Our Approach To Sustainable Development

These materials do not constitute an offer to sell or a solicitation of an offer to buy securities.

A focus on sustainability

Earth Capital Ltd (EC) believes that addressing these challenges is critical if we are to globally transition to the low carbon, resource efficient and inclusive economy envisaged in the Paris Agreement and the UN Sustainable Development Goals (SDGs).

These investment themes focus on the commercialisation and deployment of proven, sustainable technologies, in various industries including: agriculture, clean industry, energy generation, resource and energy efficiency, waste and water.

Our investment themes are chosen to target areas where we can generate positive impact from a socio-economic sustainability perspective but also generate superior private equity returns.

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.

Our sustainability approach includes SD Investment Guidelines, which 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. ESG considerations are factored into our due diligence process on new investments and our ongoing assessment and performance management of assets within the portfolio.

One of the key tools we use within the investment process to understand, assess and report on the overall sustainability footprint of our investments is the Earth Dividend.™ This provides an annual measure of an investment’s contribution to sustainable development.

We invest globally in companies and infrastructure which address the challenges of Sustainable Development.

Sustainability specialists

The Earth Dividend™ has been developed by EC's in-house sustainability specialists following a detailed benchmark of international best practice approaches to the assessment, reporting and assurance of ESG issues and performance. Our mission is to demonstrate at scale a successful investment model, which prioritises SD alongside financial return, in all parts of the investment cycle.

This document sets out the framework for the Earth Dividend,™ including scorecard, reporting, disclosure and assurance processes. It is 'underpinned' by the Earth Dividend™ methodology and Earth Dividend™ implementation guidance notes. [These detailed documents may be made available upon agreement of an NDA.]

Implementing the process

Implementation of the Earth Dividend™ process is the responsibility of the EC Chief Sustainability Officer (CSO). The Sustainability function has extensive experience of SD and ESG issue evaluation, impacting investment decisions and in the assessment, management, reporting and assurance over SD performance. The Earth Dividend™ process also forms an integral part of EC deal evaluation teams.

The Chief Sustainability Officer also sits on the EC Investment Committee and has a right of veto over investments.

Our mission is to demonstrate at scale a successful investment model, which prioritises sustainable development alongside financial return, in all parts of the investment cycle.

Objectives and standards

Objectives

The Earth Dividend™ has been developed to meet and balance the following objectives:

• Robust proxy measure of an assets contribution to SD, for reporting to fund investors, management and stakeholders;

• Provide coverage across key SD issues, as identified in recognised international SD best practices and standards, taking account of operational, supply chain and product/ output SD performance;

• Reflect the interests and priorities of future generations as well as the needs of today's generation;

• Provide a practical and 'value-adding' platform to guide SD performance improvement across assets;

• Where possible, reference specific international best practices and standards (which have been subject to detailed and broad stakeholder consultation), when testing individual SD issue performance;

• Applicable to all sectors and geographies.

Development of international standards and completeness

The Earth Dividend™ followed a 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]

Scope of Earth Dividend™

The Earth Dividend™ has been developed to be applicable to any asset in any industry sector. Therefore, whilst EC focuses investment towards renewable energy, clean technology and sustainable agriculture, the Methodology is designed to be equally appropriate for use for a mining asset, thermal power generator or chemicals facility. EC defines SD to mean meeting the needs of today without jeopardising the ability of future generations to meet their needs – taking full account of ESG impacts, both positive and negative. The Earth Dividend™ has therefore been designed with consideration to both today's needs and future generation's needs, perspectives and priorities.

The Earth Dividend™ is used to assess all operational EC asset investments at the point of EC investment and thereafter on an annual basis, for each reporting year.

Being an operational asset-based tool, an organisation which comprises multiple assets will prepare an Earth Dividend™ submission for each asset separately. Assets under development or construction are not assessed against the Earth Dividend™ Methodology until they become operational. In these cases we default to the Equator Principles guidelines for assessment purposes.

All significant Environmental, Health, and Safety Guidelines (EHS) and broader SD issues arising during development and construction are addressed through EC's adherence to the Equator Principles and application of EC's SD Investment Guidelines (see SD Investment Guidelines for further details).

The Earth Dividend™ has been developed to be applicable to any asset in any industry sector.

Earth Dividend™ scorecard

The Earth Dividend™ provides a measure of the level of 'sustainable' or 'unsustainable' contribution which EC assets display. The Earth Dividend™ comprises a score-card, based upon thirty SD issues equally weighted across five issue categories. In some cases, the Earth Dividend™ Tests (EDTs) are assessed using selected data collected in accordance with G4 'Indicator Protocols'. Where this has not been appropriate, G4 'Indicator Protocols' most relevant to the EDT are identified in the Guidance Notes, for reference and voluntary use by the asset.

The level of 'sustainable' or 'unsustainable' contribution 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 and 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.

Earth Dividend™ scorecard

Earth Dividend™ tests

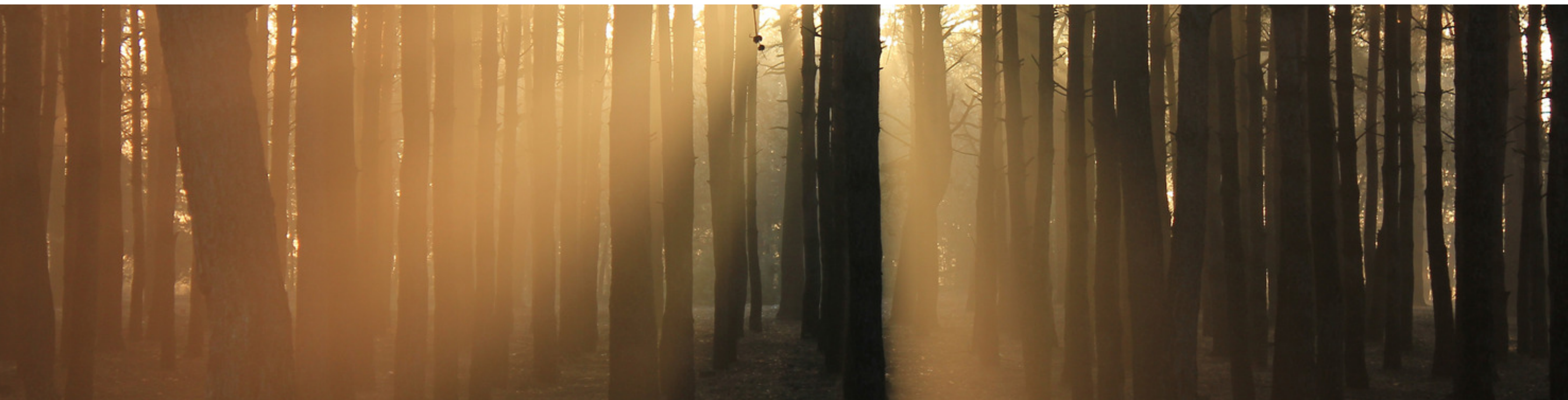
To determine 'sustainable or 'unsustainable' contribution, an assessment using the Earth Dividend™ methodology is undertaken, which itself gives due consideration to the asset's socio-economic and environmental setting. Reference to the asset's setting enables the Earth Dividend™ to accommodate the varying 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'.

Earth Dividend™ Tests (EDTs) are set out in the Earth Dividend™ methodology. The EDTs refer to international standards, methodologies and guidance which have typically been subject to detailed stakeholder consultation. This helps ensure that the EDTs reflect current best practice and a broad range of stakeholder concerns, views and expectations. A summary of those materials which have been referenced in one or more of the EDTs is presented here:

References

- Global Reporting Initiative, G4 Sustainability Reporting Guidelines;[2]
- IFC Performance Standards, Guidance Notes and EHS Industry Sector Guidelines;[4]
- United Nations Sustainable Development Goals 2015 (SDGs);[5]
- European Union Emissions Trading Scheme (ETS);[7]
- SA 8000 Social Accountability Standard;[8]
- Carbon Disclosure Project (CDP);[9]
- FTSE4Good[10] and Dow Jones Sustainability Indices;[11]
- Transparency International.[12]

Where international standards do not exist, EC has prepared EDTs on the basis of the team's in-house expertise and professional judgement, reinforced through external consultation. The process of reference selection and EDT 'construction' is an output of the professional knowledge and many years' experience of the EC Sustainability Department. Of note: the process of preparing the EDTs revealed a range of international standards relating to an asset's operational SD performance, some relating to supply chain performance and very few relating to product/ output performance.



Example Earth Dividend™ scorecard diagram

This is a current example of the Earth Dividend™ scorecard output on a UK Waste to Energy company.

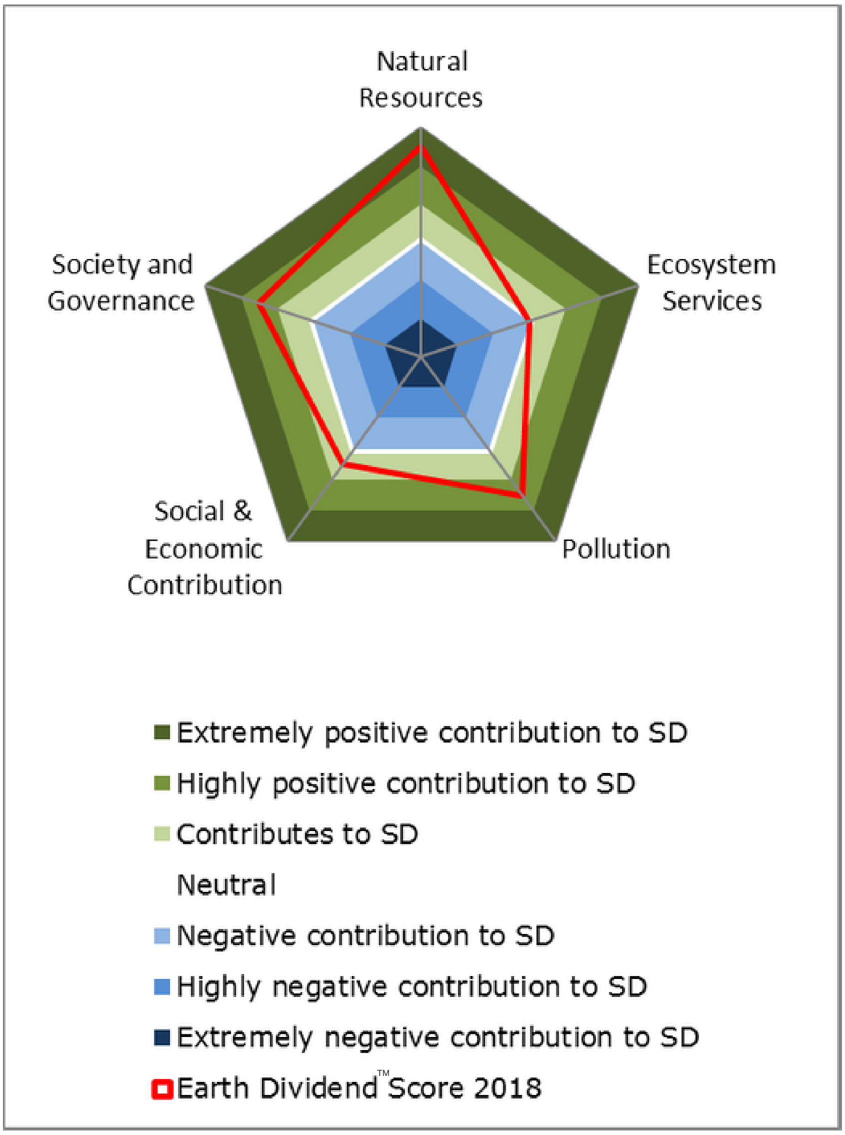
The Earth Dividend™ Scorecard Diagram above is based upon the example scorecard, prepared for an EC fund pipeline investment opportunity.

The Earth Dividend™ examines each of the five categories using six 'tests'. For each 'test', the asset is assessed on whether it makes a positive contribution to SD, whereby it scores +1; a negative contribution for which it scores –1; or no impact/neutral, which scores 0.

The total score (net of 'sustainable' and 'unsustainable' contribution) for each category is calculated by adding the results of the six 'tests' - reflected in a 'score' ranging from '+6' to '-6'. '+6' equates to a maximum level of SD contribution, '-6' to a maximum level of 'unsustainable' contribution.

The score for each of the five categories can also be added to give an asset Earth Dividend™ total scorecard value, which at the extremes could range between a value of '+30' and '-30'.

Whilst this measure can be useful, EC's general preference is to report each of the five categories separately, thereby ensuring that the fundamental differences between, for example, Pollution Control and Social and Economic Contribution are fully recognised when reporting the Earth Dividend.™



Assets are allocated an initial scorecard value during the acquisition due diligence process. Thereafter, assets agree to performance improvement plans and are assessed against the Earth Dividend™ Methodology on an annual basis to track progress.

In addition to the requirements set out in the EC SD Investment Guidelines, EC only invests in assets with an Earth Dividend™ total scorecard value of above zero (i.e. net 'sustainable' contribution) or where through an agreed action plan, the asset will achieve a total value above zero within a 24-month period of the investment.

Sustainable development ratings and significance

By reporting contribution to SD, the Earth Dividend™ addresses a broad range of issues, each of varying levels of importance to different people and stakeholder groups. EC has not attempted to weight different SD issues according to their relative importance, thereby recognising that to do so would involve value judgments, for which there are no right or wrong answers.

By reporting each SD category separately (as well as a total scorecard value), stakeholders will be presented with sufficient granularity of data to enable them to make their own assessments of relative performance and significance.

Where an asset makes a 'sustainable' or 'unsustainable' contribution for a particular SD issue, the Earth Dividend™ does not differentiate between high and low 'sustainable' or 'unsustainable' contribution. This reflects:

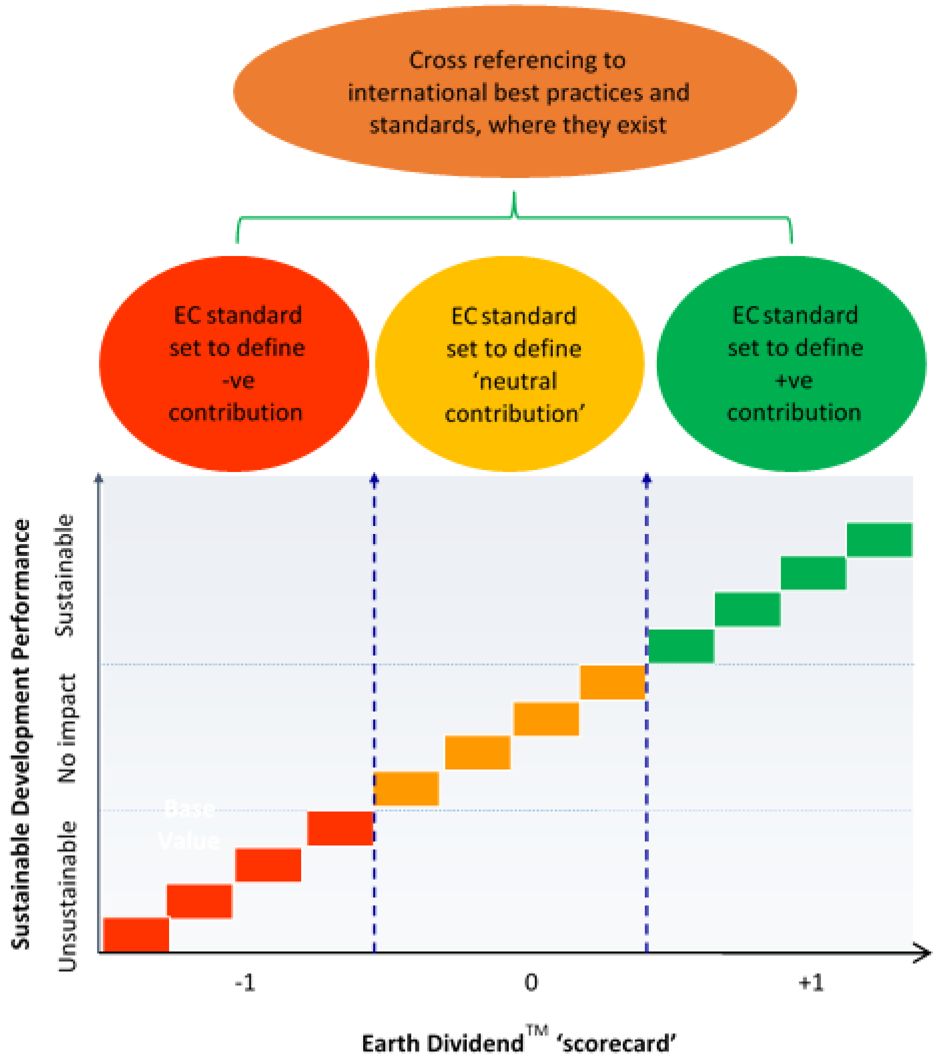
- the objective to develop a methodology which is practical to implement and does not require significant expertise in each of the individual subjects addressed in each EDT;
- the limited availability of standards, which define varying levels of 'sustainable' and 'unsustainable'. Indeed in many cases, preparation of the Earth Dividend™ has revealed the absence of international standards which define the basic difference between 'sustainable' and 'unsustainable'.

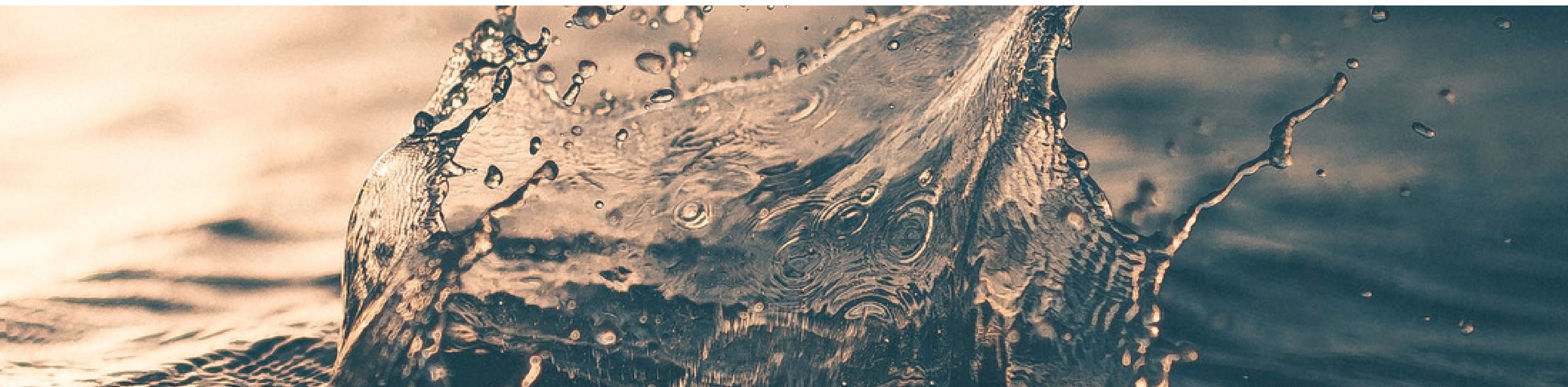
Where an asset makes a 'sustainable' or 'unsustainable' contribution for an issue, the Earth Dividend™ does not differentiate between high and low 'sustainable' or 'unsustainable' contribution.

Sustainable development methodology example

The illustration below demonstrates the approach which has therefore been adopted in the Earth Dividend™ Methodology, to determine ‘sustainable’, ‘no impact’ and ‘unsustainable’ contribution.

Earth Dividend™ Methodology for an example SD issue:





Reporting and assurance

Each asset has an Earth Dividend™ score reported at the point of investment and thereafter on an annual basis to investors. Whilst it will be for the asset's management to decide whether or not to publicly disclose an individual asset Earth Dividend™ scorecard result, the individual and aggregated portfolio level Earth Dividend™ results will be reported by EC to end investors.

On the next page we will illustrate the annual reporting and assurance cycle, responsibilities and external input. To provide EC management, investors, and the EC Sustainability Council with assurance that the Earth Dividend™ scorecard is representative, complete and accurate, a two-tier assurance process is implemented.

The two tiers provide increasing rigor and confidence in the quality of reported information:

Two-tier process

- Internal Controls 'sign-off': Each asset completes an annual Letter of Assurance, confirming the accuracy of information submitted, signed off by the asset's most senior representative;

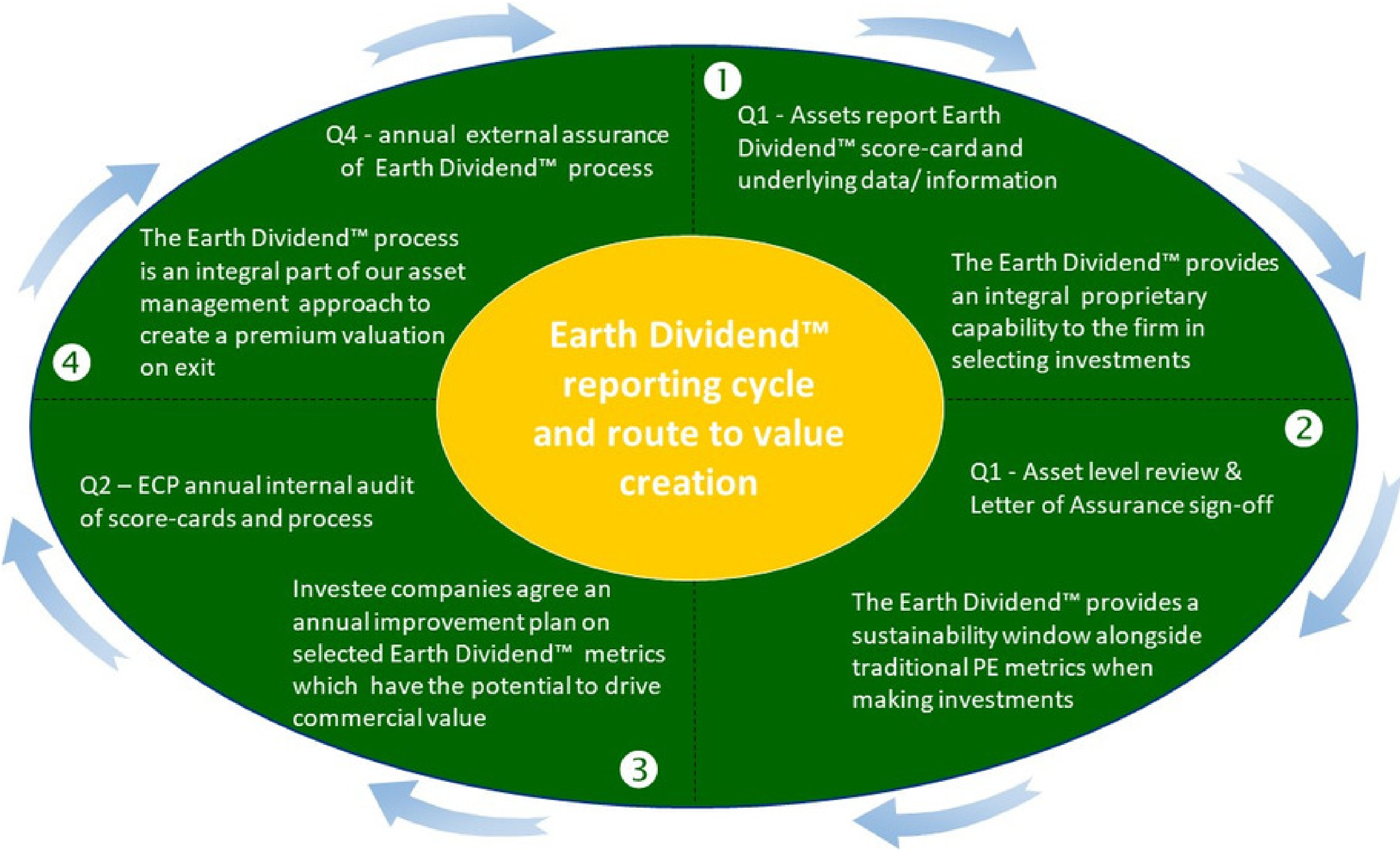
- Audit: comprising two elements:

  - An annual EC audit of the previous year's self-assessment scorecard value, underlying ESG data/information, performance improvement plans and previous Letters of Assurance, completed by the EC Sustainability Department on a sample of assets.

  - Independent verification: An annual external audit undertaken by a professional SD assurance provider, following a similar scope to the internal audits, again on a sample of assets.

The two-tier system provides increasing rigor and confidence in the quality of reported information

The reporting and assurance cycle



Performance improvement

In the diagram above it is important to note each asset agrees an overall annual Earth Dividend™ performance improvement plan. Improvements are targeted towards those categories of the Earth Dividend™ which offer both SD and commercial improvement opportunities. Over the duration of EC Fund investment, EC will encourage demonstrable performance improvement.

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This process should give us the opportunity to reconsider the potential drivers of value in the business particularly as we move towards exit. Given the dynamic and interconnected nature of the sustainability issue set, this review process should re-test the assumptions made going into the transaction which were thought to impact enterprise value

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Review

New concept

The Earth Dividend™ is a new concept in the context of business performance measurement and reporting. It addresses a broad range of complex and interdependent issues, some requiring very detailed technical understanding to complete even relatively simple evaluation. EC fully anticipates that the Earth Dividend™ will require continuous amendment and update to reflect:

- ***Practical challenges of implementation***
- ***Shifting attitudes among a full breadth of stakeholders towards embracing the value of increasing detail and granularity in understanding of non-financial SD performance***
- ***Evolving understanding and related international best practice standards***
- ***Changing global priorities relating to the relative significance of different SD issues***
- ***Feedback and challenge received by EC from investors, investee organisations and other stakeholders***
- ***Advice and evolving perspectives received from the EC Sustainability Council, particularly as new members enter the Council***
- ***Internal and external audit findings and recommendations***

The Earth Dividend™ is a new concept in the context of business performance measurement and reporting.

Learn more

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Footnotes

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

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

Footnotes

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

7 European Union Emissions Trading Scheme (ETS) - In January 2005 the European Union Greenhouse Gas Emission Trading Scheme (EU ETS) commenced operation as the largest multi-country, multi-sector Greenhouse Gas emission trading scheme world-wide. The scheme is based on Directive 2003/87/EC, which entered into force on 25 October 2003. http://ec.europa.eu/environment/climat/emission/index_en.htm

8 SA 8000 Social Accountability Standard - Social Accountability International's social standard, called SA8000, is a system for delivering improved social performance to businesses and their supply chain facilities. The SA8000 solution is designed to ensure compliance with the highest ethical sourcing standards by integrating management tools that serve the needs of workers and businesses alike. http://www.sa-intl.org/

9 The Carbon Disclosure Project (CDP) is an independent not-for-profit organisation which acts as an intermediary between shareholders and corporations on all climate change related issues, providing primary climate change data from the world's largest corporations to the global market place. The data is obtained from responses to CDP's annual Information Request, sent on behalf of institutional investors and purchasing organisations. http://www.cdproject.net/

10 FTSE4Good Index Series has been designed to measure the performance of companies that meet globally recognised corporate responsibility standards, and to facilitate investment in those companies. http://www.ftserussell.com/

11 Dow Jones Sustainability Indices, launched in 1999, are global indexes tracking the financial performance of the leading sustainability-driven companies worldwide. They provide asset managers with benchmarks to manage sustainability portfolios. http://www.sustainability-indices.com/

12 Transparency International is a global civil society organisation leading the fight against corruption. It brings people together in a worldwide coalition which aims to end the impact of corruption on men, women and children around the world. http://www.transparency.org.uk/