

earth capital



2020 Annual Sustainability Review

Most Innovative ESG Product



www.earthcapital.net

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Introductory Letter

Dear Reader,

This report is Earth Capital's second annual sustainability review since the launch of the Nobel Sustainability Fund® (NSF). The sustainable finance and impact investment landscape has been dynamic indeed over the past 12 months but recent weeks have been dominated by the unfolding COVID-19 pandemic. This review is intended to highlight how we approach sustainable development and how we integrate sustainability thinking into all we do as a business.

Sustainability drives our investment themes; is integrated into our investment decision making and is used to performance manage the businesses we invest in. Our Earth Dividend™ process provides us with a holistic understanding of the sustainability performance of those investee businesses and clearly demonstrates that NSF makes a net positive contribution to Sustainable Development. We reflect in this review on how the assessment has developed over the past year and compare the 2018 benchmark scores to the 2019 performance. The review highlights how we are looking at these issues from an individual company as well as a portfolio perspective. We remain proud of the work we do to ensure that our Earth Dividend™ process is implemented systematically and externally assured; and are pleased to have recognition of this, by being awarded with the Most Innovative ESG Product at the ESG Investing Award's 2020. The decision was made by a panel of experts in sustainable finance from leading academic institutions and the financial sector.

We also highlight how we are implementing the recommendations of the Taskforce for Climate Financial Disclosure (TCFD) and the related work we have done to assess the climate-related performance across the portfolio. We also look at how we are implementing the IFC's Operating Principles for Impact Management to enhance further our impact measurement and reporting.

It is impossible not to reflect too on what this unprecedented COVID-19 related global lockdown of society and the economy might mean for the sustainable development agenda going forward. The challenges facing our globally interconnected society and economy have been brought into sharp focus in recent weeks. We should not waste this crisis. There are emerging learnings around the fragility of supply chains, the impact of the GIG economy on employment and value of collective societal action in the face of a global emergency. These insights can help us to finance the transition to a low carbon, sustainable and just economy.

We hope you enjoy the review and support what we are trying to achieve.



A handwritten signature in black ink, appearing to read 'R. Burrett'.

Richard Burrett | Chief Sustainability Officer (CSO)

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Email: richard.burrett@earthcapital.net

Earth Capital Executive Summary

- Earth Capital Holdings (ECH) Global AUM: \$1.6bn.
- Earth Capital is a sustainable private equity firm, investing globally in the development and deployment of clean sustainable technology.
- Investment themes: resource efficiency, clean energy and sustainable technology.
- Earth Capital manages the Nobel Sustainability Fund® a global, multi-phase growth, private equity fund to finance, incubate and accelerate the development of clean, sustainable technologies.
- The impact of each investment is measured using our proprietary Earth Dividend™ which spans the UN Sustainable Development Goals.
- In addition to measuring impact, Earth Capital aims to improve financial returns through implementing the Earth Dividend™ process.



Why Sustainability?

Sustainable Development is meeting:

“the needs of the present without compromising the ability of future generations to meet their own needs”

Brundtland Report 1987

As former Governor of the Bank of England, Mark Carney, has stated, “Changes in climate policies, new technologies and growing physical risks will prompt reassessments of the values of virtually every financial asset. Firms that align their business models to the transition to a net zero world will be rewarded handsomely. Those that fail to adapt will cease to exist. The longer meaningful adjustment is delayed, the greater the disruption will be.”



At Earth Capital, we believe the rules of the game have fundamentally changed:

- Today, companies have a clear self-interest to improve the socio-environment context in which we live and to produce a profit.
- By selecting Sustainable Development (SD) as Earth Capital’s investment theme, we protect and enhance value, address societal and environmental challenges and aim to deliver superior financial returns to our investors.
- We are making a difference by fully integrating a performance-focused investment philosophy with Environment, Social and Governance (ESG) metrics into the investment process in all parts of the investment cycle.
- We believe that it is vital to measure the level of impact annually that each investment makes to Sustainable Development, whether positive or negative.
- We measure this impact through the Earth Dividend™.
- Sustainability leadership is critical as business as usual is no longer a viable option.

Preface

Annual Sustainability Review

This report is Earth Capital's second annual sustainability review since the launch of the Nobel Sustainability Fund® (NSF). Earth Capital is a global private equity investment manager totally focused on Sustainable Development within the climate change nexus of energy, food and water security. We invest capital globally in the commercialisation and deployment of proven, sustainable technologies. Earth Capital has fully integrated ESG factors, both positive and negative, into its investment process.

The intention of this review is to report the work we have done to measure the sustainable impact of NSF and specifically on the Earth Dividend™ process over the year. Through the Earth Dividend™ we measure and assess each investment's level of impact and contribution to Sustainable Development and then aggregate this for the fund as a whole. This review contains the overall Earth Dividend™ score for the fund and three individual case studies and shows the improvement over the last 12 months.

Background

The sustainable finance and investment landscape is a dynamic one at present with leading companies increasingly looking at how they integrate issues such as climate change or the broader Sustainable Development Goals (SDGs) into their investment approach and how they then understand, measure and report the impact of that. **Earth Capital's Earth Dividend™ process goes beyond this and takes a three hundred and sixty-degree holistic view of each investment's level of impact and contribution to Sustainable Development.** In addition this year we have done further work on climate risk and opportunity to enable us to respond to the Taskforce for Climate-related Financial Disclosure Recommendation (TCFD).

The review again includes highlights of the dialogue we have with our Sustainability Council to ensure that our thinking on these issues is leading edge. The review sets a benchmark for the performance management of these investments and covers the work done to ensure the integrity of that process.

We believe that the integrity of the data used and the process as a whole is vital to its success. To this end, Grant Thornton have again completed an external assurance exercise to verify that the process was undertaken properly.

Given the dynamic context in which we are operating, we also highlight some of the issues which we expect to come onto our radar screen in the next 12 months.



How We Integrate Sustainability Into Our Investment Process

Levers of Change	What we do
Investment themes	Our approach is centred on a recognition that issues around energy, food and water will become increasingly critical and material in a world of growing population and demand, facing the challenges of climate change and resource scarcity. This informs our investment approach and our choice of investment themes.
Integration	We integrate ESG considerations into our due diligence and ongoing performance review process and then subject our investments to the Earth Dividend™ process which identifies potential areas of risk in the business’s value chain that can be better managed or areas where we can innovate further the business model to create additional future value.
Influence	We look to take significant management stakes in the companies in which we invest to enable us to exert influence on Investee Company management to enhance performance on material sustainability issues and create future value at exit.
Outreach	We look to use our influence as an investor to improve the investing landscape. We are committed to contributing and sharing sustainable investment best practice. We work to mobilise capital for a sustainable, low carbon future by amplifying the investor’s voice and collaborating with business, policymakers and investors.

What We Mean By Sustainable Investment

Sustainable investment for Earth Capital is not only what we invest in but also how we invest.

The Earth Dividend™ system provides an annual measure of an investment’s Sustainable Development impact. It comprises a scorecard, based upon net Environmental, Social and Governance impacts and benefits. The Earth Dividend™ is established as part of the due diligence process and reported annually. Our Sustainability team works to identify improvements in each area where they add value and make commercial sense. This results in a plan which targets annual improvements in the investment’s contribution to sustainable development that enhance the underlying commercial performance of the asset and help to maximise value on exit.

Natural Resources	Ecosystem Services	Pollution	Social and Economic Contribution	Society and Governance
<ul style="list-style-type: none"> • Water use and efficiency; • energy inputs and efficiency; • efficient use of raw materials; • sourcing of materials from sustainable practices; • land resource value 	<ul style="list-style-type: none"> • Biodiversity and natural habitat; • water system; • climate system and greenhouse gas emissions; • soil systems 	<ul style="list-style-type: none"> • Atmospheric emissions; • effluent discharge; • waste disposal; • supply chain polluting impact, • product end of life impact 	<ul style="list-style-type: none"> • Employee welfare and human rights; • local economic contribution; • supply chain employment standards; • contribution to Sustainable Development Goals 	<ul style="list-style-type: none"> • Corporate governance; • bribery and corruption; • responsible marketing and market behaviour, • indigenous peoples and cultural heritage
Commercial Value Drivers				
<ul style="list-style-type: none"> • Efficient use of energy and resources in own operations • Reducing cost/ Increasing productivity • Sustainable and resilient supply chains • Increasing land values 	<ul style="list-style-type: none"> • Efficient use of natural capital in own operations • Low carbon performance in own operations and supply chain • Maintaining resilience and sustainable business models 	<ul style="list-style-type: none"> • Effective management of the company’s polluting impact across its value chain • Mitigation of litigation and remediation cost risk 	<ul style="list-style-type: none"> • Increased employee engagement and staff retention • Social licence to operate • Creation of prosperous value chains • Creation of shared value 	<ul style="list-style-type: none"> • Reputational and brand management • Effective company management • Risk identification and mitigation • Litigation management and protection

Sustainable Investment Governance

Earth Dividend™ assessments are approved by the Investment Committee prior to investment and annually thereafter. The CSO sits on the Investment Committee and has a right of veto for every investment.

The annual Earth Dividend™ process is completed by the investee company management/investment teams and is internally audited by the Chief Sustainability Officer.

External Assurance in accordance with ISAE 3000 is carried out on the statements we make about the Earth Dividend™ process on our website and in our key Investor information.

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.

The Earth Dividend™ Process

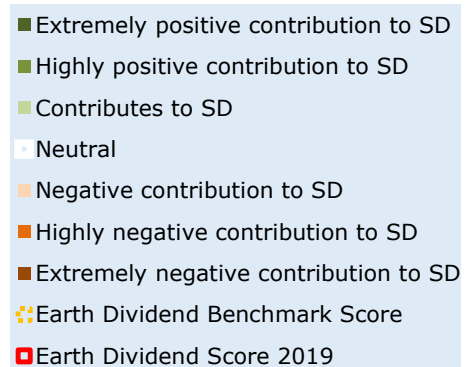
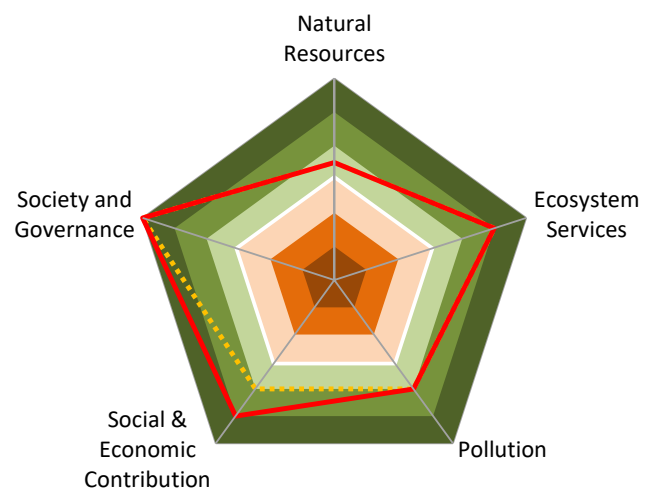
The following pages set out highlights of the Earth Dividend™ process within the Nobel Sustainability Fund®. The scorecard uses 30 tests over 5 dimensions of Environmental, Social and Governance impact to understand the contribution of an investment asset or investee company to sustainable development.

Each test is rated +1 (positive), 0 (neutral) or -1 (negative). The individual scores are added and the aggregate score reflected on the axis for the relevant dimension of impact.

As a result, the potential aggregate score ranges from +30 to -30. Earth Capital will only invest in businesses which will have an aggregate net positive impact i.e. +1 or greater and, through our process, the ability to improve on that score whilst adding business value. **All investments display net positive impact scores.**

Summary of the current ESG indicators used:

- *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 and greenhouse gas emissions; soil systems
- *Pollution Control*
Atmospheric emissions; effluent discharge; waste disposal; supply chain polluting impact, product end of life impact
- *Social and Economic Contribution*
Employee welfare and human rights; local economic contribution; supply chain employment standards; contribution to Sustainable Development Goals (SDGs)
- *Society and Governance*
Corporate governance; bribery and corruption; responsible marketing and market behaviour, indigenous peoples and cultural heritage



The Earth Dividend™ Process

The Earth Dividend™ spans the UN Sustainable Development Goals (SDGs).

Whilst the development of the Earth Dividend™ predates the launch of the SDGs, it has a natural fit with the latter in impact terms. The figure shown maps the five dimensions of the Earth Dividend™ scorecard to their potential impact on the individual SDGs. Some SDGs potentially span more than one Earth Dividend™ dimension.

The Earth Dividend™ scorecard shows both positive and negative impacts of the businesses we invest in and provides a holistic overview of the “footprint” of those investments.

The Earth Dividend™ and Sustainable Development Goals predate the current climate change awareness and disclosure frameworks. However, both approaches inherently support management of climate related financial risks and position Earth Capital’s Nobel Sustainability Fund® to capitalise on climate related opportunities.



Earth Dividend™ 2019 Nobel Sustainability Fund® Score

The overall results for the 2019 Earth Dividend™ process at the NSF portfolio level are visible in the spider diagram below. They clearly demonstrate that **NSF makes a net positive contribution to Sustainable Development**. Whilst the results are often very specific to the company involved it is possible from deeper analysis to see some common issues across the portfolio and identify actions to remedy those issues.

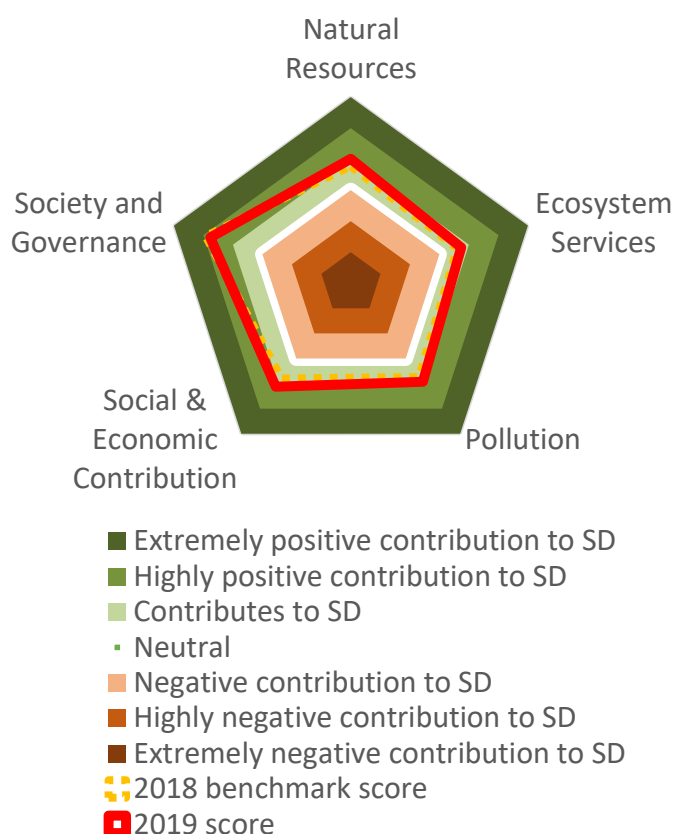
The asset-weighted portfolio-level view plots the 2019 score against the 2018 benchmark score. There is an improvement in four of the five dimensions of the Earth Dividend™. Over the five dimensions in aggregate, **there is a net improvement from an overall score of 9.72 in 2018 to 11.04 in 2019 (an increase of 2.3%)** which is encouraging.

Dealing with the Society and Governance score first, the slight deterioration is largely due to a more robust assessment of two investments which led to a downgrading of two indicator scores from 2018. In one case this will lead to a review of a Code of Conduct policy around transparency, corruption and bribery which requires more evidence of how it meets the standard required and the second case will require more explicit evidence that they meet the requisite CDC standards for Corporate Governance. This additional evidence should bring their scores back to positive from neutral. This latter issue had been highlighted in the internal **audit process**.

It is encouraging to see the improvements in the other four dimensions. Many of these relate to improvement plans highlighted in the 2018 cycle. We highlighted last year that whilst companies often talk of their engagement with local communities and contribution to

local economic development, few measure and report this in any meaningful way. Since then a number of the investee companies have explicitly assessed and calculated their local economic value distributed. This provides the required evidence for a positive score and in our view, assists their social license to operate (SLO), contributing to the overall improvement in the Social and Economic Contribution dimension. Other examples of gains resulting from 12-month improvement plans identified last year include enhanced use of renewable raw materials in their supply chain in one case and significant water savings in another. The examples shown in the following pages highlight some of the specific improvements.

NSF Earth Dividend™
Asset Weight



Portfolio Earth Dividend™ Scores

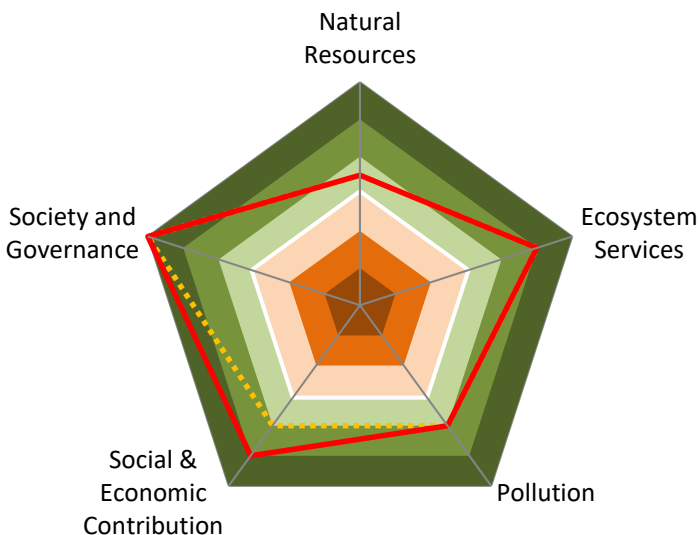
The table below shows the individual Earth Dividend™ scores for NSF portfolio assets for 2018 and 2019 along with the percentage change between the years.

Portfolio Company	Asset Type	2018 ED	2019 ED	% Change
APC	Resource Efficiency	20	19	-2
Arvia	Water Treatment	15	17	+3
Blackdog Biogas	Energy Generation	12	16	+7
Limelight	Energy Generation	9	12	+5
Noka Farm	Sustainable Agriculture	5	5	0
Propelair	Water Efficiency	12	16	+7
ReEnergise	Energy Efficiency	17	10	-12
RiverGen	Energy Generation	14	17	+5
Serastone	Sustainable Building Materials	18	16	-3
SoftIron	CleanTech	2	3	+2
SEDL	Energy Generation	16	18	+3

Portfolio Holding: Arvia



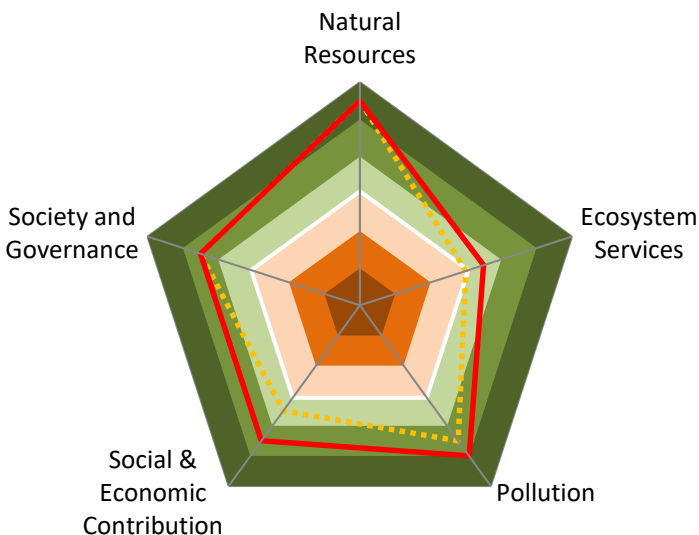
Dimensions	Comments
Earth Dividend™ Score	<div style="display: flex; justify-content: space-between; align-items: center;"> -30 ← → +30 </div> <div style="text-align: center; margin-top: 10px;"> ↑ +17 </div>
Positive impact	Highlights include: <ul style="list-style-type: none"> • low energy water treatment process and pollution reduction • positive social and economic contribution • good management and governance
Negative impact	<ul style="list-style-type: none"> • Raw materials usage is an issue. There is a lack of recycled plastics suppliers for potable water which necessitates the use of fossil fuels derived plastics
Key SDG contribution	<ul style="list-style-type: none"> • GOAL 6: Clean Water and Sanitation • GOAL 14: Life below Water
Impact Measurement	<ul style="list-style-type: none"> • 1.2 million litres of water treated
Progress on Benchmark Score	<ul style="list-style-type: none"> • Company now measures its local economic value distributed which should improve its social licence to operate • These improvements show an increase from +15, a 3% rise
12-month improvement plan	<ul style="list-style-type: none"> • Includes work on a Sustainable Materials Efficiency plan



Portfolio Holding: Blackdog Biogas



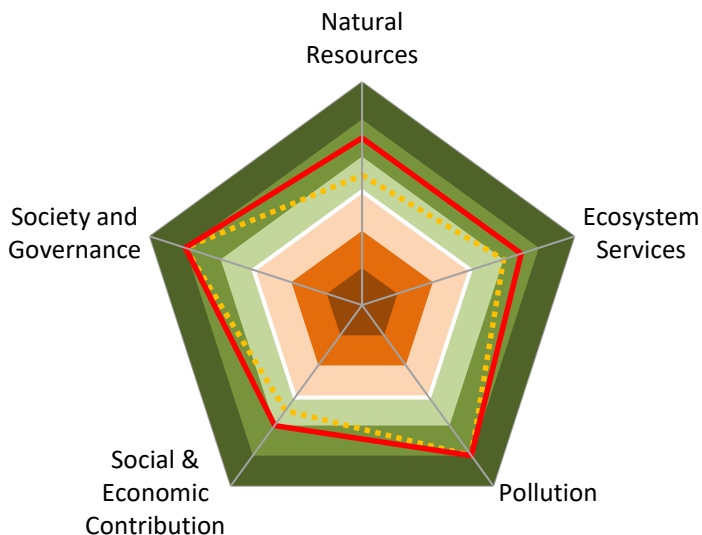
Dimensions	Comments
Earth Dividend™ Score	<div style="display: flex; justify-content: space-between; align-items: center;"> -30 ← → +30 </div> <div style="text-align: center; margin-top: 5px;"> ↑ +16 </div>
Positive impact	<ul style="list-style-type: none"> • Strong management of natural resources usage and pollution impacts • Improving Social and Economic contribution
Negative impact	<ul style="list-style-type: none"> • Ecosystem service impacts are marginally positive
Key SDG contribution	<ul style="list-style-type: none"> • GOAL 7: Affordable and Clean Energy • GOAL 13: Climate Action
Impact Measurement	<ul style="list-style-type: none"> • 1,355 tonnes of CO2 abated over 2019
Progress on Benchmark Score	<ul style="list-style-type: none"> • Installation of a digestate separator has reduced water usage by 70% • Now measuring its local economic value distributed which should improve its social licence to operate • These improvements show an increase from +12, a 7% rise
12-month improvement plan	<ul style="list-style-type: none"> • Continuing work on the potential for the plant to use food waste rather than silage as primary feedstock



Portfolio Holding: Propelair



Dimensions	Comments
Earth Dividend™ Score	<div style="display: flex; justify-content: space-between; align-items: center;"> -30 ← → +30 </div> <div style="text-align: center; margin-top: 5px;"> ↑ +16 </div>
Positive impact	<ul style="list-style-type: none"> • Water usage reduction due to low flush technology • Energy saving on post-flush water management • Product design reduces risks of aerosol contamination
Negative impact	<ul style="list-style-type: none"> • Ceramic manufacture high CO₂ intensity • Raw materials usage • End of life disposal
Key SDG contribution	<ul style="list-style-type: none"> • GOAL 6: Clean Water and Sanitation
Impact Measurement	<ul style="list-style-type: none"> • Projected 1 billion litres of water saved based on 2019 sales
Progress on Benchmark Score	<ul style="list-style-type: none"> • Relocated assembly plant reduced own operations GHG footprint • New design initiatives required to source recycled plastics (or alternatives) and energy efficient ceramics (or alternatives) • Health and Safety policy and procedure enhanced • These improvements show an increase from +12, a 7% rise
12-month improvement plan	<ul style="list-style-type: none"> • Key suppliers Sustainable Materials Efficiency Plan • Calculate economic value generated and distributed locally



Striving For Excellence

2019 Earth Dividend™ Assessment Cycle

The 2019 Earth Dividend™ assessment cycle commenced in the final quarter of 2019 and was completed early in 2020. **The Earth Dividend™ process is subject to internal audit and external assurance.** The internal audit was completed with no material issues identified.

Grant Thornton External Assurance

Earth Capital's sustainability approach requires that we undertake an external assurance exercise of our Earth Dividend™ process to verify the process. In 2019, we went out to five external assurance firms to request proposals to provide external assurance over the 2018 Earth Dividend™ process. We appointed Grant Thornton to undertake that work. They provided a Statement of Assurance in accordance with ISAE 3000. We re-appointed them this year and they successfully completed the work to provide assurance on the 2019 Earth Dividend™ process in April 2020. Their report can be found here: bit.ly/ECGT19



Striving For Excellence

PRI assessment

As a signatory, we are required to report on responsible investment activities annually. The resulting PRI Assessment report aims to provide feedback to its signatories and support ongoing learning and development. The assessment scores are based on how a signatory has progressed year-on-year and relative to their peers.

The investment categories are evaluated using six performance categories, with A+ distinguishing the top-scoring signatories who have achieved a score of 95% or above.

In the 2019 Assessment exercise Earth Capital was awarded:

Category	Earth Capital Score	Industry Peer Median Score
Investment (Strategy and Governance)	A+	A
Indirect Holdings	A+	A
Direct and Active Ownership (direct investments in private equity)	A	B

This places Earth Capital firmly as a leader within the PRI membership. At the time of writing, we have submitted our reporting for the 2020 assessment.

Earth Capital operates a culture of constant review and we have expanded our procedures on how we have integrated the six PRI principles into our business. In addition, we continue to publish the PRI Assessment Report on our website to explain how we apply the principles.

Signatory of:



Striving For Excellence



In April 2020, the PRI and UN Global Compact jointly published a TECHNICAL GUIDE FOR LIMITED PARTNERS: RESPONSIBLE INVESTMENT IN PRIVATE EQUITY. This guide is designed to assist LPs seeking to develop their own approaches to responsible investment concerning its private equity investment strategies including those using private equity-style closed-ended fund structures.

We have reviewed the recommendations set out in the guide and would encourage LPs to adopt this approach. At Earth Capital, we have already integrated ESG factors into our private equity investment process. We concur with the report that, if done well, this can create portfolio company value through the reduction of costs and liabilities and increase in revenues. We look to identify material ESG factors in pre-investment processes that might affect returns and ensure sustainability is deeply rooted in the investment approach taken by teams. Indeed we only target investment in businesses which have a positive impact. Our Earth Dividend™ (ED) approach helps us to understand and manage material ESG risks and opportunities in partnership with portfolio company management. We assess portfolio companies' management of ESG factors and use the annual ED process to recommend changes where these can drive value. We actively collaborate with others to build consensus around responsible investment practices in private equity and promote better practice and uptake of sustainable investment practices.

This approach is core to our investment policies. It is core to our governance approach. It is central to our investment process and asset and portfolio level reporting.

Task Force On Climate-Related Financial Disclosures (TCFD)

The Task Force on Climate-related Financial Disclosures (TCFD) is likely to have a far-reaching impact on reporting and disclosure at corporate and investor level. PRI is making TCFD reporting mandatory from 2020 and the current tone from the top is that financial sector regulators will make it mandatory in the near term. At EC we need to consider how we and our investee companies develop climate-related financial disclosures consistent with these recommendations. We undertook our first TCFD based assessment of our portfolio in the last quarter of 2019. We decided we needed to build on the climate-related knowledge gained via the Earth Dividend™ to satisfy the TCFD requirements. As a result of our membership of PRI and the Institutional Investors Group on Climate Change (IIGCC), we have based our approach on a framework devised jointly by them. Investment teams have completed the questionnaire on portfolio companies.



The majority of companies we invest in actively seek to maximise opportunities relating to the transition to a low carbon economy. Some on low carbon energy generation some on energy efficiency and others on low carbon product usage. In terms of climate change and regulatory awareness, the questionnaires reveal a developing understanding of climate risk issues. Physical risks on own operations appear to be understood. Physical risk in supply chain exposure is largely work in progress as is transition risk along the value chain. None of the portfolio companies measures its carbon footprint at this stage although carbon reduction is a core component of most of the businesses. This will be reviewed in the future. Few, if any, of the companies have developed climate risk mitigation policies and strategies or governance procedures but that is to be expected in these relatively early-stage businesses or single asset operating projects.

The assessments provide a benchmark of where the businesses are at present. We will repeat the exercise on an annual basis and look to assist investee companies where we can add value. Given the growing pressure on enhanced disclosure, we need to grow our understanding of the risks and opportunities presented across the portfolio and be able to explain where we stand. At this stage we can communicate how we govern this process within the business; the strategic focus on low carbon, sustainable transition and the first attempt to assess the risk holistically on an asset by asset basis. We will share the findings with the Sustainability Council for review.

Task Force On Climate-Related Financial Disclosures (TCFD)

We decided to add an “Overall assessment” to the end of the questionnaire to require the investment teams to make a balanced assessment of the risks and opportunities climate change presents to the investments.



Climate change impact awareness

What are the possible legal, financial and commercial impacts of climate change on your business (e.g. susceptibility to adverse weather conditions; changing supply chains and customer demands; availability of key resources such as water)?

Regulatory awareness

Which current and proposed laws and regulations relating to climate change are you aware of that might impact your business? How do you keep informed? Does, or should, the company have an officer or employee responsible for climate change or environmental measurement and reporting?

Carbon footprint

What is your business' direct and indirect carbon footprint? What objectives and targets have you set to support the company to reduce the level of carbon emissions it emits?

Market awareness

Are you aware of any action that your competitors are taking to mitigate or assess climate change impact? If so, how do your actions compare with the actions of your peers?

Cost/profitability forecasting

Have you evaluated the impact of rising climate change related costs on the business? Could increases in costs materially affect the profitability of the business? If so, what mitigation efforts have been considered?

Management of climate change related risks and opportunities

Having identified any climate change related risks, what steps are you taking to manage these? Have you established a climate risk mitigation policy and strategy? Do you consider opportunities created by and/or related to climate change? Which functions within your business are responsible for climate change or environmental measurement, management and reporting?

Sustainability Council

The Sustainability Council gives Earth Capital leading thinking on international best practice in Sustainability. The Sustainability Council met twice over the year. Several key areas were discussed and the constructive challenge and feedback was welcomed.

The climate emergency debate has drawn ESG integration closer. Investors are now also looking at impact investing with greater intensity and this has raised the question of best practice in impact measurement. We were encouraged to continue to link the impact of the investee businesses to the Sustainable Development Goals (SDGs) and identify their areas of primary positive impact. This informed our decision to adopt the IFC's Operating Principles for Impact Management. There was support too for the development of a more global narrative around the SDGs where the portfolio has the greatest impact incorporating investee metrics to quantify the impact at that level to complement the ED scorecard.



We also reviewed and discussed the generic approaches to measuring and reporting impact. The whole life total impact approach adopted by the Earth Dividend™ using consistent (and comparable) indicator tests was considered to be the right approach for EC. It is systematic and consistent. It is arguably preferable to using selective KPIs (as certain impact investors do) which do not support easy comparison. It also reports positive and negative impacts which is considered critical rather than concentrating on the positives only and “cherry picking” indicators as is common in the market.

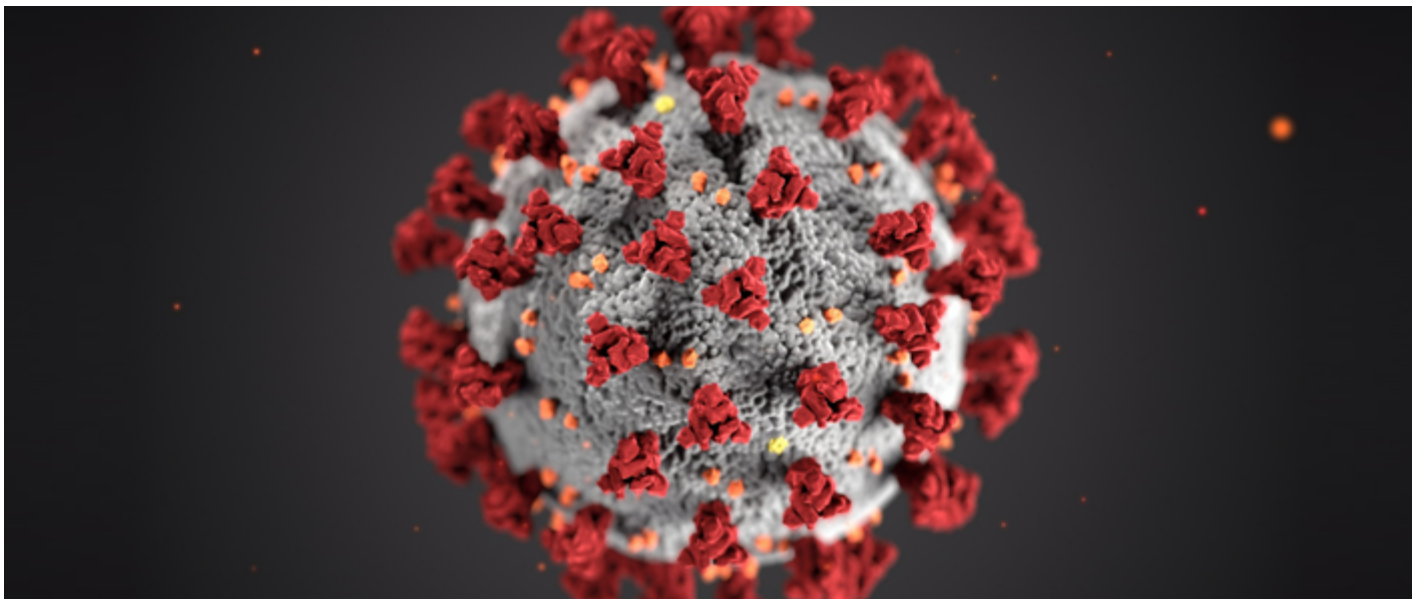
A deeper dive quantitative-based analysis would potentially give rich insight into performance in certain areas. It was however acknowledged that this is mainly relevant for Large Cap-developed equity where data (albeit of questionable quality) exists. Less mature start-up companies tend to be “data poor” and it would be difficult to get meaningful quantitative metrics across the ED indicator range. Ease of implementation of the ED process was also highlighted as a strength since it reduces push back and increases engagement at investee level. As previously stated, we are developing greater quantification of impact in key areas relevant to the investees/portfolio overall such as GHG/water savings etc. and link those to our SDG narrative on positive impact.

#BuildBackBetter

What might the big issues be in 2021?

TCFD remains a key area of investor focus although the social agenda is rising and the protests in France and Chile highlight how key the just transition issues will be as we invest in a low carbon economy. It is evident too that the acceleration of climate change is happening faster than originally thought and that it is driving both government and technology response. A big issue to note is the social impact of this acceleration and its effect on jobs. The sense of anxiety is growing and so the search for impact investment will grow. It is also apparent that the transition to a net-zero economy on or before 2050 cannot be delivered without significant investment in carbon offsetting approaches and technologies which may offer opportunities on the investment front. Nature-based solutions are expected to emerge as a critical component of this response.

We live in an increasingly connected world and as such cyber security and risk are increasingly dominating discussions. Cyber security is a critical due diligence item and needs inclusion in any 100-day action plan post-investment. Digitalisation will also promote sustainable solutions. Blockchain in the supply chain can provide greater transparency and provenance of data. Data tagging may enhance our ability to generate sustainability metrics.



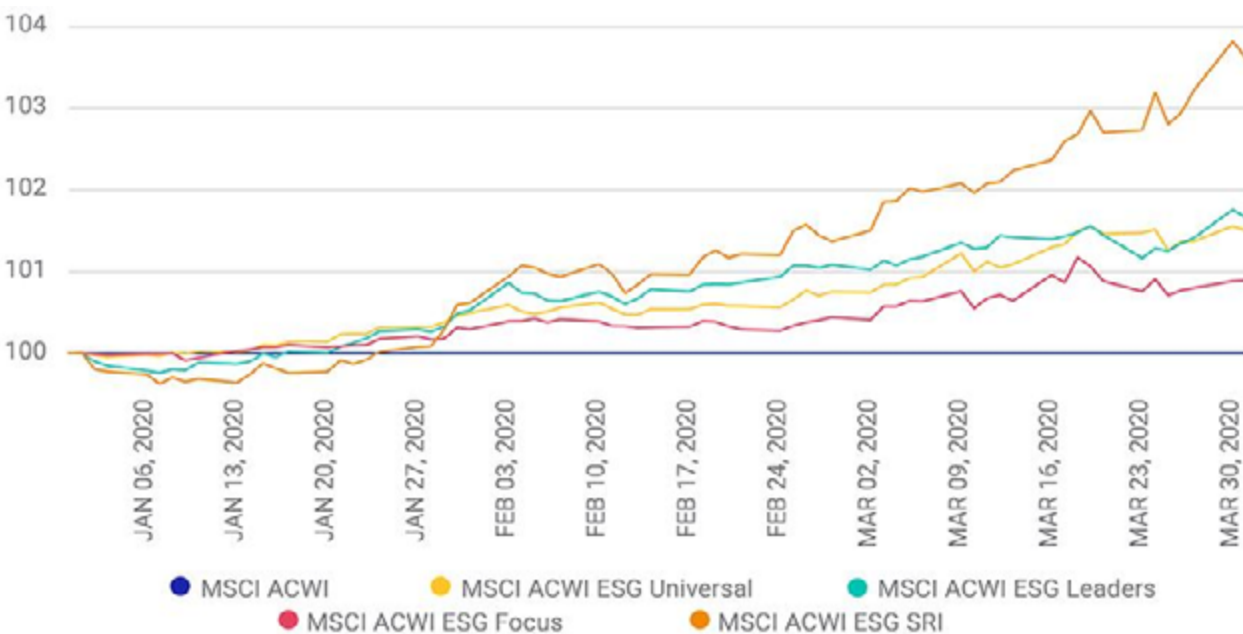
But at this point in the year, COVID-19 trumps all other issues. It is paralysing the financial markets and investors and the business community are questioning how long this crisis will last and when consumer and investor confidence will return. None of us can predict the future, but when it does return, there are clear voices demanding a shift in capital towards recovery based on green, sustainable growth. This is exactly where we target our investments. We look to support the recovery with our resilient, growth businesses that address societal needs.

Sustainable Capitalism

Over the last few years, we have seen financial institutions and global companies promising to act. Encouragingly, many of the world's largest firms seem to be increasingly aware of the risk and the need to transition. We have long argued that capitalism in its current form threatens value — and is more vulnerable to losing it. Sustainable capitalism, on the contrary, creates value and has proved to be more resilient to systemic risks. As markets around the world have plunged in the last few weeks, one of the main losers from the economic consequences of the pandemic has been fossil fuel-intensive companies. In stark contrast, sustainable infrastructure has demonstrated stronger resilience in these challenging times.

Once viewed with suspicion, funds linked to a sustainability index, as demonstrated by the MSCI data for Q1 2020 (below), have proved their mettle, and now routinely outperform other funds. This could be the prompt that investors have been waiting for — a phenomenon that could lead to greater focus on sustainable and impact investment.

This graph resets all indices to 100 on 31/12/2019 and then shows the MSCI ACWI (All Country World Index) as the basis for comparison for each of the related ESG indices. After a short period of under-performance, all of the ESG indices have outperformed the main index since late January.

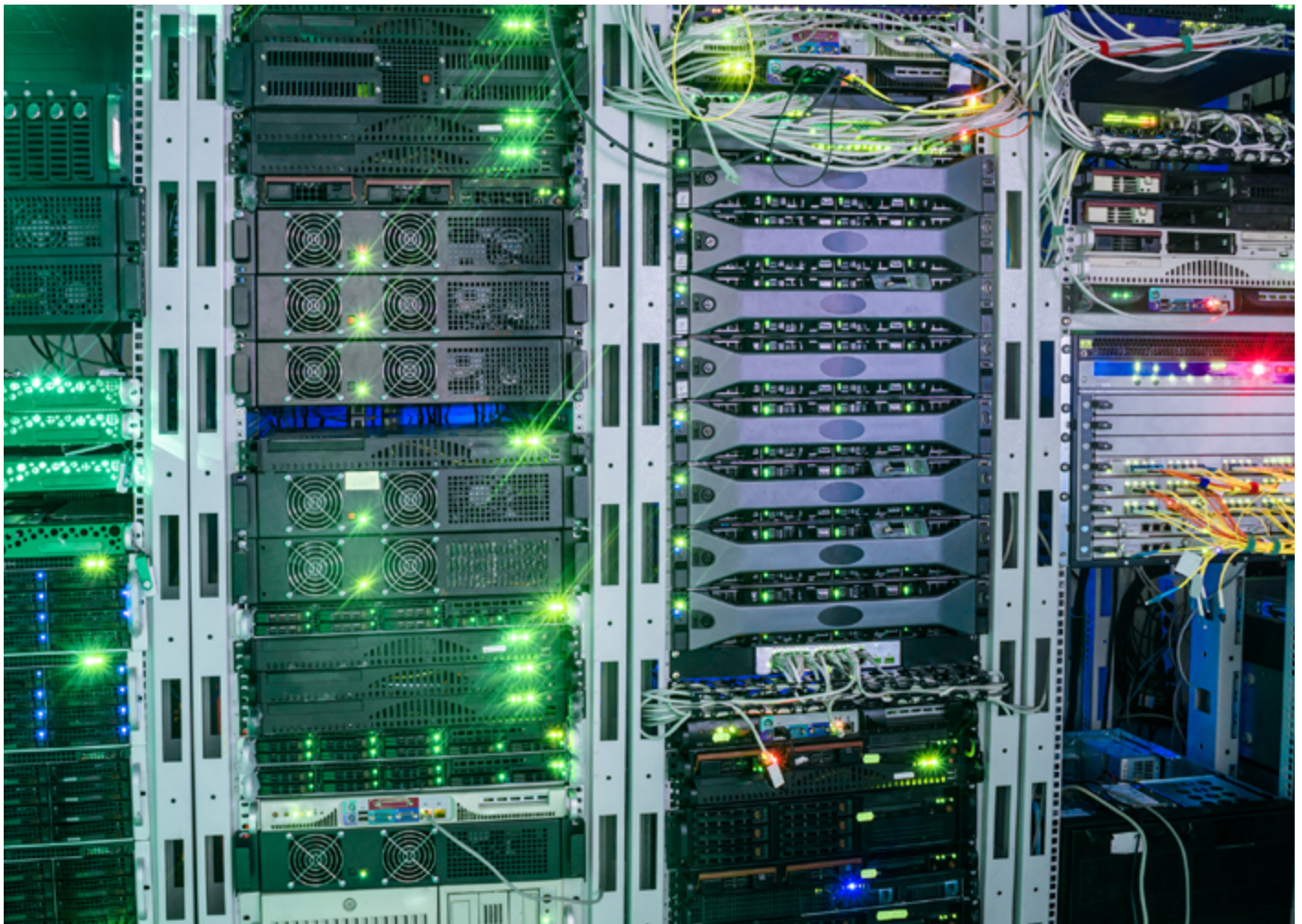


Data from Dec. 31, 2019, to March 31, 2020. MSCI ESG Universal Index represents an ESG weight-tilt approach; MSCI ESG Leaders a 50% best-in-class sector approach; MSCI SRI a 25% best-in-class sector approach; and MSCI ESG Focus an optimized approach designed to maximize ESG exposure.

Source: <https://www.msci.com/www/blog-posts/msci-esg-indexes-during-the/01781235361>

Appendix 1

- I Earth Capital – Sustainability:
<https://www.earthcapital.net/sustainability/>
- ii Earth Capital – Earth Dividend™
<https://www.earthcapital.net/sustainability/earth-dividend/>
- iii Earth Capital's Approach to Sustainable Investing video
<http://bit.ly/EarthCapitalAT>
- iv CityAM – A more sustainable capitalism will emerge from Covid-19
<http://bit.ly/ECCityAM>
- v Family Office Investor – Earth Capital's approach to Sustainable Development
<http://bit.ly/ECFamilyOfficeInvestor>
- vi CISI's Review of Financial Markets: Impact Measurement in PE
<http://bit.ly/ECCISI>
- vii Earth Capital's YouTube channel
<http://bit.ly/earthcapitalyoutube>
- viii Earth Capital's LinkedIn page
www.linkedin.com/company/earthcapital





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