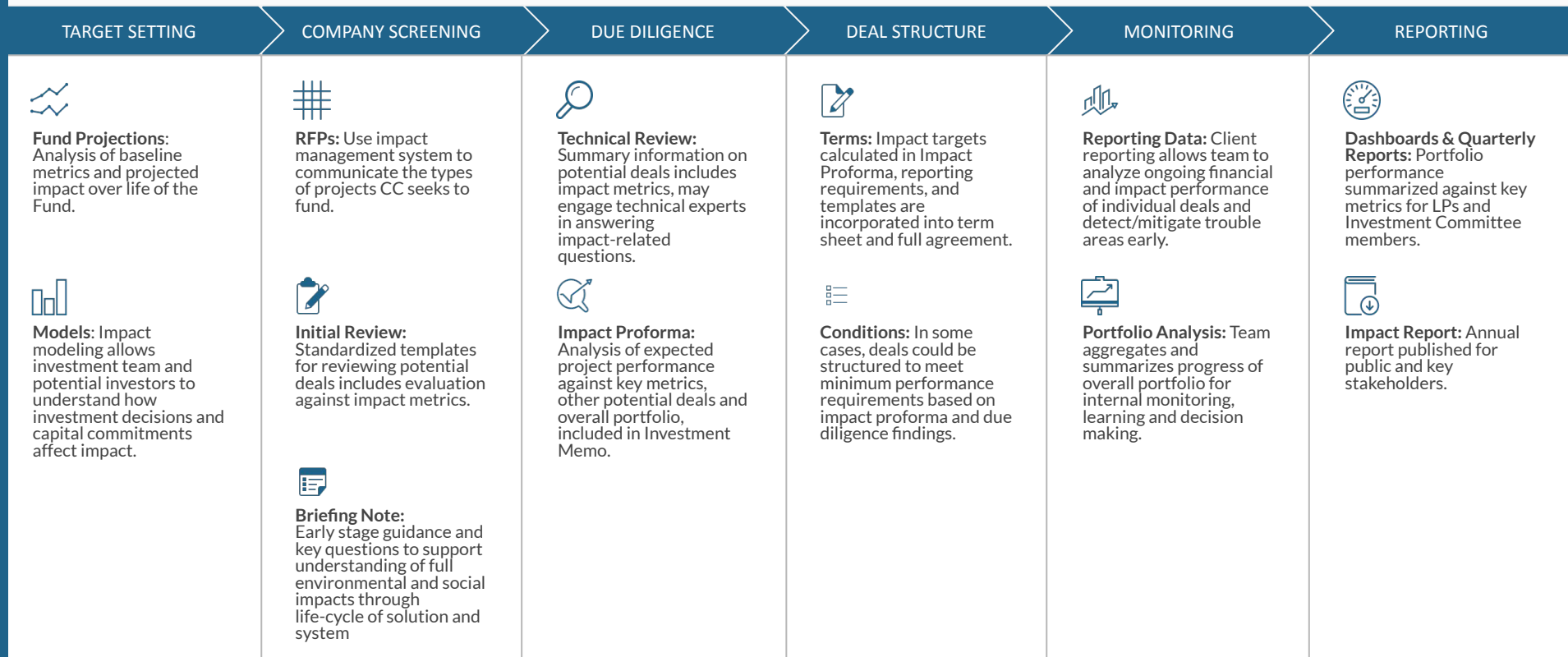


IMPACT TRANSPARENCY

- ▶ Circulate Capital promotes **accountability** through impact performance and methodology disclosure.
- ▶ Our impact framework is **clear, direct, evidence-based** and aligns with globally adopted UN SDGs and IRIS+ indicators.
- ▶ We **share our approach** so that others may learn and take action.
- ▶ We're committed to **public disclosure** as a UN PRI signatory.



We Integrate Impact Throughout the Investment Process

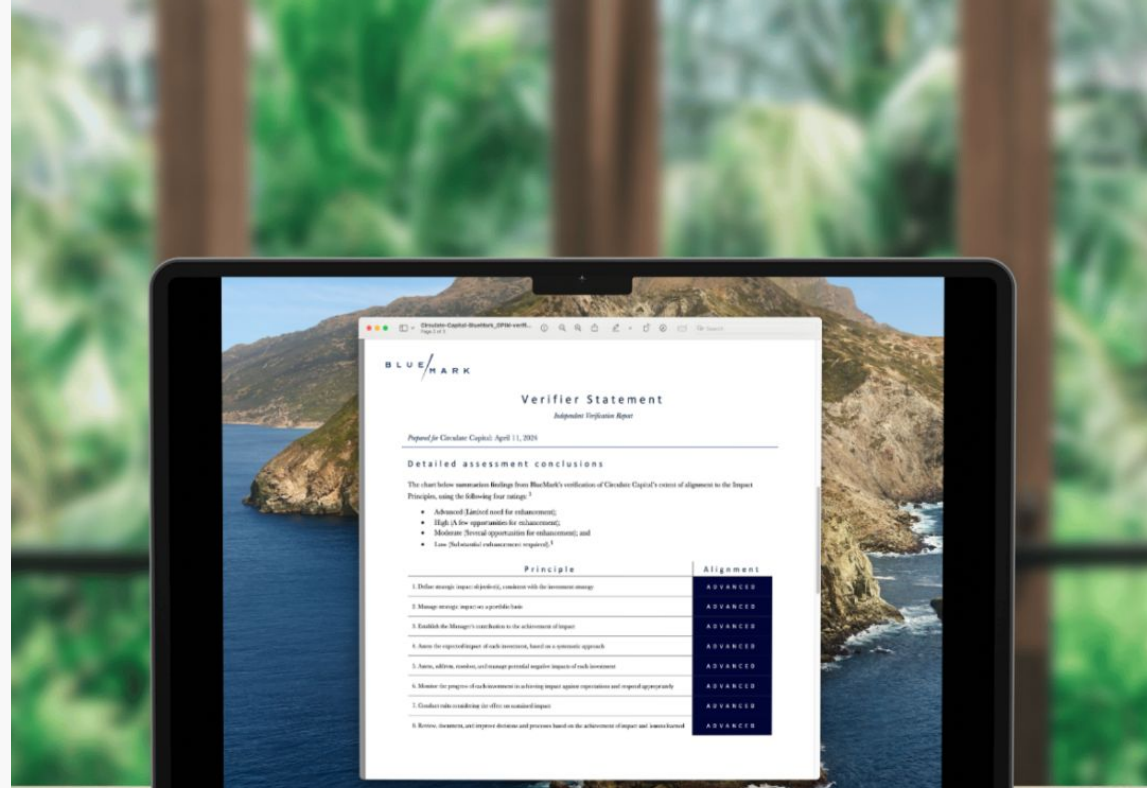


We Commit to Transparency

As signatories to the [Operating Principles for Impact Management](#) and the [United Nations Principles for Responsible Investment](#), we commit to adhering to global standards for the management of our impact investments, as shown in our [disclosure statement](#).

We further commit to transparency and continuous learning by reviewing our impact approach with an independent third party as shown in [BlueMark's verifier's statement](#).

As users of, and contributors to, the [Global Impact Investing Network's IRIS+ system](#), we align our impact metrics to standardized norms in the industry.



Operating Principles for
Impact Management

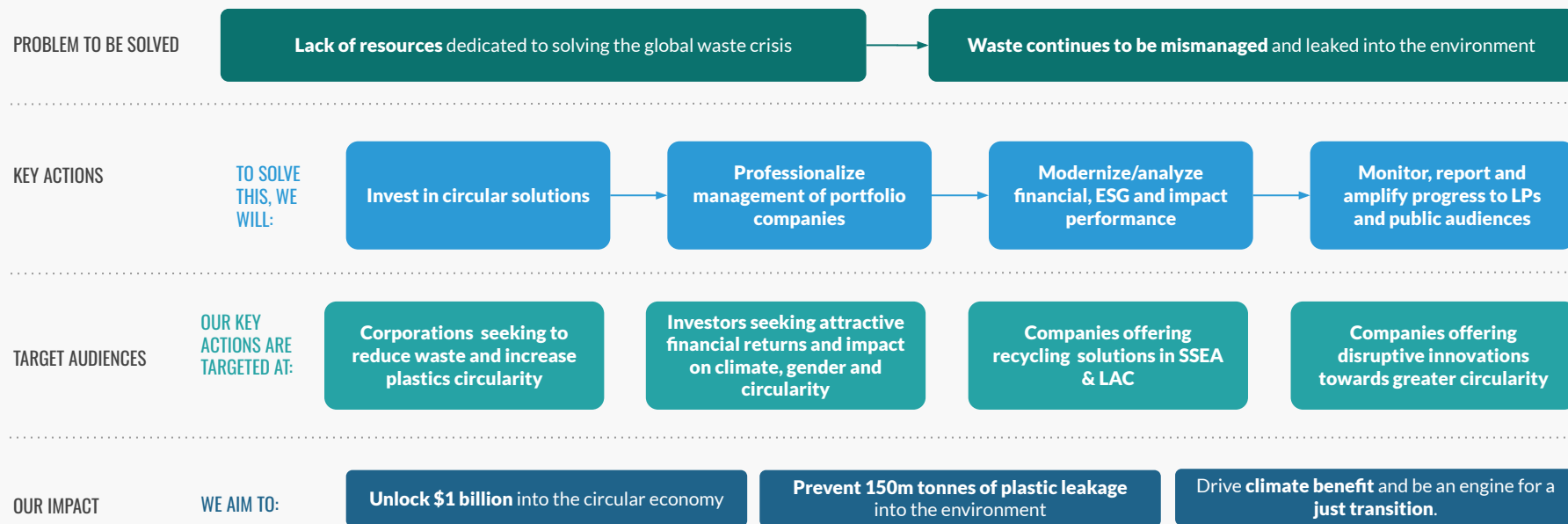


What We Measure: Key Indicators



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 investments into scalable and sustainable circular economy solutions, aiming to demonstrate their economic viability as well as their 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 US\$1 billion into the sector and preventing 150 million tonnes of plastic leakage.



Our Impact Objectives & Key Indicators

Generate

Circular and
Climate Benefit



1. Plastics circulated or reduced (additional)
2. GHG emissions reduced or avoided (additional)
3. New infrastructure capacity created

Scale

Investable Business
Models



4. Improvements in ESG practices
5. Recycled plastics sold (additional)
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

Impact Objectives Defined

To measure the advancement of the circular economy, we seek investments that prevent or reduce plastics leaked 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 assesses its impact on plastic waste in various ways, acknowledging the need for multiple solutions to establish a **circular plastic economy**.

Simply focusing on “ocean plastics” or segregating plastics in mixed waste isn’t enough. Each investment must also show a **net positive impact on the climate**, fostering sustainable production and consumption and advancing circular economies.

Key metrics for measuring success include:

- i. volume of plastic circulated away from current/default end-of-life,
- ii. reduction in production of virgin petroleum-based plastics;
- iii. CO2 equivalent tonnes of emissions reduced via recycling (including the impact of mismanaged disposal or littering of waste) or avoided via alternatives; (iv) new infrastructure capacity created 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 value-added recycled plastics sold;
- iii. additional capital invested by other sources (including co-investments in same and subsequent rounds)

Impact Objectives Defined (Cont'd)



3. Improve Livelihoods and Communities

Investments in the circular plastics value chain must consider the **well-being of all workers, including women, migrants and informal waste collectors**. For Circulate Capital, improving livelihoods involves creating not just economic benefits but also health, education, and social advantages for workers and their families, fostering more equitable and inclusive solutions.

Key indicators to track progress 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.

Alignment with Global Impact Frameworks and Standards



THEMES	KEY INDICATORS — UNIVERSAL	SUB INDICATORS — RELEVANT DEALS ONLY	RELATED SDG INDICATORS	RELATED IRIS+ INDICATORS
<p>Circular and Climate Benefit</p> <p>How, and to what extent, are our portfolio companies preventing or avoiding plastic pollution and greenhouse gas emissions, and advancing a circular economy for plastics?</p>	<ol style="list-style-type: none"> 1. Plastics circulated or reduced (additional) 2. GHG emissions reduced or avoided (additional) 3. New infrastructure capacity created 	<ul style="list-style-type: none"> ▸ Plastic pollution leakage prevented (MT) ▸ All waste managed (MT) ▸ Quantity of fuel used (L) ▸ Electricity used (KwH) ▸ Blue water used (L) 	<p>1: C120501</p> <p>2: C090401</p>	<p>1: OI2535, OI4328, PD9364</p> <p>2: PI5376, PI2764</p> <p>Sub: OI7920, PI8177, OI1496, OI3324</p>
<p>Investable Business Models</p> <p>How, and to what extent, are our portfolio companies demonstrating financial sustainability, world-class operations, and value creation across a more circular system?</p>	<ol style="list-style-type: none"> 4. Improvements in ESG practices 5. Recycled plastics sold (additional) 6. Capital funded by other sources 	<ul style="list-style-type: none"> ▸ Utilization rate (%) ▸ Yield rate (%) ▸ Capital from CC committed (USD\$) 	<p>4: C060303, C120402, C070301</p> <p>5: C120501</p> <p>6: C170304, C170701, C170901, C171702, C090a01</p>	<p>4: OI6209, OI7365, PI5216</p> <p>5: OI4328, PI5926, PI5678</p> <p>6: PI4142, PI5476, FP8293</p> <p>Sub: PI5743</p>
<p>Improved Livelihoods and Communities</p> <p>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?</p>	<ol style="list-style-type: none"> 7. Workers with improved livelihoods 8. % of companies meeting 2X gender smart investing targets at exit 	<ul style="list-style-type: none"> ▸ No. of new jobs created ▸ No. of workers (% women) with access to improved policies and practices 	<p>7: C080302, C080701, C080801, C080802, C200204, C050101</p> <p>8: C050502</p>	<p>7: OI2742 OI3757 OI6176 OI1855 OI9767</p> <p>8: OI2840 OI8118 OI8197 OI6213</p> <p>Sub: PI3687, PI4874</p>

Resources About the Sector and Further Reading

- ▶ [Circulate Capital reports](#)
- ▶ [The Circulate Initiative \(TCI\) research and resources, including:](#)
 - ▶ [TCI Knowledge Bank](#): Curated links to reports and tools about waste management, recycling and circular economy, ocean plastics, livelihoods, plastics value chains, SSEA regional problems/solutions, impact investing and more
 - ▶ [PLACES](#): GHG Calculator for Plastics Recycling (India and Indonesia)
 - ▶ [Circularityconcepts.org](#): A learning series on emerging topics relevant to our work
 - ▶ [Plastics Circularity Investment Tracker](#): Aggregated data on private investment into plastics circularity worldwide
 - ▶ [City Waste Landscapes](#): Snapshots of critical data related to plastic waste on local markets across 75 cities in 22 high-growth countries
- ▶ **More Selected Sources:**
 - ▶ Ocean Conservancy: [Plastics Policy Playbook: Strategies for a Plastic-free Ocean](#).
 - ▶ Ocean Conservancy: [Financial Waste Management and Recycling Infrastructure to Prevent Plastic Pollution: A Survey of Innovative Financial Instruments](#)
 - ▶ SYSTEMIQ: [Breaking the Plastic Wave \(with Pew Charitable Trusts\)](#)
 - ▶ SYSTEMIQ: [Radically Reducing Plastic Pollution in Indonesia: A Multi-stakeholder Action Plan](#)
 - ▶ World Economic Forum: [Unlocking Financing for Plastics Circularity: Case Studies for Investment](#)

Appendix: Definitions



Key Indicator 1 - Plastics circulated or reduced (additional)

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

To calculate additionality, baseline figures are subtracted from the total impact for each reporting year. We also track plastic impact by material type (such as PET, HDPE, PP, LDPE, MLP/BOPP, flexible films, PS, PU, etc.).



Key Indicator 2 - GHG emissions reduced or avoided (additional)

This indicator looks at the estimated GHG emissions reduced or avoided directly as a result of the additional plastics recycled or avoided by our portfolio companies. GHG impacted through other aspects of the company's operations is also considered (e.g. switching to renewable energy, reducing transport mileage). Baseline figures are subtracted from the total impact for each reporting year.

GHG impact for recycling infrastructure investments in Asia is estimated using the [PLACES calculator](#) developed by The Circulate initiative and A*STAR. For other geographies, Circulate Capital refers to the [WARM](#) model, developed by the US Environmental Protection Agency and Abt Associates.



Key Indicator 3 - New infrastructure capacity created

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 the additional capacity built, Circulate Capital demonstrates the long-term impact our investments have on infrastructure for waste management, recycling and plastics circularity. Built capacity drives our projections of future plastic and GHG impact, and allows us to evaluate a company's operational performance by measuring utilization rates.



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).



Key Indicator 5 - Recycled plastics sold (additional)

This indicator measures the additional volumes of recycled plastics sold by a company during the investment period. With this indicator, CC monitors (i) the proportion of plastic waste 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., our corporate partners and other global brand owners or large buyers).

Additionality is calculated by measuring volume of recycled plastics sold per year and subtracting the baseline volumes. Only companies that collect and recycle plastic materials are required to track this indicator (e.g., not relevant for alternative materials or upstream solutions).



Key Indicator 6 - Capital funded by other sources

Beyond the capital that is invested by Circulate Capital, we 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, an encompasses a broad range of financial instruments and investor/funder profiles.



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, Circulate Capital 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.

Circulate Capital's definition of **Improved livelihoods** 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 align with global human rights frameworks, including the Responsible Sourcing Initiative Harmonized Framework, 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.



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

Circulate Capital and Ocean Fund (1 and 1B) are qualified as eligible investments towards the [2X Challenge](#), a commitment among the world's largest DFIs to channel capital towards gender-smart investments, particularly in developing countries.

Building on the foundational principles of the 2X Initiative, 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 through 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.

2X CHALLENGE
FINANCING FOR WOMEN

