



## **Disclosure statement**

Earth Capital hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the “Principles”).

This Disclosure Statement applies to the following Covered Assets that align with the Principles:

Each operating company in which we invest in the Nobel Sustainability Fund™ other than developments projects or third-party funds.

The total value of the Covered Assets in alignment with the Principles is US\$ 32.8 million as of 30<sup>th</sup> December 2020.

A handwritten signature in purple ink, appearing to read "R. Burrett".

Richard Burrett

**Director and Chief Sustainability Officer**

**Earth Capital Ltd**

**Dated – 1<sup>st</sup> March 2021.**

Attached: Explanation of our alignment with the Principles

**PRINCIPLE 1: Define strategic impact objective(s), consistent with the investment strategy.**

EC is a global private equity investment manager totally focused on Sustainable Development within the climate change-related nexus of energy, food and water security. We invest capital globally in the commercialisation and deployment of proven, sustainable technologies, in various industries including agriculture, clean industry, energy generation, resource and energy efficiency, infrastructure, waste and water. Our investment thesis is to target investments that have a positive impact in those sectors and address sustainability concerns in those areas.

Through our proprietary Earth Dividend™ scoring system we seek to measure the positive and negative impacts of an investment on sustainability and the local environment where the investee business operates taking a holistic approach. The Earth Dividend™ has thirty tests in five dimensions which we have mapped to the UN Sustainable Development Goals.

EC insists investee businesses embrace the use of Earth Dividend™ and use the tool to improve their understanding and expansion of sustainability in the organisation. EC looks to improve the impact of investee companies on the environment through improving the Earth Dividend™ score where commercially advantageous.

**PRINCIPLE 2: Manage strategic impact on a portfolio basis.**

EC has developed the Earth Dividend™ (ED) system which provides an annual measure of an investment's Sustainable Development impact. The Earth Dividend™ comprises a scorecard, based upon net Environmental, Social and Governance (ESG) impacts and benefits. It has been developed by Earth Capital's (EC) in-house Sustainable Development specialists following review of international best practice approaches to the assessment, reporting and assurance of ESG issues and performance. This enables us to track the holistic sustainability impact consistently at both an individual investment and portfolio level. We will only make investments where an investee will generate a net positive impact in Earth Dividend™ terms.

**PRINCIPLE 3: Establish the Manager's contribution to the achievement of impact.**

Earth Capital (EC) annually produces its Sustainability review for investors which contains an overview of the Earth Dividend™ (ED) process for each investment and the fund as a whole. This shows performance across a range of impact indicators. A summary of this report is available to the public on our website.

The ED analysis helps EC to develop a credible narrative around the sustainability footprint and impact of the businesses in which we invest. The holistic analysis comes from the scoring of 30 tests across 5 key dimensions of sustainability namely natural resources, ecosystem services, pollution, social and economic contribution and society and governance. Each test assessment is evidence-based. The fact that we operate a consistent test framework across all our direct company investments ensures we can track portfolio level improvement systematically.

At the same time as we undertake the Earth Dividend™ process, Earth Capital highlights the principal area on which the investee company will have the biggest positive impact. We measure this impact on an annual basis using an appropriate metric (for instance, emissions avoided, water saved, water treated etc. ) depending on the technology being used.

**PRINCIPLE 4: Assess the expected impact of each investment, based on a systematic approach.**

Earth Capital has fully integrated Sustainability into its investment process. The Earth Dividend™ (ED) process is conducted alongside financial due diligence before any investment is made. We target businesses that address sustainability issues around our core investment themes of energy, food and water security. We will only then invest if, based on our ED assessment, the company will deliver a net positive ED impact within two years of first investing. Our assessment looks at the whole value chain of the business and tries to identify any material issues which may impact performance overall.

(1) What is the intended impact?: As stated above, at the same time as we undertake the Earth Dividend™ process, Earth Capital highlights the principal area on which the investee company will have the biggest positive impact. We measure this impact on an annual basis using an appropriate metric (for instance, emissions avoided, water saved, water treated etc. depending on the technology being used)

(2) Who experiences the intended impact?: The beneficiaries of impact vary from investment to investment but are documented as part of that measurement process.

(3) How significant is the intended impact?: The selection of our investment themes (sustainability around the energy, water and food resources nexus) ensures that our investments will have a significant impact. The Earth Dividend™ is an annual process, so therefore we receive a yearly update on the progress of the expected impacts. The Earth Dividend™ is also forward-looking and being an annual process can set new targets for improvements. Our goal is to increase the level of impact that an investment makes throughout our ownership, where this makes commercial sense. This process is clearly visible through the annual Earth Dividend™ scores.

**PRINCIPLE 5: Assess, address, monitor, and manage potential negative impacts of each investment.**

The Earth Dividend™ which explicitly identifies both positive and negative impacts is established as part of the due diligence process and reported annually. As such it will highlight any significant residual ESG risks and require mitigation and management of these as part of the asset management process. The process stipulates that we can only invest in a company if it will make a net positive contribution to Sustainability within two years of ownership. Our Sustainability team works with every company to identify improvements in each area where they add value and make commercial sense. The plan targets annual improvements in the investment's contribution to sustainable development to enhance the underlying commercial performance of the asset and help to maximise

value on exit. The Earth Dividend™ process provides an understanding of where investments make a positive or negative impact; and, identifies those areas where a business may be made more resilient and where more value can potentially be extracted. This process takes place with the involvement of the investee company management. We annually report the Earth Dividend™ performance of our investee companies and the portfolio to our LPs.

**PRINCIPLE 6: Monitor the progress of each investment in achieving impact against expectations and respond appropriately.**

The ED process enables us to track over time the ED performance of each investee company. As stated previously this performance is assessed and reported annually in conjunction with our investee companies. Our Investment and Sustainability teams work with every company to identify improvements in each area where they add value and make commercial sense. The plan targets annual improvements in the investment's contribution to sustainable development. The ED process itself is subject to an annual internal audit process. We also seek and obtain external assurance in accordance with ISAE 3000 to evidence that we are undertaking our ED process in line with the statements made on our website and in our Nobel Sustainability Fund® Information Memorandum.

**PRINCIPLE 7: Conduct exits considering the effect on sustained impact.**

We undertake to factor these considerations into the exit progress. Given that our investment approach is to deliver capital to growth businesses, exit will typically occur when the businesses have reached a level of maturity and operational performance to warrant higher exit valuations. As private equity investors we work with our companies to develop their businesses; improve their performance both financially and in sustainability terms and in turn, increase their value.

**PRINCIPLE 8: Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.**

As previously stated, we work with every company to assess and document their impacts, both positive and negative, across five key dimensions of sustainability and then recommend improvements in each area where they add value and make commercial sense. The approach targets annual improvements in the investment's contribution to sustainable development. Earth Capital strongly believes that the Earth Dividend™ (ED) process adds commercial value to its investments. The process of annual review ensures that this is constantly being assessed and the ED assessment process plays a key role in maximising the value of the investment. Through the creation of a Sustainability Council of experienced sustainability practitioners from a broad range of industries, we seek to receive input from a diverse constituency and ensure that the ED remains leading-edge best practice.

**PRINCIPLE 9: Publicly disclose alignment with the Principles and provide regular independent verification of the alignment.**

We will report annually the alignment of our activities with the Principles. As previously noted, our own ED impact measurement framework is subject to annual internal audit and external assurance. In addition, we will present the impact measurement process annually to our Investment Committee and to our Independent Sustainability Council to review our approach. These processes will be completed by the year end 2021 and written confirmation will be provided by our Chief Risk Officer and Chair of our Investment Committee.