

PROJECT FRAME

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Investor Profile: Closed Loop Partners

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Organization Overview

Impact Theory of
Change and
Characteristics of
Overall Practice

Setting Fund Strategy & Impact Assessment Workflow

What, When, & Why
Impact Goals Drive
Decisions at All Stages

Impact Assessment: Pre-investment

What, When, & How
Impact Assessment is
Conducted To Make
Investments

Impact Assessment: Post-Investment/Exit

What, When, & How
Impact is Managed
After Investments
are Made

Lessons & Plans

Lessons Learned,
Realized Impact
and/or Plans to
Improve
Processes

Assessment Dashboard



Impact Strategy

- **Investment type/ asset class:** venture capital, growth equity, buyout and impact-first catalytic capital
- **Stage:** Pre-seed/seed, growth equity, middle market
- **Geography:** North America focused with European and global strategies
- **Sector:** Circular Economy
- **Organization type(s):** Closed Loop Partners is an investment firm, innovation center, and operating group focused on advancing circular economy. Investment firm makes direct investments in companies that meet our impact and finance criteria.
- **Impact assessment capacity:** 1 FT (Sr. Director of IMM) responsible for overseeing policy, practice and integration, and the team is responsible for executing on impact thesis of each fund
- **Assets under management/tied to impact assessment:** \$530M+ in AUM.
- **Strategies to steer towards impact:** CLP will take board seats and will actively manage company's operations. Depending on asset class, there are mechanisms to align manager compensation with impact outcomes.

Assessment Dashboard



Frameworks/Methodology

- **Does an existing methodology align with yours? If so, which one(s)?** CLP adopted four universal steps framework, integrating SDGs, SASB, IRIS+, 5 dimensions of Impact, and the theory of change; aligned with the [Operating Principles for Impact Management](#). CLP uses the Life Cycle Assessment (LCA) for emission reduction calculations.
- **Time horizon of assessment:** Lifetime of the fund for measurement, system change beyond
- **Fractionalize shares of impact among interdependent climate technologies:** No
- **Fractionalize your share of impact as an investor among many investors:** Fund specific
- **Key Metrics tracked:** Materials kept in circulation (Tons), GHG emissions avoided (Metric Tonnes)
- **How realized impact is/will be tracked:** Through spreadsheets, no tool used today
- **How often (if at all) is your reporting audited?** Every 3 years
- **Do you tie remuneration to impact?** Discretionary Component of managers compensation is dependent on achievement of both financial and non-financial performance on individual, fund and group level.
- **Other assessment or investment decision making characteristics you're proud of:** Our new commitment to integrating carbon accounting into impact assessment

Theory of Change, Mission & Programs



Goals: In an era in which humans consume resources faster than they can be replenished—intensifying climate change along the way—we need to transition to a circular economy to keep valuable materials in circulation and avoid environmental damage. In a circular economy, materials stay in use, resulting in avoided emissions that help mitigate climate change.

Barriers: Transitioning to a circular economy requires collaboration, innovation, investment, and policy changes that drive a fundamental shift in how we produce and consume

goods. To get there, we need to scale the use of existing circular technologies, decommission or adapt business models that perpetuate a take-make-waste economy, develop new technologies to address challenges when no solutions exist yet, and place the appropriate incentives and barriers needed to drive the shift when alternatives are widespread.

Strategy: Closed Loop Partners accelerates the transition to a circular economy forward by investing in infrastructure and innovations that advance circular systems across sectors.

ACTIVITY	OUTPUT	OUTCOME	IMPACT
<p>Day-to-day: CLP invests in companies in circular economy space</p>	<p>Immediate results: Portfolio companies directly and indirectly keep valuable materials in circulation through reduction, reuse, refurbishment, recycling and other management pathways; Materials kept in circulation result in avoided emissions.</p>	<p>Indirect, long-standing results: Collectively, we:</p> <ul style="list-style-type: none"> • Depend less on extraction • Minimize landfills • Prove financial viability of circular solutions 	<p>Indirect, sustained results</p> <ul style="list-style-type: none"> • Economic growth is decoupled from environmental degradation • We adapt to and mitigate climate change

People



Impact assessment is 100% managed in-house:

- 1 FTE dedicated to impact assessment
- 4 investment strategy managers: Each strategy manager is responsible for setting impact strategy and delivering impact outcomes for each fund.
- Each strategy manager has one direct report that collects, aggregates, and reviews impact reports, and collaborates with the Impact FTE on impact models, projections and outputs)-- among other responsibilities.
- Steering committee composed of CEO, CSO, COO, CFO and 1 FTE dedicated to impact
- Today, no externally impact committees inform decisions

Impact Assessment Process



We measure and manage our impact across four steps, integrating a variety of industry standards and frameworks.

Step 1: We set up the foundational theory of change, goals, and impact targets of any investment vehicle before we begin fundraising.

Step 2: We hold ourselves accountable to these goals throughout the investment decision making process.

Step 3: We keep holding ourselves accountable after investments are made.

Step 4: We continually refine processes and report on outcomes.

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.

1. Set Strategy For Investment Vehicle

- Develop Impact Thesis
- Build Theory of Change
- Codify Impact Intention
- Structure Formally

2. Integrate Into Deal Cycle

- Formulate Impact Narrative
- Analyze ESG Risks
- Create Impact Proforma
- Prepare to Monitor

3. Optimize Portfolio Management

- Collect Data
- Monitor Progress
- Manage Impact
- Optimize Outcomes

4. Reinforce Outcomes

- Report to Stakeholders
- Disclose Externally
- Verify Periodically
- Deepen Commitment

1. Set Strategy



From venture capital, growth equity and private equity and impact-first catalytic capital we provide capital to high impact companies at all stages.

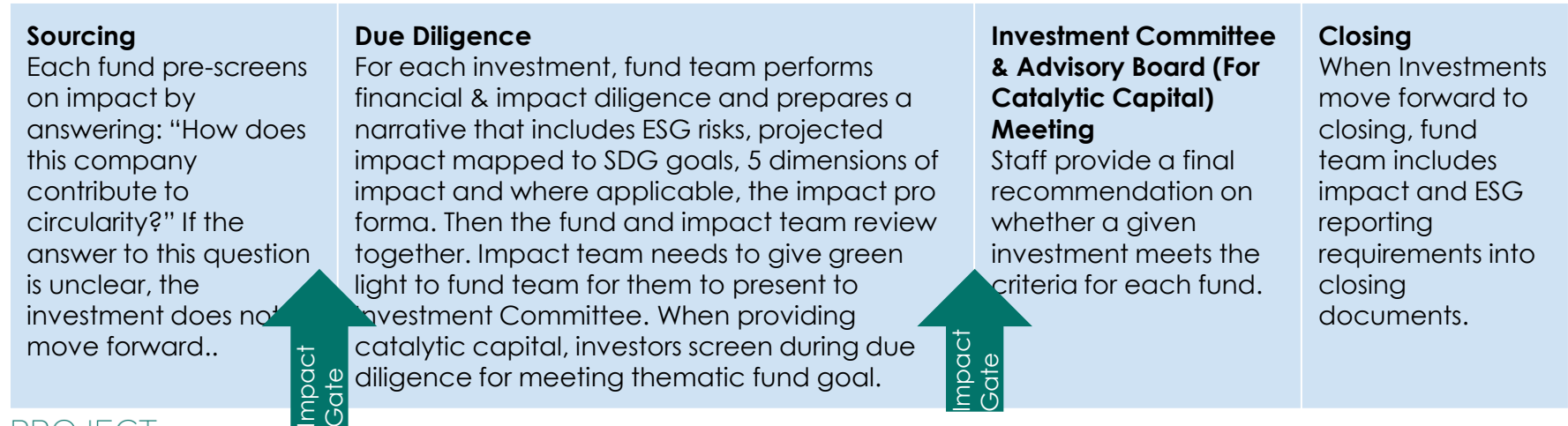
	Venture Early-stage companies	Growth Equity Companies ready to scale	Private Equity/ Buyout Acquiring companies along circular economy the value chain	Catalytic Flexible capital to upgrade US recycling infrastructure
Impact goal	Invest in companies and solutions that accelerate the transition to the circular economy, an economic model, where materials are looped in circulation, resulting in avoided emissions which helps to mitigate climate change,			CLP has 4 catalytic funds with different impact target. For example, the rPET fund aims to keep at least 300MM lbs of PET (a form of plastic) in circulation. The Local Recycling Fund has 4 impact criteria that LPs must approve.
Impact criteria gating investment	Companies must demonstrate quantifiable/ evidenced contribution to circular economy, expressed in direct or enabling impact on materials kept in circulation and emissions avoided			



2. Integrate Into Deal Cycle

Impact Assessment in Workflow

At sourcing, each fund team screens for alignment with the impact thesis of the fund. The investments that pass that screen continue to due diligence, which includes deeper analysis of impact and finance. After closing, the team refines the impact reporting process to ensure that regular data is collected.



2. Integrate Into Deal Cycle



Pre-Investment: Impact Narrative, 5 dimensions of impact

What: What is being measured and why it is being measured, such as:

- Specific material recycled, reused, refurbished or other way kept in circulation
- What is business as usual materials use vs alternative, investible scenario

Who: Who is impacted by the company's solution, including how they are impacted. For most environmental deals, the Planet is the primary stakeholder that will experience the change. Staff look at intentional and unintentional impact, on workers, local communities, and regions, such as:

- Treatment of workers, including health and safety data
- Health safety measures to protect local communities, and how the company engages local communities to ensure that their concerns are being heard and addressed

How much: For example, details on how much is estimated to be recycled, compared to how much goes out recycled or reused in the same time frame, on a per unit basis over time. Measures collected include:

- Materials kept in circulation (Tons)
- GHG emissions avoided (Metric Tonnes)

Investor Contribution: What unique value CLP brings by investing, compared to other investors, such as:

- How CLP helps this company to grow its positive impact
- Connecting companies with broader network
- CLP builds impact model and helps companies communicate their impact narrative to stakeholders

Risk: Staff look at potential negative and unintentional impact, such as negative externalities of using alternative materials, sourcing, end of life management pathways, energy consumption, stakeholder experience.



2. Integrate Into Deal Cycle

Pre-Investment: Due Diligence: Calculating “How Much”

How much material is kept in circulation? And what is the ultimate impact on emissions?

<p>Circular economy infrastructure companies keep materials in play as part of their day-to-day operations. We remove residual materials to calculate the amount materials kept within the value chain. (example port cos: Eureka, Evergreen)</p>	<p>Total Materials Processed – Residual for Disposal = Materials Recycled (All in tons)</p>
<p>Enabling technologies drive efficiency and transparency throughout supply chains. We calculate a company’s unit economics (eg, # of units/licenses sold) and track the # of products that remain in circulation as a result of the technology, or number of products avoided from manufacture. # of units are converted to the mass of materials. (example port cos: Apkudo, Browzwear)</p>	<p>Total Number of Units Processed X Tons of Materials per Unit = Total Tons of Materials Processed</p>
<p>New alternative materials reduce the need to manufacture traditional materials, or replace harmful, hard-to-recycle materials with materials that have clear end-of-life solutions. We account for the mass of traditional material that was substituted. (example port cos: TemperPack, Mori)</p>	<p>New Materials Used Conventional Materials Substituted</p>
<p>Reusing products extends the life of products and eliminates the need to manufacture new products. We account for the mass of the same materials reused as materials avoided from being manufactured. (example port cos: Thrilling, Algramo)</p>	<p># of Items Reused Materials Substituted</p>

3. Optimize Portfolio Management



Collect Data & Monitor Progress

How do you track realized impacts for each company in the portfolio?

Depending CLP's asset class and company stage, Companies submit reports monthly, quarterly or twice a year. CLP aggregate reports in cumulative files and validate inbound information and tracks deviations, including under and over performance. Some funds, like Closed Loop Infrastructure Fund, have a standard reporting template. While other funds, that deal with earlier stage ventures, will develop unique impact model per company, where company's unit of economics are tied to CLP's Impact KPI.

Manage Impact & Optimize Outcomes

What investor actions or strategies deepen or incentivize impact after investments are made?

CLP Includes company impact reviews into portfolio performance and business review and part of portfolio management.

CLP's Impact steering committee meets twice a year to review impact performance of investment funds down to individual portfolio company level. Steering committee has decision rights for all strategic decisions, such as divestement, when significant deviation from impact expectations are observed.

3. Optimize Portfolio Management



Post-Closing: Calculating “How Much”

How much material is kept in circulation? And what is the ultimate impact on emissions?

Using definitions of materials kept in circulation (slide 10), we collect reports from our portfolio companies with quantification of specific material types impacted by company operation. Each type of materials has its own unique emission factor, which we multiply by total mass of material to quantify emissions avoided by keeping those valuable materials in play. Where possible, we use emission factors from EPA’s Waste Reduction Model (WARM) model. WARM includes information on source reduction, recycling, combustion, composting, anaerobic digestion, and landfilling.

WARM calculates across a wide range of material types commonly found in municipal solid waste.

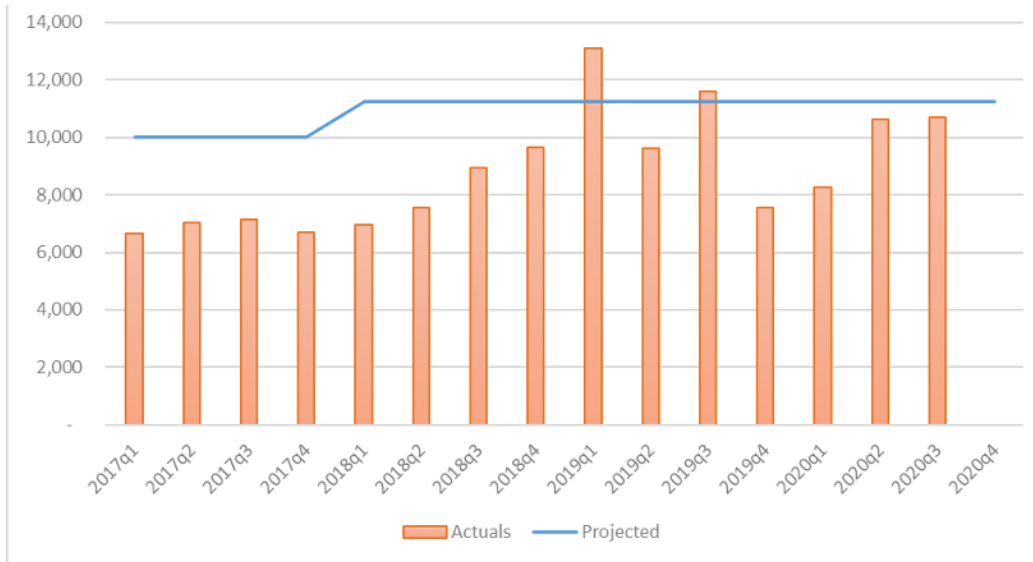
Potential GHG savings are calculated by comparing the emissions associated with managing materials under an alternative scenario with the emissions associated with the user’s baseline scenario (i.e., current practices). For example, the GHG savings of recycling one (1) short ton (standard U.S. ton) of aluminum cans instead of landfilling them would be calculated as follows:

$$(1 \text{ short ton} \times -9.13 \text{ MTCO}_2\text{E/short ton}) - (1 \text{ short ton} \times 0.02 \text{ MTCO}_2\text{E/short ton}) = -9.15 \text{ MTCO}_2\text{E}$$

Realized Impact/Monitoring



We track impact outcomes overtime at the portfolio company level, the portfolio level, and across CLP's funds.



In this chart, we show the quarterly amount of realized materials recycled (orange) versus original projections of how much material expected to be recycled (blue).

What we see on the chart is that we projected company to recycle 10K tons of materials per quarter for the first year after investment and then 11.5K tons starting from year 2. It took company longer than expected to ramp up. There were quarters where company exceeded expectations, which proves that projections are achievable. There are quarters where deviation is insignificant (q2 and a3 2020, deviation from target is less than 5%) There are quarters where deviation is significant which required fund manager to check in. It turned out that there were operational challenges at the facility but overall the company is still on track to recycled 11.5K tons per quarter.

4. Reinforce Outcomes



Evolve processes

How is your process of assessment improving? What are you learning?

Our process is constantly evolving. We are learning that quantification of impact outputs are not always valuable on due diligence stage, especially for early stage companies. For that, we focus on potential outcomes through impact narrative and system-change thinking, and through identifying different dimensions of impact

Report & Disclose

How are you proactively fostering transparency — In your methodology, your portfolio's impact outcomes, and impact outcomes among individual companies?

We develop impact models per individual company in collaboration with leadership of the company to align on assumptions and reporting requirements moving forward. Some of the companies choose to use impact models as their impact calculators and publish them or use to communicate with other relevant stakeholders on the impact they create for the planet.

We publish annual impact report highlighting portfolio impact outputs outcomes. We publish disclosure of alignment with operating principles of impact managers.

What We're Reflecting On



Looking to standardize quantification of impact across CLP's asset classes

Looking to automate collection of impact reports

Looking to start adding 3 scopes of carbon accounting to portfolio management step