



CLOSED LOOP PARTNERS DISCLOSURE STATEMENT

**Operating Principles for
Impact Management**

May 2021

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About Closed Loop Partners

Closed Loop Partners is a New York-based investment firm comprised of venture capital, growth equity, private equity and project-based finance, as well as an innovation center focused on building the circular economy. The firm's business verticals build upon one another, bridging gaps and fostering synergies to scale the circular economy. We have built an ecosystem that connects entrepreneurs, industry experts, global consumer goods companies, retailers, financial institutions and municipalities. To date, our investments and projects generate impact across four continents, six countries and 24 U.S. states.

About Closed Loop Leadership Fund

The Closed Loop Leadership Fund is Closed Loop Partners' private equity fund, focused on acquiring best-in-class, private companies that are fundamental to keeping plastics and packaging, food and organics, technology and textiles out of landfills and within a circular system.

About the Disclosure Statement

Closed Loop Partners (the "Signatory") hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the "Impact Principles"). The total value of the Covered Assets in alignment with the Impact Principles is US\$ 280 million as of May 10, 2021, comprising all Closed Loop Partners investment funds, including venture capital, growth equity, project-based finance and private equity.

As a Signatory to the Impact Principles, Closed Loop Partners shares in the collective commitment to ensure that impact management practices are purposefully integrated throughout the life cycle of each investment in the fund's portfolio. This Disclosure Statement describes practices common to all Closed Loop Partners investment funds, with a particular focus on the impact management process and policies adhered to by the Closed Loop Leadership Fund.

PRINCIPLE 1

Define strategic impact objective(s), consistent with the investment strategy

Guidance: The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

Closed Loop Partners invests in building and accelerating the growth of the circular economy, a new economic model that helps address the urgent challenge of mounting global waste and growing climate risks, through the decarbonization and dematerialization of supply chains. Since our founding in 2014, the firm has invested in recovery infrastructure and innovations for post-consumer materials that drive the circular economy forward, targeting competitive financial returns and a net positive impact through avoided landfilling, reduced virgin resource extraction, avoided GHG emissions and a systemic shift toward circularity. We integrate the robust due diligence of environmental and social impact outcomes into our mission, investment thesis and investment process.

The firm aims to support the market's advancing assessment of environmental and social value—specifically to account for the impact of circularity in the economic system. We strive to demonstrate industry impact standards and help inform their evolution and integration into markets.

As a growing team, Closed Loop Partners also prioritizes the responsible management of our internal governance, employees, customers and the communities in which we operate. Since September 2017, the firm has been a proud member of the B Corp community, as a certified Business for Good. The firm is aligned with the objectives set for B Corps, to use profits and growth as a means to a greater end: positive impact for their employees, communities and the environment. See our B-Lab score [here](#).

Within the arc of capital provided by our investment platform, the Closed Loop Leadership Fund, our private equity buyout fund, is focused on acquiring companies along the value chain to build circular supply chains.

The Leadership Fund represents a significant contribution to the firm’s main impact objectives by capitalizing on the market opportunity created by a fragmented recycling industry in North America, combined with tailwinds of corporate customer demand and an identified capital transition to more resilient supply chains and resource efficiency.

Our impact through the Leadership Fund aligns with nine Sustainable Development Goals (SDGs) outlined by the United Nations Development Programme, and we contribute directly to three of these SDGs: 9, Industry, Innovation and Infrastructure; 11, Sustainable Cities and Communities; and 12, Responsible Consumption and Production. We linked our impact objectives to the SDGs using the Impact Management Project (IMP)’s **“A, B, C classification”** to specify each objective’s intentions with respect to each SDG, outlined below in **Figure 1**.

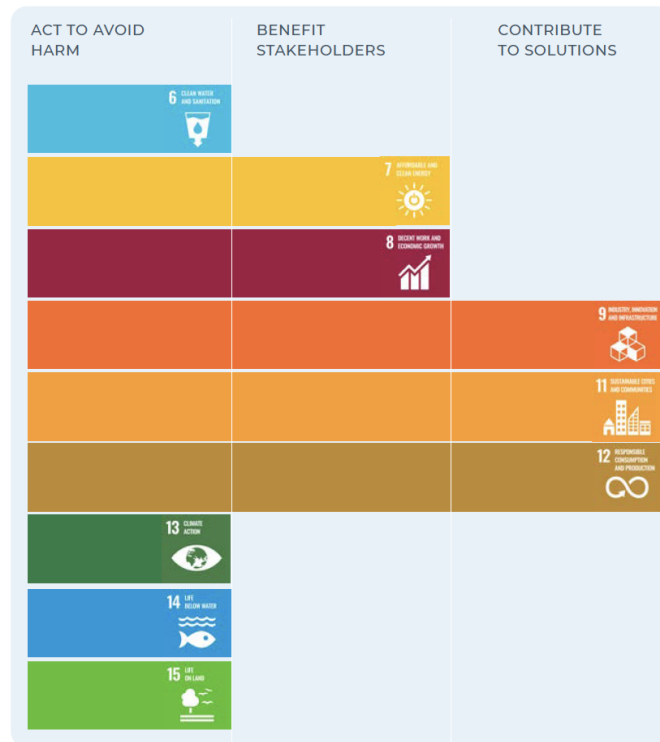


Figure 1: Sustainable Development Goals classified by IMP Classifications

PRINCIPLE 2

Manage strategic impact on a portfolio basis

Guidance: The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

At Closed Loop Partners, coherent processes and tools are in place to integrate impact considerations at each stage of the investment process, grounded in a standardized set of impact indicators. This begins by establishing the baseline impact for each investment, and projecting incremental impact through the due diligence process, considering the impact of the investment decision-making process, and the ongoing monitoring and review of impact indicators, aligned with the IRIS+ metrics outlined by the Global Impact Investing Network, which allows for monitoring impact performance across the portfolio, as well as comparing variation across investments. The process is outlined below, in **Figure 2**.

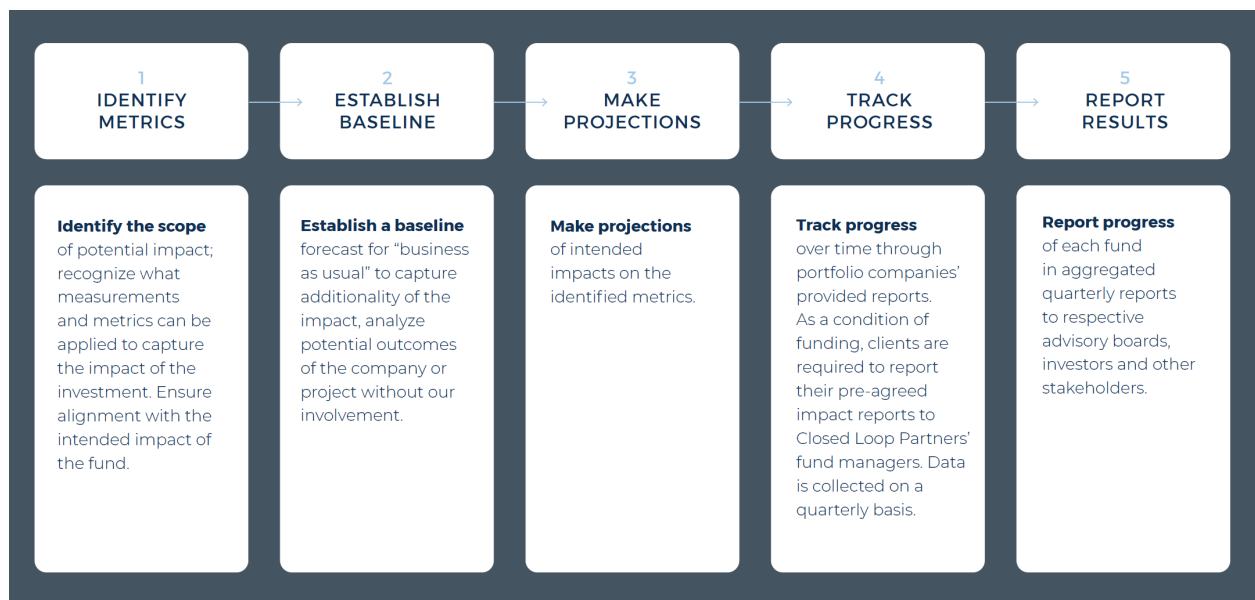


Figure 2: Impact Assessment Process

PRINCIPLE 3

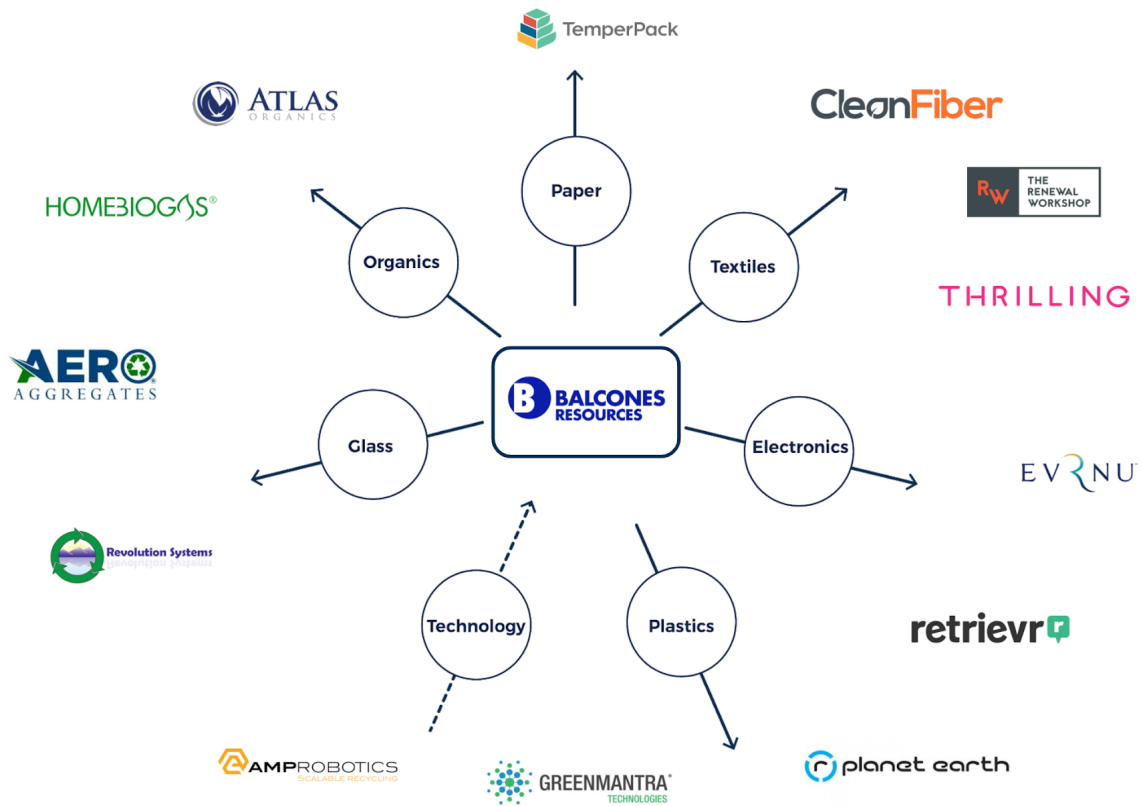
Establish the Manager's contribution to the achievement of impact

Guidance: The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

Our firm's experience within the waste management, manufacturing and recycling industries, our extensive investor network through the Leadership Fund and our financial capital help achieve significant growth and returns while advancing systemic, circular change.

At the helm of Closed Loop Partners is a management team comprised of industry CEOs, CFOs, fund managers and former executives of government agencies with decades of operating experience aligned with the needs of the firm's portfolio companies. The internal management team and the teams across the firm leverage Closed Loop Partners' network of corporate partners, working with them to advance industry-wide impact, deploy financial capital and sponsor strategic collaborations that achieve observable investment and impact objectives, while accelerating systemic, circular change. We also bolster our expertise and experience through our broader ecosystem of industry experts & academic research, catalyze capital through co-investors, and hold ourselves accountable to leading standards set by our impact partners.

The Closed Loop Leadership Fund, in particular, is led by a team with decades of operating and financial expertise, comprised of a former industry CEO, CFO, investors and head of the largest recycling agency in the U.S., leveraging the entire Closed Loop Partners platform. The Leadership Fund advances its impact through synergies across the firm's portfolio—connecting portfolio companies with investors, or with other portfolio companies, and filling capital markets gaps for post-consumer content/materials, among others. In 2020, the Closed Loop Leadership Fund's portfolio company, Balcones Resources, closed a bolt-on acquisition of Single Stream Recyclers (SSR), the first artificial intelligence-powered recycling company in the United States. SSR's facility houses artificial intelligence-guided robots by AMP Robotics Corp. (AMP), a portfolio company of the Closed Loop Ventures Group, to improve the sortation of recyclables in its facility.

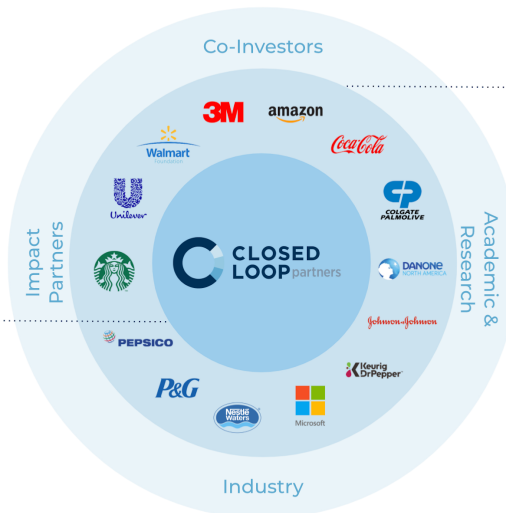


Track Record

We have invested and helped build over 45 businesses across our platform to date, diverting 1.3M tons of waste from landfill and avoiding 3M tons of GHG emissions.

Industry Expertise

Our management team is comprised of industry CEOs, CFOs, fund managers and former heads of government agencies with decades of operating experience.



Investor Network

Our partners work with us to advance industry-wide impact, deploying financial capital that achieves significant growth and returns while accelerating systemic, circular change.

Broader Ecosystem

We leverage industry experts & academic research, catalyze capital through co-investors, and hold ourselves accountable to leading standards set by our impact partners.

PRINCIPLE 4

Assess the expected impact of each investment, based on a systematic approach

Guidance: For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

Closed Loop Partners uses the Impact Logics Framework, outlined by the IMP, to provide a deeper understanding of our firm's impact, across the five dimensions of performance: **What**, **Who** and **Where**, **How Much**, **Contribution** and **Impact Risk**, as seen in **Figure 1** below.

Five Dimensions of Impact



WHAT

We invest in circular business models that create a more sustainable, profitable and resource-efficient economy.



WHO

Our investments reduce the pressure on the planet, resulting from linear economic activity.



HOW MUCH

We project, measure and manage positive impact that lasts well beyond our engagement.



CONTRIBUTION

We actively manage capital, provide flexible terms and add value to catalyze impact across sectors.



RISK

We move away from business as usual, or the take-make-waste linear economy, to lessen organizations' exposure to significant climate- and supply chain-related risks.

Figure 3: IMP Impact Logics Framework

The Closed Loop Leadership Fund's role in advancing the overall impact objectives of Closed Loop Partners is through capitalizing best-in-class circular economy platforms that have the potential to bolster the supply of post-consumer recycled materials needed to fill market demand. The Leadership Fund acquires established companies with proven, predictable cash flow and tangible assets, including equipment and real estate, then grows the company's enterprise value while distributing cash flow to investors. The Leadership Fund ultimately aims to build, modernize and recapitalize companies that keep valuable materials in play, and grow these key market players to accelerate the transition to a circular economy.

With the firm's investment thesis firmly rooted in advancing circular solutions that maximize the value of resources already in play, the profitability and impact potential of our portfolio companies are intrinsically correlated. As these companies grow in size, scale and profit, diverting more material from landfill and therefore avoiding the emission of more greenhouse gases, so does their environmental and social impact.

PRINCIPLE 5

Assess, address, monitor, and manage potential negative impacts of each investment

Guidance: For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

Closed Loop Partners' private equity fund, the Closed Loop Leadership Fund, makes control investments with a strategic advantage to scale circularity. The Fund aims to build, modernize and recapitalize companies that keep valuable materials in play, and grow these key market players to accelerate the transition to a circular economy. Investment focus areas are plastics and packaging, organics, electronics and apparel.

For example, the first portfolio company in the Leadership Fund, Balcones Resources (Balcones), is a pure-play recycling company, with no economic incentives or business links to landfills. Balcones has a 26-year history of engaging with its community, building careers for its employees (as demonstrated by its low employee turnover rate within an industry characterized by high turnover), and embracing diversity, equity and inclusion (for example, genuine commitment to its DACA employees). The objective of the Leadership Fund is to grow Balcones Resources into one of the largest and most successful recycling companies in the U.S., contributing meaningfully in the shift to increased quality and quantity of recycled materials, thereby reducing virgin extraction and disposal in supply chains.

Identifying gaps and negative impact is important to the initial underwriting and ongoing impact measurement and management. As part of the firm's due diligence process, the Closed Loop Leadership Fund identifies potential environmental risks and makes recommendations to address those risks through Environmental Site Assessment (ESAs) conducted in accordance with American Society of Testing and Materials (ASTM) Standard Practices. With safety being a top priority at recycling facilities, the Leadership Fund's team conducts due diligence on safety records to identify and mitigate associated risks.



The investment team works directly with the company across strategy, governance, operations and finance to support the extension and continued integration of the firm's ESG best practices as the company grows. The Leadership Fund holds the majority on the Board of Directors, thus is directly influential in decision making to help ensure that these practices are continued, monitored and measured, and that the aligned ethos of the exceptional Balcones management team extends as the company grows.

PRINCIPLE 6

Monitor the progress of each investment in achieving impact against expectations and respond appropriately

Guidance: The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

Closed Loop Partners has developed a thorough process to collect and report impact data. The Closed Loop Leadership Fund captures each investment's progress towards expected positive impact on a quarterly basis through investee reporting, grounded in impact indicators that capture investor outcomes. Those indicators are including but not limited to:

- **Tons Recovered and Returned:** The impacted tons of materials coming through the system of the portfolio company's operation.
- **Net Greenhouse Gas Emissions:** Metric tons of CO₂e estimated emissions reduced or avoided as a funded project or company, based on tons of material recovered, using data from the most recent version of the U.S. EPA Waste Reduction Model (WARM).
- **Energy Management:** Electricity used by source (including renewable), as well as electricity generated.
- **Employee Count:** The number of measurable indicators, including full-time employees, hourly employees, as well as female and minority representation.



- **Safety of Operation:** The top priority of the Fund; injuries and fatalities registered with OSHA are tracked.

Data is collected monthly or quarterly by each of the fund teams on the Closed Loop Partners platform and shared with investors on a regular and bespoke basis. Environmental and social impact data points are collected from individual portfolio companies and are aggregated by the internal Closed Loop Partners team to provide firm-wide impact data. Impact data is then codified in a publicly available document through Closed Loop Partners' annual impact reports.

PRINCIPLE 7

Conduct exits considering the effect on sustained impact

Guidance: When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure and process of its exit will have on the sustainability of the impact.

Closed Loop Partners' mission is to build the circular economy. Each of Closed Loop Partners' investment strategies invests in and helps build sustainable companies that contribute to the systemic shift away from a linear economic model to a circular economic model. The Closed Loop Leadership Fund proactively strives to ensure that a portfolio company's net positive contribution to the circular economy persists after the Fund exits its ownership—be that in the public markets, or through the sale to a strategic or financial buyer. Exit is part of the investment team's initial financial and impact underwriting. The persistent systemic contribution to the circular economy is part of this assessment and the investment team's value creation strategy (the Fund's own management influence). Evidence of this underwriting is recorded through the team's exchanges, models and investment memos. After the Fund monetizes its ownership position (i.e., exits), the persistence of positive impact outcomes, positive contribution to the circular economy and ESG practices should be reviewed and compared versus expectations. To date (May 2021), the Fund has not had an exit, so all exit assessment is ex-ante.

The Closed Loop Partners team takes proactive steps intended to embed impact earlier in the investment process, including engagement with human capital management and environmental controls. We continue to formalize the standardized process of the impact exit as we approach the first exit.

PRINCIPLE 8

Review, document and improve decisions and processes based on the achievement of impact and lessons learned

Guidance: The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

Closed Loop Partners believes that best practices in impact measurement and management are achieved when industry leaders work in partnership. Working together, we strive towards integrated reporting, common language and measurable & transparent outcomes throughout the lifecycle of each investment. With every investment, we continue to evolve and advance our impact management system.

The Leadership Fund's management team works with portfolio companies to monitor, manage and report on impact performance. Impact data collected through quarterly monitoring is reviewed by a dedicated staff member and compared with established impact projections to allow for the comparison of actual and expected impact performance over time.

PRINCIPLE 9

Publicly disclose alignment with the Principles and provide regular independent verification of the alignment

Guidance: The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for an independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

The full Disclosure Statement affirms the alignment of Closed Loop Partners' impact management processes and procedures with the Impact Principles. Updated Disclosure Statements will be provided every year. The current Verification Statement, completed last November, is with respect only to our private equity fund, the Closed Loop Leadership Fund, covering \$100 million assets under management, to date. Future Verification Statements are expected to cover all of Closed Loop Partners' assets under management, and are anticipated to be provided every three years.



Closed Loop Partners has engaged BlueMark as our external and independent verifier. The BlueMark Verifier Statement dated November 3, 2020, can be found on the following page.

VERIFICATION STATEMENT

Verifier Statement

Independent Verification Report

Prepared for Closed Loop Partners: November 3, 2020

Introduction

As a signatory of the Operating Principles for Impact Management (the Principles)¹, Closed Loop Partners engaged BlueMark to undertake an independent verification of the alignment of the Closed Loop Leadership Fund's (Leadership Fund, or CLLF) impact management (IM) system with the Operating Principles for Impact Management (the Principles). As of September 2020, the Leadership Fund's assets under management total \$83 million.²

Summary assessment conclusions

BlueMark has independently verified the Closed Loop Leadership Fund's extent of alignment with the Principles. Key takeaways from BlueMark's assessment are as follows:

Principle 1: The CLLF has clear impact objectives, which have been mapped to the Sustainable Development Goals (SDGs) and to positive and measurable impact metrics. The Fund could take steps to more clearly articulate the consistency of its impact objectives and investment strategy.

Principle 2: The Leadership Fund uses a standard set of impact metrics to consider impact at each stage of the investment process, facilitating impact monitoring at the portfolio-level and across investments. The Fund could consider aligning staff incentive systems with impact achievement.

Principle 3: The CLLF assesses its expected investor contribution for each investment in the due diligence process, projecting incremental impact stemming from its investment beyond a baseline. The Fund could compile further evidence in support of its investor contribution narrative.

Principle 4: The Leadership Fund assesses positive impact potential through impact projections, including for indirect impacts, and has impact metrics aligned with IRIS+. The Fund could take steps to assess additional impact considerations in the diligence process, in addition to impact indicators.

Principle 5: The CLLF identifies and assesses potential environmental risks, as well as other Environmental, Social, and Governance (ESG) risks, in the due diligence process. The Fund could further align its ESG management processes with industry standards, as well as further formalize its approach to monitoring ESG risk and performance on an ongoing basis.

Principle 6: The Leadership Fund has a clear process to collect impact data on a quarterly basis, capturing progress toward expected positive impact and investment outcomes. The Fund could further specify its processes to engage with investees in instances of impact underperformance.

Principle 7: The CLLF has identified considerations relevant the sustainability of impact at the time of exit, including the potential effects of different types of exit. The Fund could take additional steps to standardize and document its approach to assessing the sustainability of impact at exit.

Principle 8: The Leadership Fund has articulated a high-level process to review impact data collected through quarterly monitoring. The Fund could further standardize its approach, including the review of expected and actual impact and other positive and negative impacts.

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

² Assets under management figure as reported by Closed Loop. BlueMark's assessment did not include verification of the AUM figure.

Verifier Statement

Independent Verification Report

Prepared for Closed Loop Partners: November 3, 2020

Assessment methodology and scope

Closed Loop Partners provided BlueMark with the relevant supporting documentation for the policies, processes, and tools related to the IM system applicable to the Closed Loop Leadership Fund. The scope of BlueMark's work was limited to processes in place as of September 2020. BlueMark's assessment of the IM system included an evaluation of both the system itself and supporting documentation, as well as the consistency of the draft disclosure statement with the IM system. BlueMark believes that the evidence obtained in the scope of its assessment is sufficient and appropriate to provide a basis for our conclusions.³

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

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

Permissions

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

About BlueMark

BlueMark, a Tideline company, is a leading provider of impact verification services in the impact investing market. BlueMark was founded with a mission to "strengthen trust in impact investing" and to help bring more accountability to the impact investment process. BlueMark is a wholly owned subsidiary of Tideline Advisors, LLC, a certified women-owned advisory firm in impact investing. Since its founding in 2014, Tideline has become a recognized leader in impact measurement and management, working with leading asset owners and managers to design and implement impact management systems.

BlueMark has conducted this verification with an independent and unconflicted team experienced in relevant impact measurement and management issues. BlueMark has implemented a Standard of Conduct requiring our employees to adhere to the highest standards of professional integrity, ethics, and objectivity in their conduct of business activities.

BlueMark has office locations in London, UK; New York, NY; Portland, OR; and San Francisco, CA and is headquartered at 915 Battery St, San Francisco, CA 94111, USA. For more information, please visit www.bluemarktideline.com.

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