

Verifier Statement

Independent Verification Report

Prepared for Circularity Capital: 28 August, 2024

Introduction

Circularity Capital engaged BlueMark to undertake an independent assessment of the alignment of Circularity Capital’s impact management (IM) system with impact investing and ESG industry best practices and market standards.¹ BlueMark’s assessment conclusions are intended to provide Circularity Capital with learning output on the extent of its alignment.

Summary assessment conclusions

BlueMark has independently verified Circularity Capital’s extent of alignment with impact investing industry best practices. Key takeaways from BlueMark’s assessment are as follows:

- *Impact objectives:* Circularity Capital’s strategic focus on the European circular economy is directly informed by targeted research and sector evidence. The firm has identified three core investment themes that are linked to its investment activities, impact objectives and relevant SDGs, as articulated within both firm-level and investment-level Theories of Change.
- *Portfolio-level impact management:* Circularity Capital implements a consistent impact management process, using third-party investment management tools to assess and monitor impact across the portfolio relative to baselines and projections (both across and within investment themes). Impact management responsibilities form a core component of staff performance reviews.
- *Investor contribution:* Circularity Capital employs a three-pronged approach to investor contribution (comprising financial and non-financial initiatives), including value-addition plans and capacity building in line with the firm’s efforts to ensure impact and financial collinearity. The firm additionally publishes case studies to evidence the results of its activities.
- *Impact due diligence:* Circularity Capital has a consistently applied process to assess the expected impact of each investment, in line with leading industry frameworks. Standard due diligence process includes estimation of expected investee impact relative to the status quo (supplemented by third-party assessments) as well as engagement with stakeholders where applicable.
- *ESG risk management:* Circularity Capital integrates ESG considerations across all stages of the investment lifecycle, including ex-ante assessments of material risks and investment-level action plans to support risk mitigation. Progress is monitored continuously via third-party platforms and investee meetings, with established processes to address underperformance.
- *Impact monitoring:* Circularity Capital monitors the impact of each investment against predefined KPIs relative to baseline and projected impact on an annual basis, updating projections regularly using third-party evidence. Quality assurance and data management processes are clearly laid out in policy documentation and implemented consistently.
- *Impact at exit:* Circularity Capital’s considerations for sustaining impact at and beyond the point of exit are discussed prior to deal execution and factored into ex-post impact reviews. In line with stated intention, the firm should document investment performance relative to baseline and projected impact at the point of exit, specifying mechanisms to solicit impact data beyond exit where feasible.
- *Impact review:* Circularity Capital’s annual impact review process captures investee impact performance against predefined estimations, alongside progress against key action items. Learnings identified within these reviews are factored into strategic and operational processes, including the refinement of core investment themes. In line with stated intention, the firm should ensure consistent implementation of its review processes across all investments.

¹ The standards and frameworks used to inform BlueMark’s assessment of each client’s IM system include the Impact Management Project, the Operating Principles for Impact Management, the Principles for Responsible Investment, SDG Impact, and the Sustainable Finance Disclosure Regulation.

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Assessment methodology and scope

Circularity Capital provided BlueMark with the relevant supporting documentation for the policies, processes, and tools related to the IM system. The scope of BlueMark's work was limited to processes in place as of August 2024. BlueMark believes that the evidence obtained in the scope of its assessment is sufficient and appropriate to provide a basis for our conclusions.²

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

1. Assessment of the IM system in relation to the impact investing industry best practices, 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 Circularity Capital staff responsible for defining and implementing the IM system;
3. Testing of selected Circularity Capital transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings Circularity Capital, outlining areas of strong alignment and recommended improvement, as well as BlueMark's proprietary benchmark ratings on the extent of alignment with impact investing industry best practices.

Permissions

This statement, including our conclusions, has been prepared solely for Circularity Capital in accordance with the agreement between our firms. We permit Circularity Capital to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate Circularity Capital's alignment with the industry best practices. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Circularity Capital 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.

² 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 Circularity Capital. BlueMark has relied on the accuracy and completeness of any such information provided by Circularity Capital. The assessment results represent BlueMark's professional judgment based on the procedures performed and information obtained from Circularity Capital.