

Verifier Statement

Independent Verification Report

Prepared for: Closed Loop Partners: July 23, 2024

Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)¹, Closed Loop Partners (CLP) engaged BlueMark to undertake an independent verification of the alignment of Closed Loop Partners’ impact management (IM) system with the Impact Principles. Closed Loop Partners’ assets under management covered by the Impact Principles (Covered Assets) totals \$580 million², for the period ending 07/2024.

Summary assessment conclusions

BlueMark has independently verified Closed Loop Partners’ extent of alignment with the Impact Principles. Key takeaways from BlueMark’s assessment are as follows:

Principle 1: Closed Loop Partners’ firmwide impact objective is to build the circular economy by investing in keeping materials in circulation. Each of the firm’s strategies—venture, buyout, and catalytic capital—has developed a unique, evidence-based theory of change aligned to this objective.

Principle 2: Closed Loop Partners manages portfolio-level impact achievement by tracking two universal impact KPIs and aggregating them to the fund, strategy, and firm levels. To further align, CLP should establish a clear framework and associated targets for linking staff compensation to their contributions to impact.

Principle 3: Closed Loop Partners has articulated a firmwide investor contribution strategy and outlines its intended contribution approach for each investment in the due diligence process. To further align, CLP should develop a process for tracking the status and results of its contribution activities against expectations established ex-ante.

Principle 4: Closed Loop Partners employs a standardized impact due diligence process focused on the IMP’s 5 dimensions of impact. The firm’s process includes concrete projections of expected impact and, in isolated cases, engagement with end stakeholders.

Principle 5: Closed Loop Partners’ strategies follow unique processes for identifying ESG risks in due diligence, and each fund has identified the material risks they assess and their logic for selection. Similarly, the buyout and catalytic capital strategies have developed unique monitoring practices, while the ventures group does not yet monitor for ESG risks.

Principle 6: Closed Loop has developed a standardized process for monitoring impact performance for all investments. Quarterly memos include comparisons to ex-ante projections and previous periods to demonstrate progress. The firm follows a clear four-step process to address impact underperformance.

Principle 7: Closed Loop Partners has specified a core set of factors it considers to ensure impact is sustained post-exit. The ventures and buyout strategies document their consideration of these factors in exit tracker tools.

Principle 8: Closed Loop Partners reviews impact performance using impact memos, impact statements, and annual reports. An Impact Steering Committee reflects on impact performance and management practices. To further align, CLP’s review should systematically consider unintended impacts and reflect on the viability of its theories of change.

¹ Principle 9 states that signatories “shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact 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 reflected in intake survey as of 07/22/2024. BlueMark’s assessment did not include verification of the AUM figure.

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Detailed assessment conclusions

The chart below summarizes findings from BlueMark’s verification of Closed Loop Partners’ extent of alignment to the Impact Principles, using the following four ratings: ³

- Advanced (Limited need for enhancement);
- High (A few opportunities for enhancement);
- Moderate (Several opportunities for enhancement); and
- Low (Substantial enhancement required).⁴

Principle	Alignment
1. Define strategic impact objective(s), consistent with the investment strategy	ADVANCED
2. Manage strategic impact on a portfolio basis	HIGH
3. Establish the Manager's contribution to the achievement of impact	HIGH
4. Assess the expected impact of each investment, based on a systematic approach	ADVANCED
5. Assess, address, monitor, and manage potential negative impacts of each investment	ADVANCED
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately	ADVANCED
7. Conduct exits considering the effect on sustained impact	ADVANCED
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned	HIGH

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.

⁴ The decision to publicly disclose the results of BlueMark’s detailed assessment, and the specific ratings assigned to each Principle, is left to the sole discretion of Closed Loop Partners.

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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 Covered Assets. The scope of BlueMark’s work was limited to processes in place related to the Covered Assets as of 07/23/24. 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.⁵

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

1. Assessment of the IM system in relation to the Impact 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 Impact 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’ 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 Delaware-registered public benefit 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 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; and Portland, OR; and is headquartered at 154 W 14th St, 2nd Floor, New York, NY 10011. Its outside investors include S&P Global, Temasek Trust Capital, Blue Haven Initiative, Gunung Capital, Tsao Family Office, Ford Foundation and Radicle Impact. For more information, please visit www.bluemark.co.

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