

Investments

RESPONSIBLE INVESTMENT POLICY

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Introduction and Purpose

Climate Asset Management Limited ("CAM" or "we") recognises that effective management of environmental, social, governance ("ESG") issues and generating positive environmental and social impacts from our investments is central for us to achieving our mission and to help finding sustainable, long-term, risk-adjusted portfolio returns for our investors.

With an investment strategy singularly focused on natural capital and improving landscapes, the probability of sustainable and positive impact outcomes increases greatly. Nevertheless, as with all other real asset classes, there are material ESG risks and impacts associated with CAM's target sectors that require robust management systems to identify and manage these to a best-in-class level. This policy sets out our commitments and approach across ESG & Impact ("ESGI") which underpin our wider ESGI Management Framework.

Recognising that ESGI issues are complex and dynamic, we are committed to an ongoing and long-term process of improving our approach to integrating ESGI considerations into our investment processes. As such, we will seek continual improvement of this Policy and supporting processes.

Scope of this Policy

This Policy applies to all CAM investments, wholly owned or majority-owned companies and any private equity funds advised by CAM, as well as to all-natural capital asset classes as far as is practical. Where there is no conflict with this Policy, CAM, or the strategies we advise, we may adopt additional policies to meet local regulatory, lender, co-investor, client or other stakeholder requirements. Note – where there is a conflict between this policy and a local regulatory requirement or law, these cases will be escalated to the Compliance Officer for resolution.

Standards and Norms

We have developed a fully integrated ESGI Management System to identify and manage material risks and opportunities throughout the investment process in line with this Policy and by adoption of the following standards and norms:

- The Equator Principles;
- HSBC Sustainability Risk Policies;
- HSBC Green Impact Framework;
- Pollination Group ESGI Policies;
- United Nation's ("UN") Guiding Principles on Business and Human Rights;
- International Labour Organisation ("ILO") Fundamental Conventions;
- OECD Guidelines for Multinational Enterprises;

- UN Declaration on the Rights of Indigenous Peoples;
- The recommendations of the Task Force for Climate Related Disclosure ("TCFD");
- U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010;
- Good International Industry Practice ("GIIP") in the sectors we invest¹;
- UN Sustainable Development Goals;
- UN Principles for Responsible Investment.

Our Approach

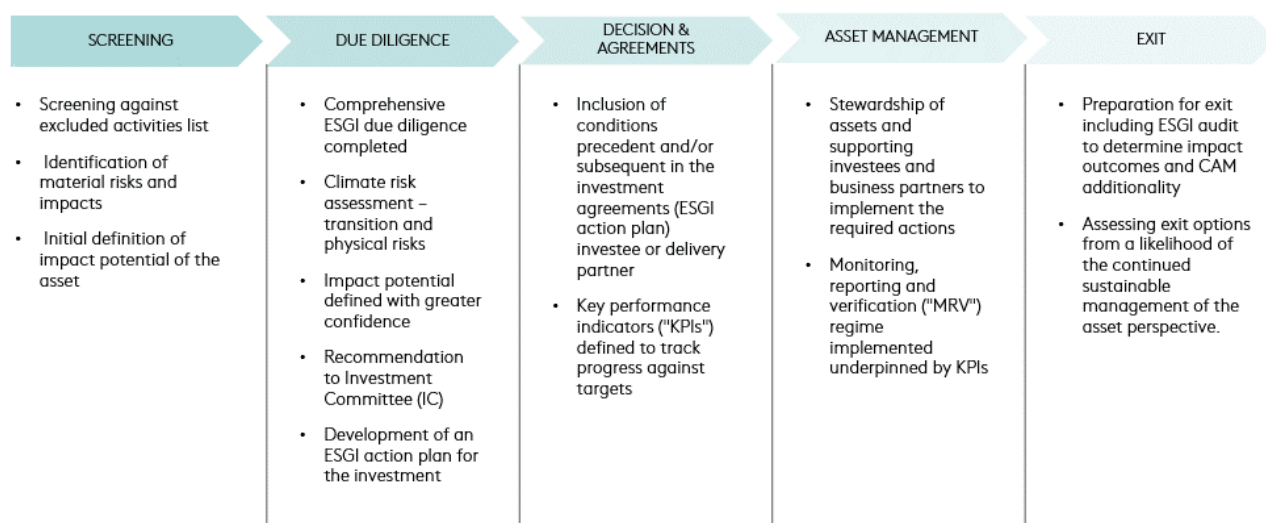
The core aim of our approach is to ensure that ESGI is integrated at each stage of the investment process to enhance long-term value creation over the investment holding period and beyond.

CAM applies a materiality lens to all investment opportunities, focusing on ESGI factors which have or could reasonably have the most impact on the project or business. This includes impacts on the financial performance, operating conditions or long-term sustainability of the asset.

The remainder of the ESGI actions in the investment process address how to effectively manage these material impacts and opportunities. We will not pursue opportunities if they may be in conflict with our ESGI framework or investment strategy. We will implement robust management processes if there are viable options to avoid or mitigate material impacts in line with our ESGI framework.

The main objective at each stage of the investment process is to provide the Investment Committee with key findings and information to make informed decisions on whether and how to proceed with investments.

Figure 1: ESGI in the Investment Process



Exclusions

CAM excludes the below activities across the entirety of its investment portfolio:

1. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements;

¹ GIIP includes best in class sector standards, guidelines and certifications.

2. Production or activities involving forced or child labour^{2&3};
3. Thermal coal-related projects: including mining, transportation or coal-fired power plants, as well as infrastructure services exclusively dedicated to support any of these activities;
4. Fossil fuel power generation and supporting infrastructure, except where that activity is involved in the accelerated decommissioning of these assets;
5. Hazardous chemicals: (i) persistent organic pollutants prohibited by Annex A of the Stockholm Convention; (ii) hazardous pesticides inconsistent with Annex III of the Rotterdam Convention; (iii) unbonded asbestos; and (iv) coal as feedstock for chemical manufacture;
6. Transboundary trade in wastes except for those accepted by the Basel Convention and its underlying regulations;
7. Production or trade in products subject to international phase outs or bans including: (i) products containing PCBs; (ii) banned pharmaceuticals, pesticides/herbicides, (iii) ozone depleting substances; and (iv) wildlife or wildlife products regulated under CITES;
8. Unsustainable agroforestry or palm oil: deforestation of forests with high conservation value, high carbon stock, primary tropical forests or land clearance by burning and unsustainably managed forestry;
9. Unsustainable fishing activities, for example: blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length;
10. Unsustainable diamonds: exploitation of diamond mines, and commercialisation of diamonds, when the host country has not adhered to the Kimberly Process or other similar international agreements;
11. Protected areas: projects which threaten critical cultural heritage or biodiversity: (i) UNESCO Heritage Sites; (ii) IUCN I-V Protected Areas; (iii) Ramsar Wetlands; and (iv) mountaintop removal in the Central Appalachian Mountains of the United States of America;
12. Defence: manufacture of weapons and munitions or weapons systems;
13. Tobacco: manufacture of or significant trade in (>10% sales revenues) tobacco products;
14. Discriminatory materials: production and distribution of racist, anti-democratic or other material with intent to discriminate part of the population;
15. Alcohol: manufacture of or significant trade in (defined as >10% of sales revenues) alcoholic beverages;
16. Gambling: significant sales revenues from ownership and/or operation of gambling establishments such as casinos, racetracks, online gambling, bingo parlours or bookmaking;
17. Adult entertainment: production of adult entertainment and/or significant sales revenues from ownership/operation of adult entertainment establishments; and
18. Cannabis: manufacture of or trade in (defined as significant sales revenues from) cannabis or cannabis-related products.

Individual strategies may exclude additional activities according to the product's investment strategy or investor requirements.

² Forced labour means all work or services, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions

³ Workers may only be employed if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply

ESGI Policy Statement

This section outlines CAM's commitments on key ESGI issues across its strategies, with the aim to provide the baseline ESGI framework for all investments whilst individual strategies may build on this to support their individual investment thesis.

Figure 2: Typical ESG issues considered in the investment process.



Climate Change

Our mission to 'develop and deliver investment solutions accelerating the transition to a net zero, climate resilient future' underpins the rationale of all our investment decisions. Therefore, we will:

- Screen investment opportunities from a transition and climate physical risk perspective based on internationally-recognised climate change scenarios;
- Seek opportunities to increase the climate resilience of the landscapes we invest in and the communities that depend on them;
- Develop net-zero strategies for all our investments and monitor progress towards achieving this;
- Measure and report material scope 1, 2 and 3 greenhouse gas ("GHG") emissions for our investment portfolio using internationally recognised methodologies such as the Greenhouse Gas Protocol; and
- Report climate change transition and physical risks for the portfolio in accordance with the recommendations of the TCFD.

Environment

Protecting and enhancing landscapes via nature-based solutions is core to our mandate and vital to achieving our mission. We commit to respect and protect the health of the natural environment and aim to avoid investing in businesses and/or projects with potential for significant adverse impacts on the environment. This approach is ingrained in our investment strategy to identify opportunities to improve biodiversity, habitats and their ecosystem services. We will only undertake projects or invest in businesses that:

- Comply with host-country environmental laws and regulations and international agreements;
- Have undergone an environmental assessment appropriate to the nature of risks faced and in alignment with our governing ESGI standards;
- Develop an environmental management system that is scaled and resourced to effectively manage material risks and impacts identified and in line with GIIP;
- Demonstrate the sustainable and efficient use of resources including raw materials, water and energy;

- Avoid (and where avoidance is not possible) minimise and mitigate the release of pollutants to air, water and land in line with the mitigation hierarchy;
- Avoid working in protected areas or areas of critical habitat⁴ (unless it is a conservation or restoration investment) and where this is unavoidable follow international best practice for the management of biodiversity and ecosystem services;
- Avoid, minimise and reduce waste and the toxicity of wastes produced in line with the waste hierarchy and the circular economy;
- Avoid or minimise the need for hazardous materials use and where they are used ensure their appropriate handling, storage and disposal;
- Promote a culture of environmental stewardship; and
- Require these standards of their primary supply chains and monitor their compliance with them.

Social

We are committed to respecting human rights and believe that people should be treated with fairness, respect and dignity. Through our investments we aim to have an enduring and positive impact on the communities in the area of influence and employees. Therefore, we will only invest in projects or businesses that:

- Comply with host-country laws and regulations, international agreements and our governing ESGI standards and norms;
- Protect the health, safety and welfare of all their workers and communities that may be affected by business activities through assessing the specific risks arising from those activities and introducing measures to eliminate or reduce those risks to acceptable levels in line with GIIP;
- Work towards full compliance with the ILO's Fundamental Conventions and the UN Guiding Principles on Business and Human Rights, and actively monitor their supply chain for child and forced labour risks;
- Treat employees fairly in terms of recruitment, progression, terms and conditions of work and representation, without prejudice to and irrespective of gender, race, colour, disability, political opinion, sexual orientation, age, religion or social ethnic origin;
- Undertake stakeholder consultation in an inclusive and transparent manner that is driven by relationship building;
- Assess potential impacts to communities, including indigenous peoples. Where indigenous peoples are present, demonstration that 'free, prior and informed consent' for the investment activities has been obtained;
- Provide additional support to vulnerable groups affected by investment activities and identify and manage differing impacts on women and men, young and elderly;
- Carefully review and consider investments that require economic and/or physical displacement. Where it is unavoidable, restore and improve livelihoods and living conditions of those that are displaced; and
- Identify and manage local and cultural community sensitivities through comprehensive stakeholder engagement and implement and administer a fully functioning grievance mechanism.

⁴ Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union ("IUCN") classification.

Governance and Business Integrity

We believe that strong corporate governance and business integrity systems help to improve company performance, reduce long-term costs and increase the probability of positive impact outcomes. We invest in and partner with businesses that demonstrate these characteristics and have robust due diligence processes in place to assess and monitor this in line with GIIP. We will only invest in projects and businesses and partner with organisations that:

- Commit to adhere to CAM's Supplier Code of Conduct;
- Uphold high standards of business integrity and honesty, and operate in accordance with international laws and good practice;
- Have a structured, functioning and inclusive Board of Directors including the appointment of directors with relevant backgrounds and experience and that recognises the importance of diversity through improving Female representation at Board and executive level;
- Adopt and implement policies and procedures to prevent extortion, bribery, fraud, corruption and financial crime in accordance with local law requirements and relevant internationally recognised practices;
- Properly record, report and review financial and tax information required by relevant accounting standards and operate in compliance with national and international sanctions; and
- Implement a whistleblowing procedure for reporting wrongdoing and misconduct in the workplace.

Delivering Impact at Scale

CAM aims to deliver impact at scale. Historically, natural capital investments have often lacked scale due to the sector being in its infancy and the preserve of smaller grant financed demonstration projects. Now that natural capital is accepted as a distinct sub-sector of sustainable finance⁵ and critical to achieving global climate change and nature goals, a shift is occurring that allows for greater market consolidation and therefore the emergence of larger-scale opportunities. With scale comes the probability of increased positive impact outcomes – both for the natural environment and the health of ecosystems but also for communities in terms of employment and benefitting from the improved ecosystem services.

Impact investing refers to making investments with the intention to generate positive, measurable social and environmental impact alongside financial return⁶. We seek to deliver measurable positive social and environmental impacts from our investments and have integrated the assessment of impacts into our decision-making process aligned to contributing to relevant United Nations Sustainable Development Goals ("SDGs"). To achieve this, each investment strategy will develop an impact measurement and management ("IMM") framework informed by best-in-class impact assessment methodologies.

IMM Frameworks developed will:

- Select investments on the basis of minimum thresholds both for the existing baseline and impact potential of the asset using a consistent and repeatable methodology;
- Set impact targets and define key performance indicators ("KPIs") for each to track progress;
- Implement a monitoring, reporting and verification ("MRV") regime for all investments including business partners as it pertains to their responsibilities defined in the asset's impact delivery plan; and

⁵ Dasgupta, P. (2021), The Economics of Biodiversity: The Dasgupta Review. (London: HM Treasury)

⁶ GIIN, available at: <https://thegiin.org/impact-investing/>

- Conduct exits considering the long-term sustainability of the investment.

Whilst, assessing and measuring impact from natural capital projects remains an emerging theme, CAM will continue to engage with the leading industry stakeholders to ensure that frameworks developed are representative of the best-in-class frameworks and continually review and improve the approach.

Investee and Business Partner Stewardship and Reporting

Prior to all investments, an ESGI action plan is created for the project or business to address any gaps identified against CAM's ESGI framework within a reasonable timeframe, acknowledging that not all investments will be able to meet requirements from the outset. Via continuous engagement with investees and business partners, we both support and monitor their progress towards achieving these actions by setting targets which are measured and reported against using appropriate and measurable key performance indicators (KPIs).

CAM and its investment strategies provide regular updates to stakeholders including the Investment Committee and limited partners via committee meetings, quarterly and annual reporting. CAM also reports to wider stakeholders via the reporting requirements of various industry associations of which it is a signatory.

Our Sustainability Practices

We lead by example in our day-to-day work and interactions with others. As part of our commitment to sustainability we:

- Seek to address material ESG risks and impacts of our own business activities. In particular, CAM will establish and report on its own net-zero strategy and commits to offset any residual emissions that can't be avoided from its inception;
- Foster a diverse and inclusive workplace, treating all employees fairly in terms of recruitment, progression, remuneration and conditions of work, irrespective of gender, race, colour, language, disability, political opinion, age, religion, or national/social origin;
- Foster staff awareness of responsible investment, including the provision of training and regular updates to the investment teams on relevant ESGI developments and issues; and
- Where appropriate, link incentives of CAM's and our strategies' management teams with the achievement of RI targets.

Policy Oversight and Implementation

This Policy has been adopted by CAM's Board of Directors and is subject to frequent reviews, not less than every two years. It is overseen by the Head of ESG and the Compliance Officer.

The implementation of this Policy is the responsibility of the Board and all employees, partners and investees will contribute its success.