

## Environmental and Social Data Sheet

### Overview

Project Name:	Circulate Capital Ocean Fund I-B
Project Number:	2021-0152
Country:	Regional - Asia
Project Description:	Equity participation in a private equity fund investing in SMEs that prevent ocean plastic pollution and advance the circular economy in Asia.
EIA required:	No
Project included in Carbon Footprint Exercise <sup>1</sup> :	No

### Environmental and Social Assessment

#### Environmental Assessment

The proposed operation concerns an equity investment in the Circulate Capital Ocean Fund I-B (The Fund), a private equity fund investing in SMEs that reduce littering and improper discharge of plastics on land and to the oceans, and contribute to the circular economy transition in South and South East Asia (SSEA). The Fund's activities respond to the need to reduce the 8 million tonnes of plastics discharged to oceans every year, primarily in Asia, where some of the most plastic polluting countries and rivers are located. Since many of the targeted countries have long coast lines, and a comparably high share of the population live near the coast and depend on fishery, aquaculture and tourism for their living, the economic impact of current plastic pollution is high.

The fund manager (FM) Circulate Capital Management identifies, incubates and makes investments through the Fund that enable SMEs to increase collection and improve and scale up sorting and recycling of plastics and other dry waste. It will also invest in SMEs with innovative circular technologies or materials.

The operation and investments to be made by the Fund will generate positive externalities in the form of increased material recovery and reduced discharge of plastics and other waste in urban environments and to the sea. The project will also reduce emissions and climate change impact associated with burning plastics and other waste, and from production from virgin plastics and other feedstock.

All equity investments to be made under the fund are expected to meet the Bank's Paris Alignment criteria and contribute to EIB's public policy goal of Natural resource use, management and protection, sub-objectives circular economy or waste management. Most of the investments are expected to contribute to the EIB Climate Action & Environmental Sustainable transversal objective and target.

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<sup>1</sup> Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20,000 tonnes CO<sub>2</sub>e/year absolute (gross) or 20,000 tonnes CO<sub>2</sub>e/year relative (net) – both increases and savings.

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Most of the investments will contribute to the transition to a circular economy in the project region, in line with the EU Circular Economy Package by focusing on improving the quantities and quality of plastics collection, and improving and scaling up the sorting and recycling capacity. Many of the investments will be implemented in coastal areas and thus be aligned to the objectives of the Clean Oceans Initiative.

The investments made under the Fund will target SMEs that support the achievement of a number of sustainable development goals (SDGs), particularly SDG 11 (Sustainable cities and communities), SDG 12 (Responsible consumption and production), SDG 13 (Climate Action), SDG 14 (Life Under Water), but also SDG 8 (Decent Work & Economic Growth).

The Fund assesses the environmental and social risks and potential impacts associated with each investment based on the following frameworks:

- IFC's 2012 Performance Standards on Environmental and Social Sustainability
- United Nations Principles of Responsible Investing; and
- Internal circular economy impact framework (CCOF Impact Metrics).

The FM will also ensure that the investments are in compliance with national law and in line with the principles and standards of relevant EU environmental legislation as well as the EIB Environmental and Social Standards.

As part of their due diligence, the FM conducts a desktop review of past property damage caused by extreme weather conditions (e.g. flooding, etc.), alongside an assessment of the approach and measures to manage climate risk and overall resilience to impact from extreme weather projections with future trends of climate change. For companies that do not have a procedure for climate risk identification and analysis in place, the FM requires it to be included in their hazard identification and risk assessment procedure.

### **Social Assessment, where applicable**

The FM has started developing a gender lens investment strategy that responds to the disproportionately high percentage of women working in the waste management and recycling sectors in the region. This strategy is expected to have impact across the full investment value chain, and may also provide a reference framework for waste & recycling sectors in emerging markets.

The FM due diligence includes reviewing the terms and conditions of employment and transparency of working conditions in HR policies and procedures, which also is a reporting criteria. The FM is leading a working group on responsible sourcing in plastic waste supply chains with participants including the ILO, UN Responsible Business and Human Rights Forum (RBHR), Women in Informal Employment: Globalizing and Organizing (WIEGO). The FM requires Integrating best practice supply chain labour assurance into the portfolio companies Standard Operating Procedures since this is a critical pathway to supplier qualification for global FMCG procurement contracts.

### **Public Consultation and Stakeholder Engagement**

The FM will support the investee SMEs in realising their full development and growth potential, thereby adding value and creating important economic and social impact, including job creation, beyond the capital contribution.

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## Other Environmental and Social Aspects

The FM's Environmental & Social management approach meets the EIB E&S requirements. The Fund is in the process of establishing an integrated environmental and social

management process that will strengthen the evaluation and monitoring of each investment's compliance with the appropriate standards and local laws and regulations, as well as develop best practices in the integration of human rights due diligence and monitoring. This will enable the Fund to ensure transparency on how environmental, social and governance aspects and risks are incorporated into the investment process. The goal of this is to allow for:

- Improved Data Management
- Data analytics to support annual enterprise risk review.
- Drive meaningful data that allows investors to manage risks to people.
- Enhance measures to protect personal data
- Assess risks and identify opportunities to minimise them
- Categorize inherent E&S risks and impacts
- Identify risks to human rights and minimize any potential adverse impacts before they occur.
- Identify actual and potential negative outcomes for people
- Prevent and mitigate the actual and potential negative outcomes identified
- Proactive flagging of remedy requirements
- Communication to affected stakeholders and publicly about outcomes, and the actions.

## Conclusions and Recommendations

The proposed operation will contribute to reducing littering and improper discharge of plastics on land and to the oceans, and contribute to the circular economy transition in South and South East Asia (SSEA). The operation will also reduce emissions and climate change impact associated with burning plastics and other waste.

Most of the investments will contribute to the transition to a circular economy in the project region, in line with the EU Circular Economy Package, and many of the investments will be implemented in coastal areas and thus be aligned to the objectives of the Clean Oceans Initiative.

The Fund Manager will support the investee SMEs in realising their full development and growth potential, thereby adding value and creating important economic and social impact, including job creation, beyond the capital contribution. This involves among others support to investees in development of business plans, marketing and communication.

The Fund will be required to develop an environmental & social policy and establish the appropriate management systems so as to comply with the environmental and social requirements of the Bank.

The assessment of the environmental and social impacts and risks will be part of the standard due diligence process that the Fund will have to carry out for each underlying investment, thereby ensuring that the portfolio and these investments are in compliance with national law and in line with the principles and standards of relevant EU environmental legislation as well as the EIB Environmental and Social Standards.



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The Fund Manager is required to inform the EIB about any investee violations of national law, any complaints made about investee facilities or operations, and the investee and Fund Manager responses to possible violations or complaints.

The institutional capacity of the Fund Manager to manage the environmental and social issues is deemed good. Considering these, and the positive environmental and social impacts of the operation, subject to the conditions mentioned above, the operation is acceptable on environmental and social terms.