



DUE DILIGENCE REPORT

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1. INTRODUCTION

Closing the Loop's (CTL) mission is to make the electronics industry more sustainable by reducing the waste created by electronics. Our main activity to achieve this is the collection of scrap mobile phones and other electronic devices from low-income countries, as a compensation service for our customers. In order to ensure the maximum positive impact of our activities, CTL demands the highest standards and regulations from its supply chain partners. CTL integrated standards and regulations and publicly declares conformity, amongst others, with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. This report is written and inspired by the guidelines within the OECD Guidance and informs about policies that ensure conformity in line with Annex II of the OECD Due Diligence Guidance. As CTL collects electronic waste (e-waste), this strategy not only applies to the Conflict Minerals, but all parts of a mobile phone.

1.1 AT A GLANCE

What happened since our last Due Diligence report (June 2022), a summary:

- For the first time we have gotten an EcoVadis rating (Silver)
- CTL celebrated their 10-year anniversary
- The company grew by 30% in FTE.
- Successfully shipped a second container of batteries out of Nigeria
- We successfully diversified our shipping routes
- We are in the preparation stage for ISO certification
- We ran a project in which we gained more insight and transparency into our supply chain
- We are working on Minimum Requirements for waste compensation industry
- We offset our CO2 for the first time in 2023

2 FULL REPORT

2.1 THE BUSINESS MODEL

CTL's core business model is waste compensation for IT. Clients purchase this service to offset the waste generated by their IT devices on a one-for-one basis. This can be implemented regardless of the supplier or brand and at any stage of a product's lifecycle.

For each waste compensation unit purchased, CTL collects an equivalent amount of e-waste in Africa. For example, if a client purchases 10,000 mobile phones, CTL collects 10,000 discarded mobile phones from countries like Ghana and ensures they are safely and responsibly recycled.

This service, available directly from CTL or through resellers, finances e-waste collection and recycling in informal markets, making these efforts financially sustainable.

2.2 COMPANY MANAGEMENT SYSTEM

In 2023 and 2024, CTL further developed its Management System to manage, evaluate, and improve supply chain relationships. Guided by our General Business Principles and Supplier Code of Conduct, the system consists of policies, rules, and processes that direct and control our operations. These efforts align with our pursuit of ISO 9001 certification.

One of our key improvements started in 2024. We conducted an internal transparency audit to better understand the needs and challenges of tier 2 and tier 3 suppliers within our supply chain. Through direct interviews, we identified key areas where these suppliers struggle and where their solutions could be supported. This initiative has laid the groundwork for a social improvement plan and strategies to boost supply chain efficiency. By pinpointing where we need to allocate more time and resources, we are paving the way for a supply chain that is not only more effective but also creates social impact.

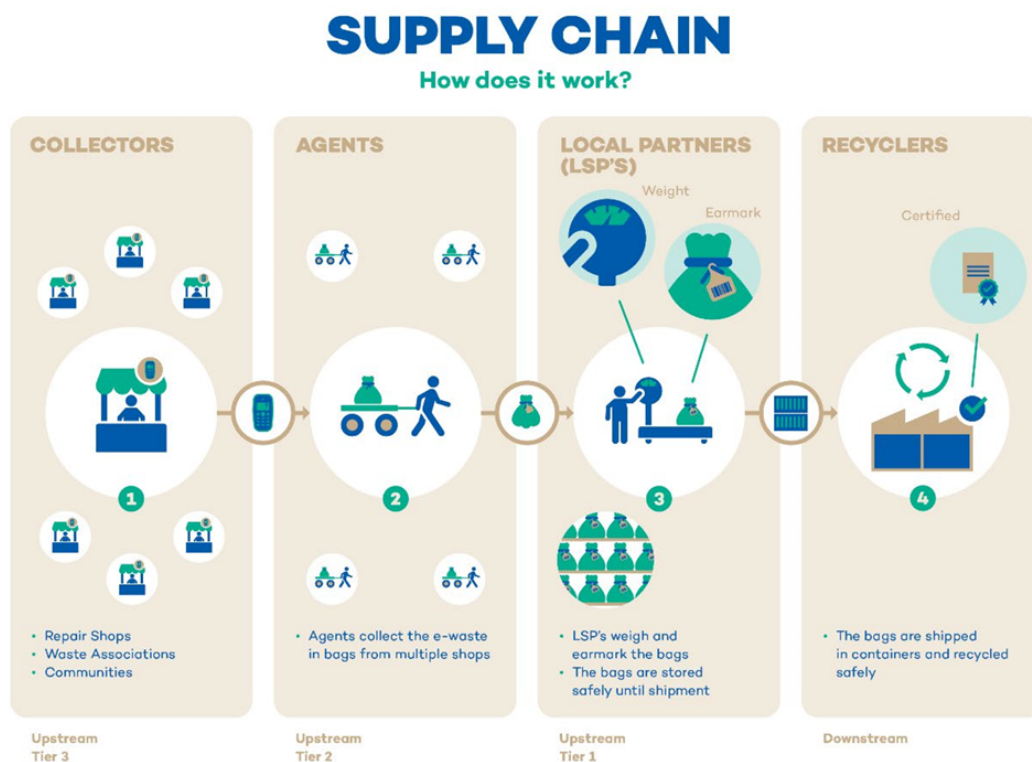
Another successful example of an improved management system is the implementation of a procedure to regularly account for our CO2 emissions, allowing

us to offset the impact of our flights, shipments, and office usage in Amsterdam. This process was first introduced in 2023.

The responsibility to carry out ongoing due diligence is anchored in the Management System and attributed to CTL's COO and the Compliance Manager.

2.3 SUPPLY CHAIN OVERVIEW

CTL acts as a bridge between upstream e-waste collection in low-income countries



and downstream recycling. This unique position enables us to reduce electronic waste in an environmentally friendly way.

We maintain close relationships with all first- and second-tier upstream suppliers and downstream recyclers. All employees, upstream suppliers, and downstream partners are contractually required to comply with the OECD Due Diligence Guidance.

Before establishing a partnership, CTL conducts due diligence, including KYC (Know Your Counterparty) checks, general business capability assessments, and certification reviews for downstream recyclers.

2.4 TRANSPARENCY IN THE SUPPLY CHAIN - KYC

We know our LSPs and Agents in person, are in touch with LSPs on a daily basis and we try to meet them annually in person for training. To ensure transparency in

the supply chain, as part of the KYC program CTL requires all partners in its supply chain to provide NAP (name, address, phone number), official ID, Incorporation certificate and to sign a contract (part of the acquisition processes).

2.3.1 Downstream acquisition

Most of the time the recyclers we successfully collaborated with in the past have a priority as we know that they can follow our very strict logistics compliance requirements. Every recycler and refiner we collaborate and collaborated with went through a thorough acquisition process in which we require transparency in refining processes, reporting, and certain certifications. Our primary recycler for phones continues to be Refimet (refer to the previous due diligence report for more information on them). However, for other products, such as the shipping of batteries in 2024, we rely on larger recycling facilities with specialized expertise in battery recycling. Additionally, we have added an extra recycler to our shipping permits to diversify and strengthen our supply chain.

2.3.2 Upstream acquisition

In 2023 a new LSP was onboarded in Cameroon focusing on the logistics side of the operations in that country. LSPs handle acquisition and provide necessary documentation to onboard collection agents. Tier 3 suppliers are informed about the OECD Due Diligence Guidance via their agents. While CTL does not yet have exact compliance figures for tier 3 (and beyond) suppliers, we gain insights through tier 2 suppliers.

2.5 DUE DILIGENCE

CTL conducts ongoing due diligence in alignment with company policies and OECD Guidance. This involves continuous monitoring, documentation, and formalization of internal processes to mitigate risks and enhance supply chain operations.

An example of how our ongoing due diligence positively impacted the business is that we were able to reduce our error margin. In our daily operations, we apply an error margin to our stock to account for human errors, based on spot checks conducted twice a month. This margin ensures that our clients received at a minimum the quantity that they order. By consistently implementing measures to minimize these errors, we successfully reduced our error margin while ensuring to meet the needs of customers.

2.6 COMPANY POLICIES

CTL's work with the informal sector and in a partially unregulated industry has the risk of child labor, both realistic and as a risk perceived by stakeholders.

CTL enforces strict policies to address risks in the informal sector:

Child Labor: Zero-tolerance policy aligned with international standards, including ILO and UNGP guidelines.

Bribery and Corruption: Governed by our GBP and Supplier Code, CTL ensures transparency through documentation and receipts for all transactions.

2.7 TRACEABLE STOCK

CTL uses supply chain software called Chainpoint to ensure accurate and traceable stock throughout the entire process. Upstream, we collect information such as batch ID, weight, count, origin of the batch, and payment details. Downstream, after the recycling process, data about refining and extracted Metals is added to the system, ensuring complete traceability of materials.

In collaboration with Chainpoint, we have started automating specific processes, including stock allocation to clients. This automation reduces the risk of data entry errors and improves overall efficiency.

The system also provides transparency for compensation clients, who can request insights into their compensated products and receive annual reports detailing these activities.

In addition to using Chainpoint, CTL's upstream supply chain maintains a comprehensive record-keeping system on paper through logbooks. This dual approach ensures accuracy by allowing cross-referencing of digital and physical records, further minimizing the risk of errors.

2.8 IDENTIFY AND ASSES RISK IN THE SUPPLY CHAIN – RED FLAG IDENTIFICATION

It is CTL's responsibility to continuously assess the risk in its supply chain and to eliminate risks before they occur. The focus of the Risk Management Plan is on early risk identification. As part of the supply chain policy, CTL has a thorough red flag identification and mitigation system and is prepared with the right response

measures in place in case a risk arises. The company keeps track of and documents all-risk incidents in our risk management system. Together with a Senior Manager there is a monthly meeting on identifying and mitigating risks.

Several processes ensure that CTL can identify red flags at an early stage:

- Incident reporting system in our project management tool
- Monthly meetings where the reported incidence get analyzed and preventative strategies get implemented
- Regular internal checks on our stock
- CTL has frequent (average once a week) direct contact with all partners and a monthly video call

2.9 REPORT BIANNUALLY ON SUPPLY CHAIN DUE DILIGENCE

CTL reports on supply chain updates and due diligence through the website in the forms of blog posts. Additionally, every second year there will be a due diligence report and amendments to the Code and the Business Principles when needed.

Once a year the company offers every client, stakeholder or any other interested party to gain insights into our due diligence efforts. This must be requested by the company.