



CLOSED LOOP PARTNERS DISCLOSURE STATEMENT

**Operating Principles for
Impact Management**

May 2023

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About Closed Loop Partners

Closed Loop Partners is at the forefront of building the circular economy. The company is comprised of three key business segments. Closed Loop Capital Management manages venture capital, growth equity, buyout and catalytic private credit investment strategies on behalf of global corporations, financial institutions and family offices. The Center for the Circular Economy unites competitors and partners to tackle complex material challenges and implement systemic change to advance circularity. Circular Services employs innovative technology within reuse, recycling, remanufacturing and re-commerce solutions to improve regional economic and environmental outcomes, and build resilient systems that keep food & organics, textiles, electronics, packaging and more, in circulation and out of landfill or the natural environment.

We have built an ecosystem that connects entrepreneurs, industry experts, global consumer goods companies, technology companies, material science companies, retailers, financial institutions and municipalities. To date, our investments and projects generate impact across four continents, nine countries and 22 U.S. states. Closed Loop Partners is based in New York City and is a registered B Corp.

About Closed Loop Leadership Fund

The Closed Loop Leadership Fund is Closed Loop Partners' private equity buyout fund, focused on acquiring and growing platforms that scale circular production.

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 greater than \$550M in total commitments as of Q1 2023, across Closed Loop Partners' investment funds, including venture capital, growth equity, buyout, catalytic private credit and special purpose vehicles.

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



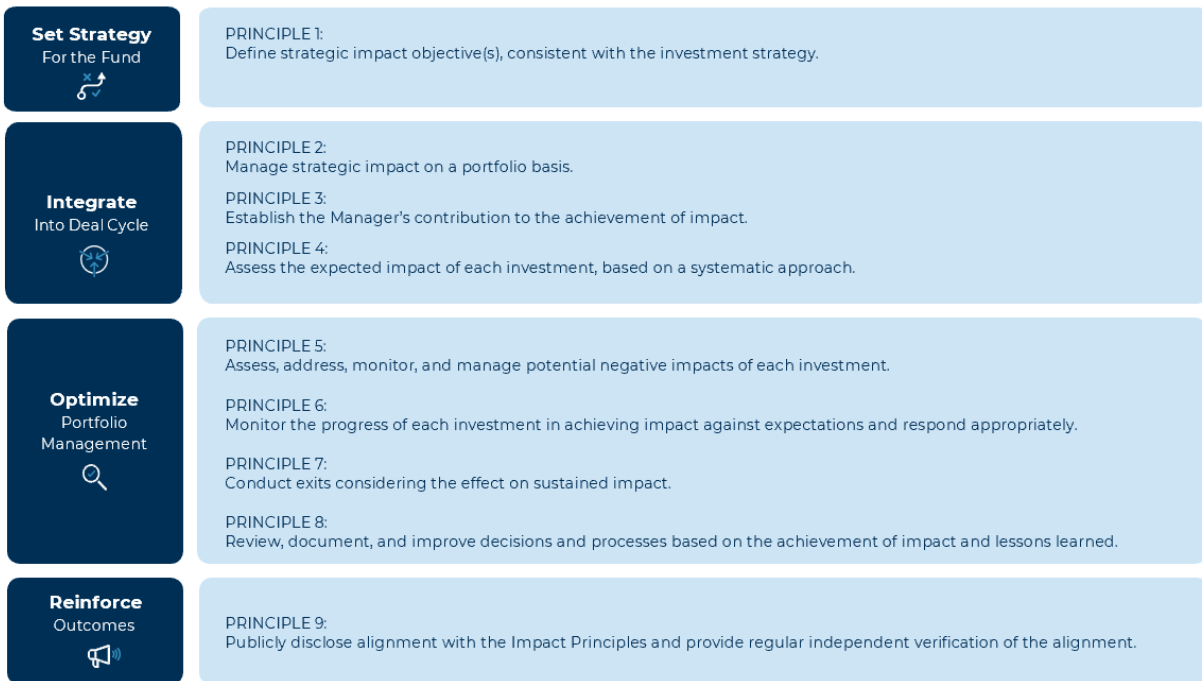
investment funds, with a particular focus on the impact management process and policies adhered to by the Closed Loop Leadership Fund.

IMPACT FRAMEWORK

At Closed Loop Partners, we measure and manage our impact across four universal steps, integrating a variety of industry standards and frameworks. These four steps were first introduced to the public through a Coursera class entitled, “Impact Measurement & Management for the SDGs.” The course is a collaboration between UNDP SDG Impact and the award-winning team at CASE at Duke University. The United Nations Development Programme (UNDP) is a steward of the United Nations Sustainable Development Goals (SDGs) that were launched in 2015 and to which 193 countries have signed up to achieve by 2030. The SDGs are a shared plan to end extreme poverty, reduce inequality and protect the planet; they have become the world’s blueprint to achieve a better and more sustainable future for all.



The four universal steps enable Closed Loop Partners to adhere to the Operating Principles for Impact Management. Each of the Impact Principles outlined in this Disclosure Statement aligns with one of the four universal steps.



PRINCIPLE 1

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

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 is a New York-based investment firm at the forefront of building the circular economy. Our investments in the circular economy progress an economic model focused on a profitable and sustainable future. By helping reduce dependence on the extraction of finite natural resources, and minimizing waste at end-of-life, we keep valuable materials in circulation and reduce greenhouse gas emissions.

Within the range of investment funds in our investment platform, the Closed Loop Leadership Fund, our buyout fund, is focused on acquiring, growing and investing in companies, platforms and enabling technologies primarily across packaging,

organics, electronics and apparel to develop, grow and modernize circular supply chains and recycling and reuse infrastructure.

The Closed Loop Leadership Fund's theory of change demonstrates how its investments can drive the following outcomes: (1) divert waste from landfill, (2) reduce greenhouse gas emissions, (3) strengthen the market for recycled materials, and (4) extend the useful lifespan of valuable materials. These outcomes can then lead to the mainstream adoption of circular manufacturing and production systems and an increase in price-competitive alternatives to costly raw material extraction and landfill disposal. Ultimately, the Leadership Fund's primary mission is to scale resilient, local circular supply chains.

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 two of these SDGs: 9, Industry, Innovation and Infrastructure; 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*.

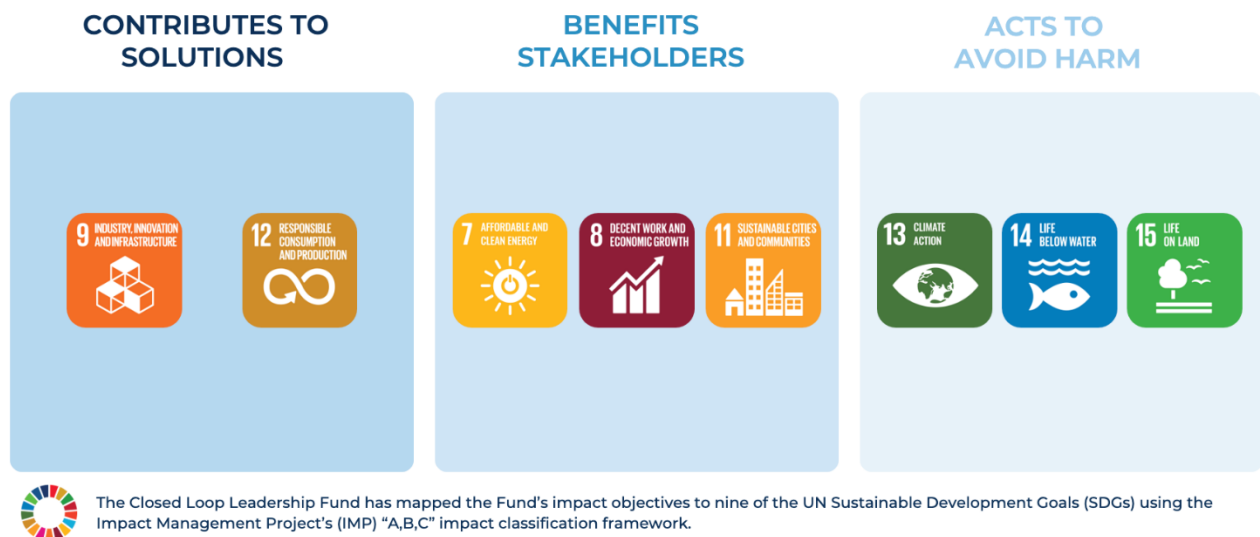


Figure 1: Sustainable Development Goals classified by IMP Classifications

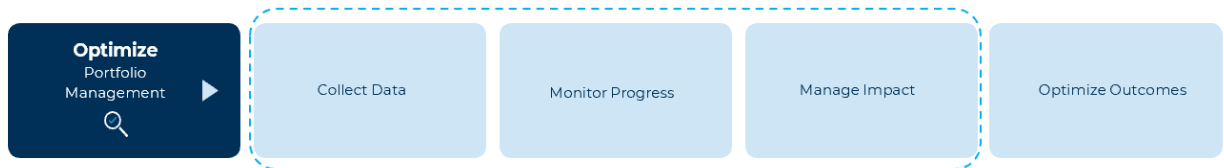
PRINCIPLE 2

Manage strategic impact on a portfolio basis

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.



Outlined within step three of the four universal steps, coherent processes and tools are in place for Closed Loop Partners to integrate impact considerations at each stage of the investment process across the portfolio, grounded in a standardized set of impact indicators. This begins by establishing the baseline impact for each investment, and projecting total and incremental impact through the due diligence process, considering the impact of the investment decision-making process. This is followed by 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 consists of one-time per deal activities and continuous on-going activities, schematically outlined below.

Closed Loop Partners aligns incentives with impact across its investment strategies. The firm's impact-first funds have impact targets, with carried interest directly linked to achieved outcomes. For example, the Closed Loop Circular Plastics Fund is designed with specific impact hurdles that unlock carry when they are met. Specific fund life targets include 250,000 tons of plastics kept in circulation and 260,000+ tonnes of CO2e emissions avoided.

For the firm's market-rate funds—for example, the Closed Loop Ventures Group and Closed Loop Leadership Fund—impact contributions are taken into account when determining the fund manager's discretionary bonus.

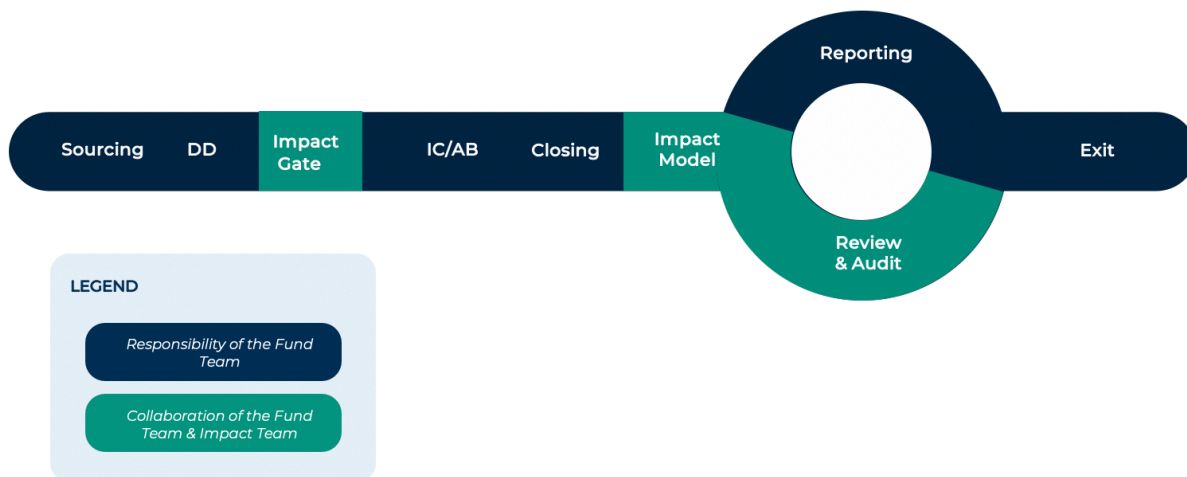


Figure 2 : Collaboration of Impact team and Deal team in one-time and continuous impact assessment activities

PRINCIPLE 3

Establish the Manager's contribution to the achievement of impact

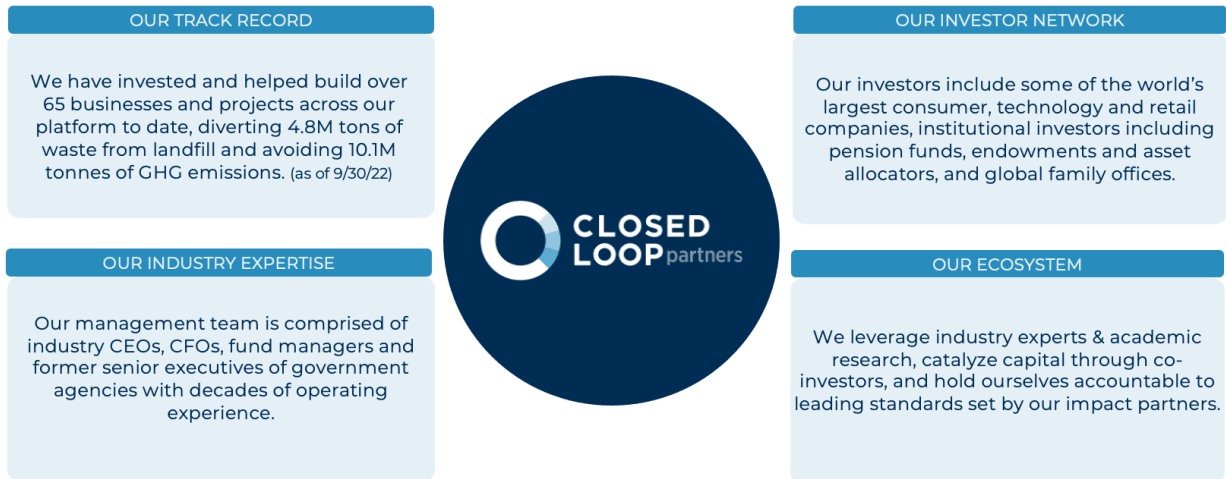
The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible,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

The firm's experience within the waste management, manufacturing and recycling industries, its financial capital, as well as its extensive investor network across Closed Loop Capital Management and Closed Loop Partners more broadly, help achieve significant growth and returns while advancing systemic, circular change.

At the helm of Closed Loop Partners is a management team comprised of experienced fund managers and of former industry CEOs, CFOs, entrepreneurs and engineers with deep operating experience and expertise 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.



Closed Loop Partners' fund managers strive to create additional positive impact in all investments and have interpreted the Impact Management Project's contribution strategies using Impact Classification System:



PRINCIPLE 4

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

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 takes a measured approach to assessing impact throughout the deal cycle of each investment. Outlined within step two of the four universal steps, the firm develops the impact narrative of each investment by assessing alignment of the deal with the impact thesis of the fund. The theory of change is then mapped to Sustainable Development Goals and impact targets. The firm also uses the Impact Logics Framework, outlined by the IMP, to provide a deeper understanding of our impact, across the five dimensions of performance: **What**, **Who** and **Where**, **How Much**, **Contribution** and **Impact Risk**, as seen in *Figure 3* below.



Figure 3: IMP Impact Logics Framework

The firm also projects intended impact for each investment by measuring forecasted outcomes against impact objectives using key performance indicators that align with industry standards, as well as analyzing the additionality of each investment's impact. This includes classification of the level of contribution towards selected goals, targets and/or objectives.

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 portfolio 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.

For example, the Closed Loop Leadership Fund's role in advancing the overall impact objectives of Closed Loop Partners is through capitalizing and growing 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

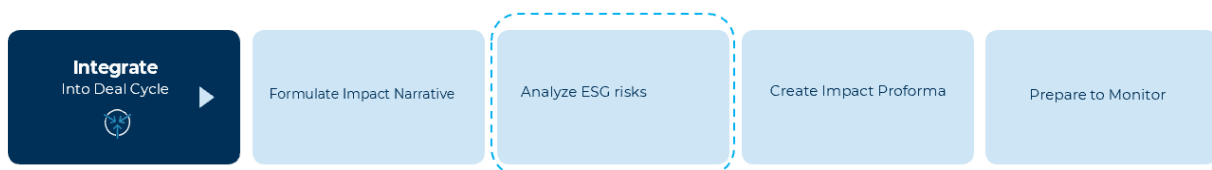


Fund aims to acquire stake in established companies that have proven, predictable cash flow and tangible assets, including equipment and real estate, then grows the company's enterprise value while distributing cash flow to investors. The Leadership Fund ultimately aims to modernize and recapitalize companies that keep valuable materials in play, and grow these key market players to accelerate the transition to a circular economy.

PRINCIPLE 5

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

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.



Outlined within step two of the four universal steps, Closed Loop Partners conducts a thorough ESG risk assessment of each of its investments. This includes analyzing the physical risk of climate change to the company's operations, the diversity equity and inclusion practices of the company, the direct and indirect impacts of the company operations on surrounding communities, the health impacts of the company operations, grievance mechanisms for affected communities, and number of injuries or fatalities at the operation. The firm's ESG due diligence questionnaire is based on international regulations and frameworks, specifically the Sustainable Finance Disclosure Regulation (SFDR) and the ESG Data Conversion Initiative (EDCI) performance standards.

In 2023, Closed Loop Partners created an automated annual survey for portfolio companies to report ESG risk, in alignment with the SFDR and other relevant frameworks.

As the Closed Loop Leadership Fund makes investments with a strategic advantage to scale circularity, the fund team analyzes the ESG risks of each of its investments. For example, Closed Loop Partners positively impacted the diversity of the board of SMR, upon initial acquisition of the company through the Leadership Fund. Upon the Leadership Fund's acquisition of SMR in January of 2022, the board was comprised of 60% women and 20% people of color.

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.

PRINCIPLE 6

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

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 data, manage outcomes and optimize impact. Outlined within step three of the four universal steps, the firm collects and aggregates inbound reports from each investment; reviews and validates inbound information to track deviations in the data; and analyzes the impact data at an investment and portfolio level to determine where to optimize impacts.

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 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.

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. All impact indicators are 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. Those indicators are including but not limited to:

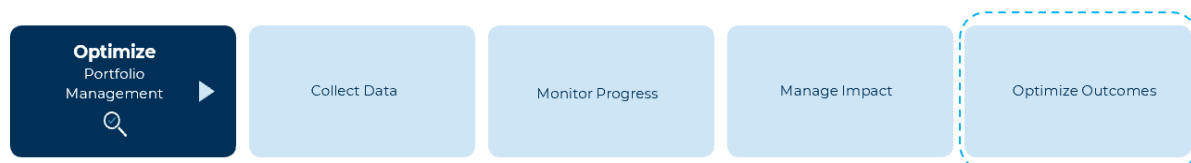
- **Tons of Materials Kept in Circulation:** The materials that are kept in circulation through portfolio company operations at different stages of the circular supply chain, including collection, sortation, processing, end manufacturing, composting, anaerobic digestion or enabling technologies. This is measured in short tons.
- **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).

The Leadership Fund also held the majority on the Board of Directors of Balcones Resources during the fund's holding period, thus was directly influential in decision making to help ensure that these practices were continued, monitored and measured, and that the aligned ethos of the exceptional Balcones management team extends as the company grows.

PRINCIPLE 7

Conduct exits considering the effect on sustained impact

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 funds aim to perpetuate sustainable and continual net-positive impact outcomes beyond the hold-period of the fund. The Closed Loop Partners investment team (1) gives intentional consideration to capital partners over the life of an investment, (2) deliberately structures terms where applicable and (3) consciously evaluates exit scenarios upon initial underwriting (ex-ante), through the execution of an exit, and strives to evaluate the persistence of impact outcomes post facto.

Exit is part of the investment team's initial financial and impact underwriting. The ongoing systemic contribution to the circular economy is part of this assessment and the investment team's value creation strategy—through 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, the continuance of positive impact outcomes, positive contribution to the circular economy and ESG practices should be reviewed and compared versus expectations.

For example, the Leadership Fund acquired majority stake of Balcones Resources in October 2019. During the fund's ownership of the company, Balcones expanded organically and through acquisitions—including winning two major municipal contracts in Phoenix, Arizona—as well as grew tonnage of recycled material by 50%, aligned with expectations set at underwriting. The Leadership Fund also led the consortia of investors that acquired the control stake in SMR as of January 31, 2022. The business has since prepared for scale by hiring key staff, establishing favorable supply and offtake agreements, and implementing new governance and management systems.

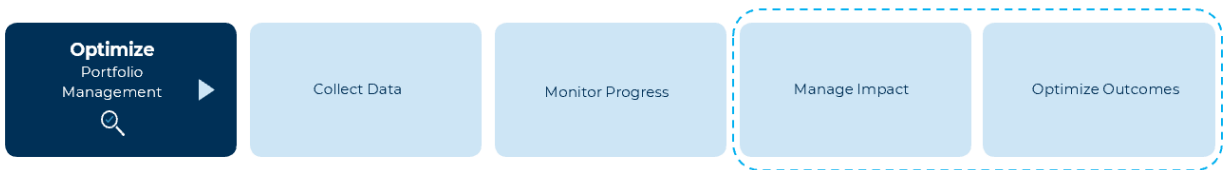
In November 2022, the Closed Loop Leadership Fund successfully completed its first exit from Balcones Resources and SMR (formerly Sims Municipal Recycling) through a sale of its equity to the newly formed Circular Services—Closed Loop Partners' operating group.

Circular Services, the largest privately held recycling company in North America, was established in 2022, with up to \$700M investment from one of the largest asset managers in the world, and subsequent investments from global corporations. The company aims to replace the \$200 billion waste management industry with the largest recycled commodities market in North America, servicing the supply chains of the world's leading brands. Driven by growing demand for recycled content, changing investor expectations and evolving regulatory requirements, Circular Services is accelerating the transformation toward more circular supply chains.

PRINCIPLE 8

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

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 has made significant strides on its impact governance. Most recently, the company formed a firm-wide impact steering committee that conducts two impact review meetings per year. The steering committee provides oversight of impact strategy and approval of next year's key deliverables. They also discuss and advise on key topics including but not limited to: change in methodology, new frameworks, process and incentives, impact audits and service providers. Finally, the committee also provides insights on market trends and discusses regulatory requirements on impact disclosure.

The steering committee is comprised of Closed Loop Partners' Founder & CEO, Ron Gonen; Chief Operating Officer, Tazia Smith; Chief Strategy Officer, Jessica Long; Head of Capital Management, Martin Aares; Chief Financial Officer, Amy Wagner; Head of the Center for the Circular Economy, Kate Daly; and Head of Impact, Luba Shabal. The steering committee has decision rights for all strategic decisions on impact.

In addition to impact governance and exit strategies, Closed Loop Partners aims to optimize impact outcomes through new impact decisions and processes. These are informed by a thorough impact data review that is integrated within the larger company-wide business review. Through partnerships with impact industry leaders, Closed Loop Partners continuously works towards integrated reporting, common language and measurable & transparent outcomes throughout the lifecycle of each investment. With every investment, the firm continues to evolve and advance its impact management system.

Each of Closed Loop Partners fund 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 Impact Principles and provide regular independent verification of the alignment

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact 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 the firm's buyout fund, the Closed Loop Leadership Fund, covering close to \$200 million assets under management, to date. Future Verification Statements are anticipated to be provided every three years.

As of May 2023, Closed Loop Partners is seeking to engage [BlueMark](#) for third-party verification of the firm's impact methodology across all funds, including the Closed Loop Leadership Fund, Closed Loop Ventures Group and Closed Loop Catalytic Capital Group (also referred to as Closed Loop Infrastructure Group). This third-party impact verification would represent a sequential audit for the Closed Loop Leadership Fund. The firm intends to conduct a verification once every three years.

Disclaimer

The information contained in this Disclosure Statement has not been verified or endorsed by the Global Impact Investing Network ("the GIIN") or the Secretariat or Advisory Board. All statements and/or opinions expressed in these materials are solely the responsibility of the person or entity providing such materials and do not reflect the opinion of the GIIN. The GIIN shall not be responsible for any loss, claim or liability that the person or entity publishing this Disclosure Statement or its investors, Affiliates (as defined below), advisers, employees or agents, or any other third party, may suffer or incur in relation to this Disclosure Statement or the impact investing principles to which it relates. For purposes hereof, "Affiliate" shall mean any individual, entity or other enterprise or organization controlling, controlled by, or under common control with the Signatory.

VERIFICATION STATEMENT