RESONANCE
ASSET MANAGEMENT

11 January 2024

Resonance Asset Management
Responsible Investment Policy

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Introduction

Resonance Asset Management (RAM) believes that responsible investment plays a vital role in driving positive global transformation. Our primary mission revolves around reducing pollution and waste through investments in sustainable water, energy, and waste infrastructure. Simultaneously, we aim to benefit our investors and other stakeholders.

This policy outlines how responsible investment is embedded in RAM's portfolio construction and management processes.

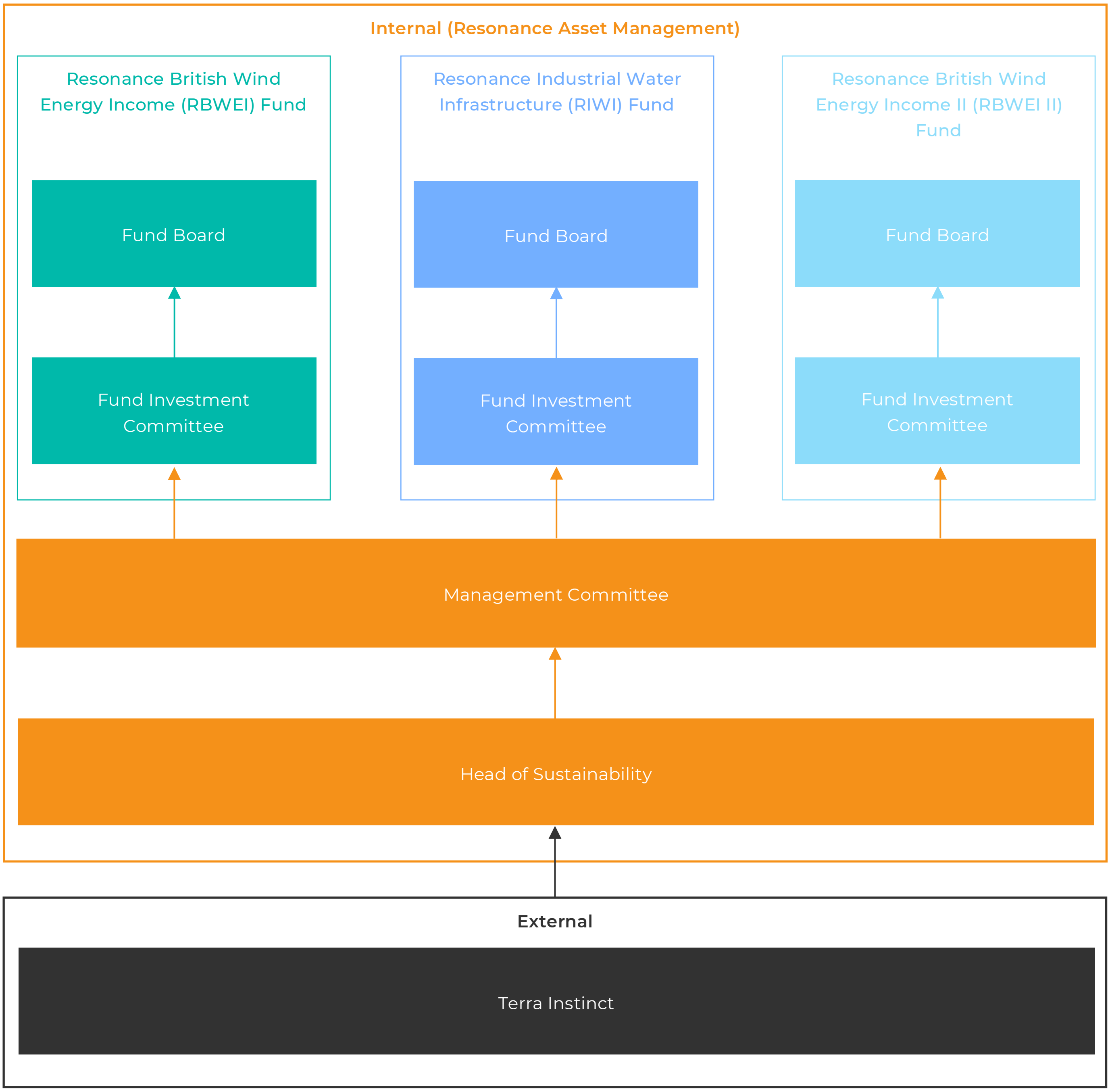
Governance

Each of RAM's funds have a board of directors who are charged with governance and have ultimate responsibility for the implementation of sustainability across their funds. The boards have delegated their day-to-day responsibility for sustainability to RAM's personnel.

RAM's Head of Sustainability oversees the implementation of the responsible investment policy. Specifically, this role involves:

- Gathering and reporting on Environmental, Social, and Governance (ESG) information to RAM's internal and external stakeholders.
- Ensuring adherence to the Principles of Responsible Investment (PRI).
- Ensuring compliance with sustainability regulations, including the European Union's Sustainable Finance Disclosure Regulation (EU SFDR).

As outlined below, the Head of Sustainability reports to RAM's management committee, who in turn reports to the funds' investment committees. The Head of Responsibility works with Terra Instinct, an external sustainability consultant, to collect and report on ESG data.



Strategy

Overview

Our mission is to have a positive impact on the planet by reducing pollution and waste whilst also benefitting our investors and other stakeholders.

As a signatory to the PRI, our strategy is influenced by the six principles:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the principles.
6. We will each report on our activities and progress toward implementing the principles.

The detailed implementation of the first three principles is contained within this policy.

We consider a variety of ESG factors across different stages of portfolio construction and management, with a particular emphasis on factors deemed most material to the specific asset type. Materiality is determined through our team's in-depth understanding of infrastructure assets. We also incorporate GRESB's infrastructure Materiality & Scoring Tool into our assessment (see Appendix for more information).

Portfolio Construction

Asset-Specific Considerations

All investments undergo ESG screening and due diligence, conducted by the Head of Sustainability, wider RAM team, and Terra Instinct. The relevant ESG information collected during this process is presented to and discussed with the fund investment committees. Subsequently, the findings are shared with the fund boards for review before any investment decisions can be made.

The initial stage in deciding on an investment involves assessing its alignment with our primary sustainability objective of reducing waste and pollution. We define pollution as the release of harmful substances into the environment through human activities, while waste is the disposal of materials from these activities. Alignment is determined by examining the positive impacts of an investment, such as materials extracted from waste, materials reused, and greenhouse gases avoided.

We believe that reducing waste and pollution should not come at a significant consequence to other ESG factors.

We will not make investments involved in any of the following businesses or activities:

- **Illegal or Prohibited Products or Activities:** The manufacturing, promotion, utilisation, or exchange of products or engagement in activities considered illegal or prohibited by global conventions and agreements, including:
    - Forced labour or exploitative child labour;
    - Certain chemicals, pesticides, and waste;
    - Substances causing ozone depletion; and
    - Endangered or protected wildlife and wildlife products.
- **Sanctioned Products, Goods, or Services:** The supply or purchase of sanctioned products, goods, or services to or from countries or regions covered by UN, UK, or US government sanctions.
- **Procurement or Sale Involving Sanctions:** Engaging in the procurement or sale of products, goods, or services subject to UN, UK, or US government sanctions involving specific countries or regions.
- **Weapons and Technologies:** The manufacturing, promotion, utilisation, or exchange of weapons of mass destruction, inhumane weapons, or technologies prohibited by international regulations.
- **Trade of Human Body Parts or Organs:** Participation in the trade of human body parts or organs.
- **Animal Testing for Cosmetics:** Conducting animal testing for cosmetics.
- **Unbonded Asbestos Fibres:** The production, marketing, utilisation, or trade of unbonded asbestos fibres.

Approval from the fund's investment committee is necessary before initiating due diligence for certain investment opportunities that, while not directly related to excluded businesses or activities, still require ethical considerations.

Potential investments must also meet the following criteria:

- **Environmental Management:** The activity should adopt a cautious and responsible approach to environmental management, making efficient use of natural resources while mitigating environmental risks and minimising damage.
- **Human Rights:** Respect for the human rights of all workers involved is paramount in the activity.
- **Working Conditions:** The activity must maintain safe and healthy working conditions for both employees and contractors.
- **Fair Treatment:** Fair treatment of all employees involved in the activity is a fundamental requirement.
- **Business Integrity:** The activity must uphold high standards of business integrity, refraining from all forms of corruption, and complying with relevant laws and regulations pertaining to anti-bribery, anti-fraud, and anti-money laundering.
- **Corporate Governance:** Sound corporate governance practices should be established, including clearly defined responsibilities, procedures, and controls, with appropriate checks and balances in place.

Compliance with the criteria above is evaluated through:

- **Discussions:** Conversations with the asset developer and/or operator, and, when relevant, the industrial client (the "Relevant Parties").
- **Internal Documentation Assessment:** Examination of internal documentation of the Relevant Parties, such as organisational structure diagrams as well as resource management, remuneration, non-discrimination, equal opportunities, and anti-corruption and bribery policies.
- **External Documentation Assessment:** Examination of external documentation, such as news articles relating to practices of the Relevant Parties.

Where necessary, RAM will request further information from the Relevant Parties.

Location-Specific Considerations

Double materiality is an important concept in our screening and due diligence process. We believe it is important to not only assess the impacts of our assets on the planet and society but also the reciprocal influence of the planet and society on our assets. This reciprocal consideration is a crucial element in our overall risk assessment.

RAM conducts a thorough evaluation of sustainability risks related to potential investments, utilising guidance from the Task Force on Climate-Related Financial Disclosures (TCFD). This involves employing Munich Re's Location Risk Intelligence tool to assess current physical climate risks as well as future risks associated with various Shared Socioeconomic Pathway (SSP) and Representative Concentration Pathway (RCP) climate change scenarios (see Appendix for more information). Upon identifying significant physical risks, RAM engages with Relevant Parties to implement mitigation measures aimed at preventing potential damage and disruption. Additionally, we pursue appropriate insurance coverage to manage identified risks.

Transition risks are also considered. It is important to note that, while these risks may pose challenges, they often bring about investment opportunities for RAM. For example, a policy aimed at reducing fossil fuel usage creates investment prospects, such as opportunities to invest in on-site solar energy at a water treatment plant owned by RAM.

The expenses associated with managing climate-related risks are integrated into the financial model for each asset. In cases where risks are deemed excessively high or unmanageable, RAM will choose not to proceed with the investment.

Moreover, we consider the geopolitical landscape where our funds are globally invested. As a primary measure, we avoid investments in countries subject to UN, US, or UK sanctions, and refrain from engaging in business activities within countries embroiled in armed conflicts.

The risk landscape in various countries is diverse and influenced by multiple factors. We consider it essential to evaluate the level of corruption, adherence to the rule of law, political stability, and the prevalence of violence and terrorism when contemplating investments in a country. These factors significantly impact various aspects of asset management, from working with developers, operators, industrial clients, and suppliers to prudently managing finances and executing cross-border fund transactions.

For funds launched after 2015, we employ the World Bank's Worldwide Governance Indicators rankings in our country assessment (refer to the Appendix for more information). Specifically, we will aim to limit the total fund investments in countries falling below an average rank of 50% across the Control of Corruption, Rule of Law, and Political Stability and Absence of Violence/Terrorism indicators to 20% of the total committed capital of a fund. Investments in countries that fall below the 50% threshold may be exempt from the 20% limit if thorough risk mitigation measures, such as international arbitration, are available, depending on the nature of the investment and risk.

Regulatory Considerations

The applicability of sustainability regulations to financial products depends on their specific attributes, such as the jurisdictions in which they are marketed, and the sustainability claims mentioned in their marketing materials. For financial products classified as Article 9 under the European Union's Sustainable Finance Disclosure Regulation (SFDR), a key consideration is whether the investment aligns with at least one of the EU Taxonomy objectives and does not do significant harm ('DNSH') to the others.

The EU Taxonomy objectives are set out below:

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

Adherence to EU Taxonomy alignment and DNSH requirements is assessed against Technical Screening Criteria set out by delegated acts adopted by the European Commission. Drafts of delegated acts are used as guidance when the acts themselves are incomplete. In cases where no specific guidance is provided, and drafts of delegated acts are unavailable, generic criteria are used.

In addition, investments must also meet Minimum Safeguards relating to human rights, corruption, taxation, and competition issues. In particular, investments must align with the Organisation for Economic Co-operation and Development's (OECD's) Guidelines for Multinational Enterprises and United Nation's (UN's) Guidelines on Business and Human Rights. Guidance on the application of these guidelines is issued by the EU Platform on Sustainable Finance.

Portfolio Management

Monitoring and Reporting

The continuous monitoring of the portfolio's sustainability performance is crucial to ensure that RAM's sustainability objectives are met, and that significant harm to the environment and society is avoided. Equally important is the ongoing monitoring and management of climate risks throughout the lifecycle of each asset, accomplished by using Munich Re's Location Risk Intelligence tool (see Appendix for more details).

ESG metrics are disclosed in quarterly investor reports and annual sustainability reports. These annual reports are based on the International Sustainability Standards Board's (ISSB's) IFRS S2 Climate-Related Disclosures. In our commitment to transparency, we strive to present not only positive impacts but also acknowledge negative impacts. Moreover, we aim to provide transparency regarding the methodologies employed for data collection.

The EU SFDR classifies the essential sustainability metric disclosures as Principal Adverse Indicators (PAIs). These indicators have a negative focus, designed to identify harm rather than monitor the positive sustainability impact of a fund and its investments. RAM incorporates the mandated PAIs in the reporting of its products falling under the EU SFDR. For products not subject to the EU SFDR, RAM will still strive to disclose the most relevant indicators, as determined in its materiality assessment.

The EU SFDR's PAIs are outlined below.

1. GHG emissions:
    a. Scope 1 GHG emissions.
    b. Scope 2 GHG emissions.
    c. Scope 3 GHG emissions.
    d. Total GHG emissions.
2. Carbon footprint.
3. GHG intensity of investee companies.
4. Exposure to companies active in the fossil fuel sector – Share of investments in companies active in the fossil fuel sector.
5. Share of non-renewable energy consumption and production – Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources.
6. Energy consumption intensity per high impact climate sector – Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector.
7. Activities negatively affecting biodiversity-sensitive areas – Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas.
8. Emissions to water – Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average.
9. Hazardous waste and radioactive waste ratio – Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average.
10. Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises – Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises – Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.
12. Unadjusted gender pay gap – Average unadjusted gender pay gap of investee companies.
13. Board gender diversity – Average ratio of female to male board members in investee companies, expressed as a percentage of all board members.
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) – Share of investments in investee companies involved in the manufacture or selling of controversial weapons.

We also aim to monitor and report on the positive impacts of our investments. These will be unique to each financial product. For example, for a wind portfolio, this will include avoided CO2e emissions and clean energy generated; for a water portfolio, this will include the cubic meters of wastewater treated and water recycled.

A primary challenge in monitoring activities is the limited availability of data. RAM invests in private infrastructure assets, meaning that public sustainability data is not usually available. For funds launched after 2015, we actively seek contractual agreements with asset operators and, where applicable, industrial clients, to secure necessary data. For other investments, engagement strategies are employed to influence data availability. Typically, data for infrastructure assets is collected using on-site sensors, such as flow meters for water assets, or obtained from the asset operator or an online dashboard.

For certain metrics, such as Scope 3 greenhouse gas (GHG) emissions, we employ estimates, adhering to relevant standards and regulations.

We rigorously assess the relevance, completeness, consistency, transparency, accuracy, and availability of the data we collect. Ongoing engagement initiatives are employed to continuously improve data quality over time.

Engagement

As previously discussed, we strive to engage with the Relevant Parties to continually enhance ESG data quality. Engagement is also employed in other areas.

In the event of a negative ESG occurrence following the execution of an investment, addressing the issue through engagement becomes a crucial priority. The primary emphasis lies in developing a strategy in collaboration with the Relevant Parties to enhance performance. Should the Relevant Parties fail to implement sufficient measures to handle the event or if the event is considered unmanageable and presents substantial risks, RAM will either pursue the replacement of the concerned parties or opt for divestment from the asset.

Typically, there is no specific issue identified, but there are often sustainability areas that could be improved upon. RAM aims to actively engage with the parties it works with, aiming to enhance their ESG practices. Opportunities for engagement are determined by gaining insights into the objectives, practices, and plans of the Relevant Parties.

Discussions occur through various channels such as email, calls, and face-to-face meetings.

Given the concentrated nature of RAM's portfolios and the fact that multiple assets are usually overseen by single operators, we are able to engage with all Relevant Parties on an equal basis. In instances requiring prioritisation, our focus will be on cases where the highest value is at risk.

RAM also seeks to offer support to the local communities in which it operates. For instance, a portion of the profits generated by an asset may be allocated to support community initiatives, such as the construction of schools and recreational facilities.

Appendices

Appendix A: GRESB's Materiality & Scoring Tool

The materiality assessment in the GRESB process involves answering 15 questions related to materiality factors, including the asset's primary sector, location, presence on contaminated land, and the number of customers served. These questions contribute to determining the materiality of 45 ESG issues (13 Environmental, 16 Social, and 16 Governance). Seven of these ESG issues have fixed materiality, while the rest can be assigned one of four levels: No relevance (0), Low relevance (0), Medium relevance (1), and High relevance (2).

RAM pays particular attention to those factors that have 'High relevance'.

For more information, please see: link.

Appendix B: Munich Re's Location Risk Intelligence Tool

Munich Re scores current physical climate risk exposure at the location level based on science and historical data. Dedicated ratings are provided for 12 natural hazards, including earthquakes, river floods, and wildfires.

In addition, Munich Re assesses future physical climate risk exposure associated with SSP1/RCP2.6, SSP2/RCP4.5, SSP3/RCP7.0, and SSP5/RCP8.5 climate change scenarios, extending up to the year 2100.

RAM pays particular attention to risks that are deemed 'High'.

For more information, please see: link.

Appendix C: The World Bank's Worldwide Governance Indicators

The World Bank aggregates data sourced from over 30 reputable entities, including think tanks, international organizations, non-governmental organizations, and private firms worldwide. The selection of these sources is based on three crucial criteria: (1) credibility of the producing organisations, (2) provision of comparable cross-country data, and (3) regular updating. The data compilation mirrors the diverse perspectives on governance from numerous stakeholders globally, incorporating insights from tens of thousands of survey respondents and experts.

RAM considers the following indicators:

- **The Political Stability and Absence of Violence/Terrorism** – assesses perceptions regarding the likelihood of political instability and/or politically motivated violence, including terrorism.
- **The Rule of Law** – encompasses perceptions of the degree to which individuals have confidence in and adhere to the societal rules. This includes the quality of contract enforcement, property rights, the effectiveness of the police and the courts, along with the likelihood of crime and violence.
- **The Control of Corruption** – gauges perceptions of the extent to which public power is wielded for private gain. This includes assessments of both minor and significant forms of corruption, as well as the phenomenon of the "capture" of the state by elites and private interests.

For more information, please see: link.