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EC's Sustainable Development Investment Guidelines (summary)

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SUSTAINABLE DEVELOPMENT INVESTMENT GUIDELINES (SUMMARY)

Earth Capital Partners (EC) is a private equity investment manager focussed on Sustainability. We invest globally in companies and infrastructure which address the challenges of Sustainable Development (SD) such as climate change, energy security, food and water security. We recognise that whilst our investments inherently deliver a targeted SD benefit, those same investments will have a wider sustainability footprint. EC is committed to incorporating environmental, social and governance (ESG) factors across our whole investment process to ensure that we understand and manage that wider impact. This evaluation of Sustainable Development impact forms an integral part of the EC Investment Process, including due diligence, Investment Committee membership and Terms of Reference, investment approval and portfolio monitoring processes and criteria. Our Sustainable Development Investment Guidelines (SDIG) are integral to this approach.

A SDIG assessment should be completed for all EC investments (whether assets in development, construction or operation and corporate/ technology investments) at the point of EC investment (assessment undertaken by EC) and thereafter on an annual basis, completed on a self-assessment basis by the asset/ corporate management team. This is typically done at the same time as the Earth Dividend™ process.

Undertaking a SDIG assessment requires a defined 'boundary' for that assessment. This defines the operating entities and physical assets to which the assessment relates. EC has sought to establish a sustainability strategy which is based upon and complies with the principles of the Global Reporting Initiative G4 and we have reflected this in our SDIG procedures.

The SDIG's set out the sectors in which EC targets investment including Agriculture, Clean Technology and Renewable Energy. The SDIG underlines

the key drivers and rationale for the choice of those sectors.

The SDIG also set out 'no-go' areas into which the advised Funds will not invest and minimum standards based upon international best practices which all Fund investments should meet. Minimum standards include development and construction projects which meet the Equator Principles and related standards set out in the International Finance Corporation Performance Standards, Industry Sector Guidelines and General Environmental, Health and Safety Guidelines. The Sustainable Development Investment Guidelines exclude investments which significantly impact or undertake land conversion activities in:

- UNESCO World Heritage Sites (unless the activities pre-date the UNESCO designation)
- Primary Forest
- High Conservation Value Forest, unless the Precautionary Principle is applied and conservation-based management plans which deliver preservation or enhancement of the high conservation values are implemented
- Endangered species habitats
- Wetlands on the Ramsar list
- Critical Natural Habitats (as defined by the World Bank)
- Participate in cross-border trade in waste and waste products unless compliant with the Basel Convention and underlying regulation

SUSTAINABLE DEVELOPMENT INVESTMENT GUIDELINES (SUMMARY)

International Standards and Completeness

As part of the SDIG and the Earth Dividend™ process there is an ongoing review of the best practice approaches to the assessment, reporting and assurance of ESG and SD issues and related performance identified as significant in the following:

- United Nations Environment Program Finance Initiative (UNEP FI) Principles for Responsible Investment; (1)
- The Global Reporting Initiative, G4 Sustainability Reporting Guidelines, including Indicator Protocols and Sector Supplements; (2)
- The Equator Principles; (3)
- IFC Performance Standards, Guidance Notes and Environment, Health & Safety (EHS) Industry Sector Guidelines; (4)
- The United Nations Sustainable Development Goals 2015 (SDGs); (5)
- IFC Development Outcome Tracking System (Agribusiness and Infrastructure). (6)

To ensure balanced coverage of SD issues, EC has undertaken a detailed benchmark of the Earth Dividend™ methodology against those issues identified as significant in:

- The Global Reporting Initiative;
- G4 Sustainability Reporting Guidelines;
- IFC Performance Standards;
- Sustainable Development Goals;
- IFC Development Outcome Tracking System Agribusiness and Infrastructure indicators.

The Sustainability Council's input brings leading external stakeholder perspectives to Earth Capital's approach on Sustainable Development and its annual review of the Sustainable Development impact of the Fund's investments, measured through the Earth Dividend™.

SUSTAINABLE DEVELOPMENT INVESTMENT GUIDELINES (SUMMARY)

The SDIG sets out the level of 'sustainable' or 'unsustainable' contribution and is assessed for the following issue categories:

Natural Resource Consumption:	Water use and efficiency; energy inputs and efficiency; efficient use of raw materials; sourcing of materials from sustainable practices; land resource value.
Ecosystem Services:	Biodiversity and natural habitat; water system; climate system & greenhouse gas emissions; soil systems.
Pollution Control:	Atmospheric emissions; effluent discharge; waste disposal; supply chain polluting impact, product end of life impact.
Social & Economic Contribution:	Employee welfare and human rights; local economic contribution; supply chain employment standards; contribution to Sustainable Development Goals (SDGs).
Society & Governance:	Corporate governance; bribery & corruption; responsible marketing and market behaviour; indigenous peoples and cultural heritage.

The definitions set out above are based upon a detailed benchmark of approaches to the management, performance improvement and reporting of SD.

To determine 'sustainable or 'unsustainable' contribution, an assessment using the Earth Dividend™ methodology is undertaken, which itself gives due consideration to the asset's socio-economic and environmental setting. Reference to the asset's setting enables the Earth Dividend™ to accommodate the varying importance of different ESG issues in different localities. For example, in a region where water scarcity is significant, high water consumption would be assessed to be making an 'unsustainable' contribution. Similar consumption in a region of abundant water supply may be considered 'sustainable'.

EC, as adviser to the Funds, will engage with investee companies / projects and other stakeholders to work towards the implementation of sustainable business practices.

If you would like to receive further details on EC's Sustainable Development Investment Guidelines then please contact us at info@earthcapital.net.

REFERENCES

[1] The United Nations Environment Program Finance Initiative (UNEP FI) works closely with over 160 financial institutions who are signatories to the UNEP FI Statements, and a range of partner organisations to develop and promote linkages between the environment, sustainability and financial performance. Through regional activities, a comprehensive work programme, training programmes and research, UNEP FI carries out its mission to identify, promote, and realise the adoption of best Environmental and Sustainability practice at all levels of financial institution operations. http://www.unepfi.org/

The Principles for Responsible Investment (PRI) provide a framework for the consideration of ESG issues on the performance of investment portfolios. The Principles are voluntary and aspirational and provide a menu of possible actions for incorporating ESG issues into mainstream investment decision-making and ownership practices. Development of the principles was coordinated by the United Nations Environment Program Finance Initiative and the UN Global Compact http://www.unpri.org/

[2] The Global Reporting Initiative, G4 Sustainability Reporting Guidelines, including Indicator Protocols. The Global Reporting Initiative (GRI) has pioneered the development of the world's most widely used sustainability reporting framework. This framework sets out the principles and indicators that organisations can use to measure and report their Economic, Environmental and Social performance. The fourth version of the Guidelines – known as the G4 Guidelines – was published in 2013.

Sustainability reports based on the GRI framework can be used to benchmark organisational performance with respect to laws, norms, codes, performance standards and voluntary initiatives; demonstrate organisational commitment to SD and compare organisational performance over time. https://www.globalreporting.org/information/about-gri/what-is-GRI/Pages/default.aspx

[3] The Equator Principles are a benchmark for the financial industry to manage Environmental and Social issues in project finance and advisory transactions. http://equator-principles.com

REFERENCES

[4] The International Finance Corporation (IFC) is a member of the World Bank Group. It provides loans, equity, structured finance and risk management products, and advisory services to build the private sector in developing countries. http://www.ifc.org

The IFC's EHS Guidelines are technical reference documents with general and industry-specific examples of Good International Industry Practice (GIIP). They contain the performance levels and measures that are normally acceptable to IFC and are generally considered to be achievable in new facilities at reasonable costs by existing technology. www.ifc.org/ehsguidelines

[5] Built on the previous UN Millennium Development Goals declared in 2000 the UN launched the successor Sustainable Development Goals (SDGs) in Sept 2015. The 2030 Agenda for Sustainable Development is an intergovernmental set of aspirational goals. It is a broad intergovernmental agreement that, while acting as the Post 2015 Development Agenda (successor to the Millennium Development Goals), builds on the Principles agreed upon under a previous resolution, popularly known as The Future We Want. https://sustainabledevelopment.un.org

[6] IFC Development Outcome Tracking System (Agribusiness and Infrastructure) - IFC has developed a Development Outcome Tracking System (DOTS). It builds on IFC's long-standing evaluation framework, which is widely recognised as good practice for evaluating private sector investments. DOTS allows real-time feedback into project design and implementation, enabling IFC to measure results against clear targets that are defined beforehand. By using standard performance indicators, DOTS allows the IFC to aggregate development results and compare them across regions, industries, and business lines. http://www.ifc.org/results

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