Green Investment Partners

Responsible Investing Policy

Portfolio Managers
Fabian Leonhardt
Joshua Cole

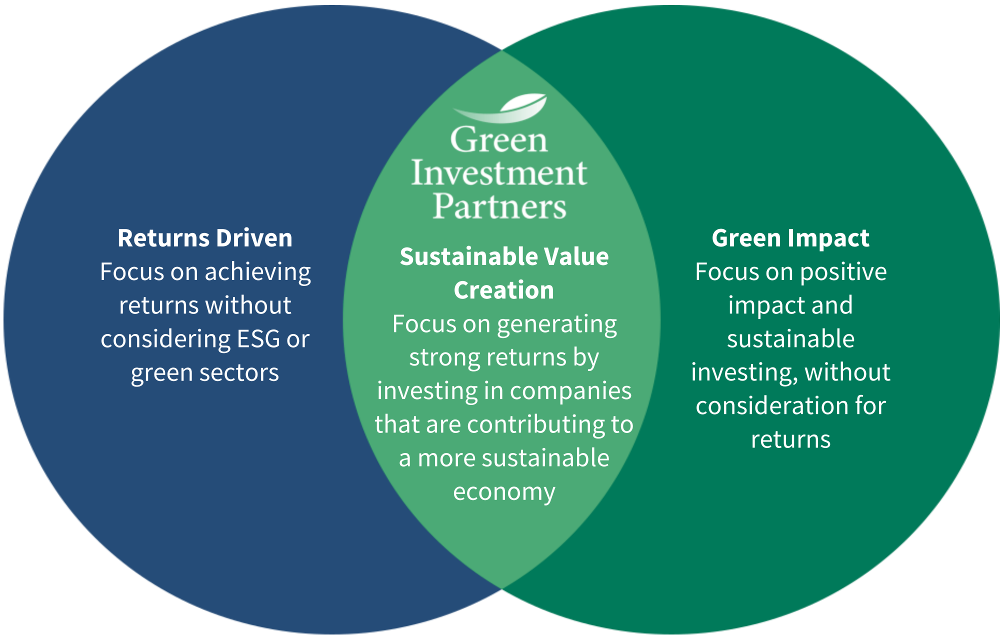
September 2023

Introduction: Our Mission & Approach

The UN PRI describes responsible investing as ‘a strategy and practice to incorporate environmental, social and governance (‘ESG’) factors in investment decisions and active ownership’.[1] This Responsible Investing Policy describes how Green Investment Partners Limited (‘GIP’) integrates responsible investment and regulatory obligations into our investment objectives, processes, and strategy at both entity and product levels.

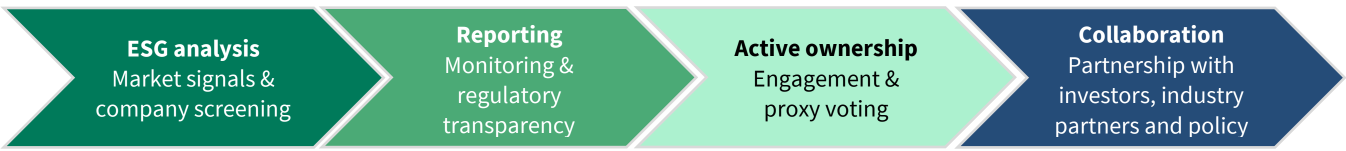
GIP is a UK investment manager authorised by the FCA with a focus on growing capital and cutting carbon. We invest in sustainable listed businesses accelerating the energy transition with a long-term investment horizon. By combining both financial and ESG analysis we believe we can generate strong returns and have a positive impact on the environment and wider society. We invest alongside our investors and work collaboratively with key stakeholders to promote a responsible investment mindset.

Figure 1: Our mission is to create sustainable value through generating returns and green impact



The guidelines set out in this policy are applied to the entirety of our actively managed listed equity portfolio which we report on in line with Article 9 of the EU’s Sustainable Finance Disclosure Regulation (‘SFDR’)[2]. We integrate four robust mechanisms of impact across our long-term investment horizon to achieve this vision through which this policy is structured (Figure 2). This ensures ESG risk is identified and managed, regulatory obligations are adhered to, and that potential impact is maximised within the system.

Figure 2: Four mechanisms of impact



[1] What is responsible investment? (2019) PRI.

[2] “SFDR”, Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (2019) European Commission

ESG Analysis

Analysis of ESG factors and sustainability risk is carried out on all potential holdings prior to investment and on investee companies on an annual basis as part of our monitoring practices. The assessment process incorporates a dual approach.

1. **Top-Down Approach**

Our primary focus is on a clean energy transition to a low carbon economy. Consequently, we look favourably on companies that are aligned with the Paris Agreement and publicly disclose their plans to reduce GHG emissions in line with credible and measurable science-based targets[3] as core sustainability outcomes that mitigate climate-related risks. As part of our initial top-down review, we define the companies within our proprietary investment universe based on cleantech sector research, exposure thresholds, and liquidity requirements. Although we expect the sectors to change and develop over time, we can currently largely categorise the universe into nine sectors:

We exclude companies from the portfolio that have a certain level of exposure to, or ties with, sectors including thermal coal extraction and generation, oil exploration, drilling, refining and production, controversial weapons (e.g. nuclear, cluster munitions, biological-chemical, landmine, or incendiary weapons), civilian firearms, tobacco and casinos and gambling, as defined from time to time by the investment team. For example, an investment would not be permitted in an issuer that generates more than 10% of its revenue from thermal coal extraction and generation or oil exploration, drilling, refining and production (Figure 3). We may exclude a particular company, sector or country on sustainability and/or environmental grounds, from time to time.

Figure 3: Non-binding guidelines on exclusionary thresholds as defined by GIP which may be subject to change from time to time

Sector	Activity	Revenue exposure threshold (%)
Energy	Renewable energy and clean technologies	>50%
	Thermal coal extraction and generation	<10%
	Oil exploration, drilling, refining and production	<10%
Weaponry	Civilian firearms, nuclear, cluster munitions, biological-chemical, landmine, or incendiary weapons	0%

2. **Bottom-Up Approach**

We believe that long-term positive impacts on the environment and society can be driven by sustainable business practices. Therefore, a thorough approach to ESG is an important component of our bottom-up due diligence process. Our concentrated investment strategy allows us to carry out comprehensive and in-depth due diligence on companies. We have developed proprietary criteria based on environmental, social and governance factors to

[3] Science Based Targets Initiative

complement business analysis. A Company’s materiality score is evaluated where relevant, as outlined in Figure 3. This score also guides engagement with a company.

Environmental factors

Our investment objective is to achieve long-term capital appreciation through sustainable investments contributing towards a reduction in global greenhouse gas (‘GHG’) emissions. Climate change is the key sustainability risk impacting society and the global economy that we aim to mitigate through our responsible investing activities. To monitor our progress towards this, we track data points and company disclosures related to environmental factors including GHG emissions, transition plans and target-setting, operational alignment to global frameworks and adherence to regulation. This approach aids us in understanding the extent of the company’s role in climate change mitigation. The table below highlights the methodologies used in these assessments.

Metric(s)	Methodology
Greenhouse gas emissions	We calculate the portfolio’s contribution to the reduction in GHG emissions by combining scope 1, 2, and 3 emissions data (as defined by the Greenhouse Gas Protocol[4]), less an estimation of the avoided GHG emissions that would have been generated in the absence of the investee companies’ products or services, subject to data availability.
Net Zero Targets	We monitor the emission reduction commitments and targets made by all investee companies. As signatories of the Net Zero Asset Managers Initiative, we set a target in November 2022 to have 100% of portfolio companies set or committed to setting an approved Science-Based Target (‘SBTi’) aligned with Net Zero by 2050 in action before 2030. We believe this is an appropriate method to monitor science-based transition pathways and the portfolio’s progress towards a Paris-aligned climate scenario. We aim to track and report on our progress towards this through PRI reporting.
UN Sustainable Development Goals (‘SDGs)	We aim to align our portfolio to the United Nations’ SDGs, with a particular focus on goals 7, 9, 11, 12 and 13. Where a company has not indicated the extent of their alignment to each goal, we assess whether an investee company’s operations contribute directly or indirectly to each goal through a mapping analysis exercise of the investee company’s operations. We map portfolio alignment annually. 
Principles of Adverse Impact (‘PAI’)	Subject to data availability, we consider the principal adverse impacts (‘PAIs’) of our investment decisions on sustainability factors in line with the SFDR. This includes a number of aggregated environmental data points from negative biodiversity impacts to energy consumption, hazardous waste production and GHG emissions and other pollutants. Detailed information on our approach and metrics is outlined on our website[5].

[4] Diagram of scopes and emissions across the value chain (2011) GHG Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard.
[5] Green Investment Partner’s Principle of Adverse Impact Statement

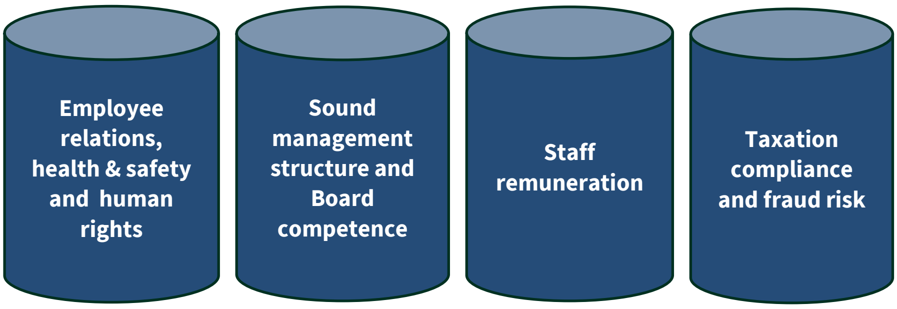
Social & Governance factors

In addition to factors impacting the physical environment, we identify and assess the social and governance risks of company operations and their supply chains against performance in human rights, bribery and corruption, taxation, and fair competition. This criteria is anchored in guidance from international conventions and frameworks including:

- UN Global Compact
- UN Guiding Principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises
- Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work
- The International Bill of Human Rights

We screen for evidence of violations of these standards or lack of processes to monitor compliance with their principles. As part of our commitment to PAI monitoring, we also collate data on unadjusted gender pay gaps, board gender diversity and the existence of a firm's human rights policy in conjunction with an internal good governance framework for social impact analysis. Robust and fair governance practices show a business' commitment to the governance dimension of sustainability. To evaluate the efficacy and robustness of investee companies' governance, the four pillars in Figure 4 are assessed based on the principles of the UN Global Compact and OECD Guidelines.

Figure 4: The four pillars of our good governance assessment framework



Data

When assessing ESG factors, we use actual and estimated data, based on data availability and our own methodology. We consider external ESG research and third-party scores, however this is secondary to our own research. We rely on a combination of primary data disclosed by investee companies (that may or may not be externally audited) and secondary data from third-party sources that we deem reputable. This includes, but is not limited to:

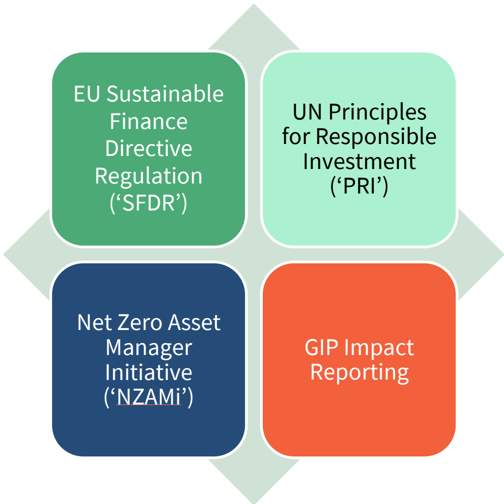
- Bloomberg
- Carbon Disclosure Project ('CDP')
- Business & Human Rights Resource Centre
- Peer-reviewed academic research
- NGO reporting

In addition to quantitative analysis, we carry out qualitative reviews for potential and current investments. We seek to understand the materiality of ESG-related risks and impacts to businesses, valuations, supply chains and other stakeholders. Depending on availability of data, certain metrics may be estimated or based on assumptions.

Reporting

We believe that transparency is of utmost importance to our investors and to the development of responsible investing practices across the industry. As a result, we maintain discourse with our investors and stakeholders to ensure identification and alignment on key ESG factors, and monitor changes in ESG-related disclosures and data of the portfolio companies. This is achieved through a four-pronged approach combining regulatory obligations as per Article 9 of the EU's SFDR and our own critical overview[6] of the portfolio's impact, as outlined in Figure 5. Please see our mandatory regulatory sustainability disclosures[7] available on our website for further information on our SFDR alignment.

Figure 5: Annual reporting obligations



We review the methodologies and metrics in our reporting on a regular basis with the vision of always improving the quality of our disclosures. It is vital to note that impact reporting globally is still in its infancy and continues to evolve. There is no current international standard for quantifying impact and a myriad of methodologies are being developed by various entities. This has led to a lack of standardisation, many individual approaches, and some inconsistencies. We continue to assess the viability of emerging frameworks and commercial solutions and expect methodologies to become increasingly standardised, accessible, and reliable over time. We may encourage and engage with companies to disclose better data and information.

[6] Impact Report 2022 (2022) Green Investment Partners
[7] Sustainability Disclosures (2022) Green Investment Partners

Active ownership

Engagement

To promote our goal of long-term shareholder value and to minimise ESG risks, we continue to hold companies to account by seeking regular dialogue with investee companies where concerns arise and to monitor progress towards targets. We believe that active engagement can bring substantial improvements, a better understanding of corporate culture, and long-lasting results. The key aim of engagement with investee companies is to help manage investments in a careful and responsible manner and in accordance with the investor guidance for the OECD Guidelines for Multinational Enterprises.[8]

We seek to encourage constructive changes where required. We endeavour to support companies in their operational alignment to international standards such as the UN Global Compact and Guiding Principles on Business and Human Rights. We monitor progress on an on-going basis to measure the level of impact our engagement has. In order to increase the impact of our outreach when engaging with companies, we may carry out collective engagement by working closely with other shareholders. Where outreach attempts have been ignored and/or no sign of progress has been made as a result of engagement after one year, we would consider divesting from the position based on ESG grounds if the identified risks remain significant or worsen. Despite divesting from a company, we would endeavour to continue engagement and hold a company to account through target setting to expand our scope of impact beyond our duty as shareholder.

The engagement topics for each investee company will be vary depending on the company and prioritised based on the severity of the issues identified during the company ESG analysis. Several frameworks may be used to help guide the analysis, aid compliance with PRI signatory commitments and develop a better understanding of sector-specific risks. The significance, or severity, of an adverse impact is understood under the OECD Guidelines as a function of its:

- **Scale:** The gravity of the adverse impact.
- **Scope:** The reach of the impact, for example the number of individuals that are or will be affected or the extent of environmental damage.
- **Irremediable character:** Any limits on the ability to restore the individuals or environment affected to a situation equivalent to their situation before the adverse impact.

Our engagement themes and outcomes of engagement during each financial year with our portfolio companies is monitored and disclosed.

Figure 6: Materiality scorecard

ESG risk score	Criteria & Action
HIGH	A company may be allocated a high risk score due to allegations and/or evidence of violations of the UN Global Compact, including but not limited to; ▪ Material evidence of human rights breaches and/or forced labour in immediate operations ▪ Material evidence of cases of gross negligence in environmental control e.g. pollution ▪ Lack of response to engagement attempts If divested from, the company will be added to an internal watchlist and monitored for further potential updates.
MODERATE	A company may be allocated a moderate risk score based on the occurrence of the following; ▪ Significant lack of data disclosure compared to peer companies ▪ Evidence of isolated incidents or allegations of breaches of the UN Global Compact such as human rights violations and/or environmental issues along the supply chain

[8] OECD (2017) Responsible business conduct for institutional investors

	The investment team will endeavor to engage with the company and monitor responses and improvements of the concerns raised. Allegations and/or evidence of violation of human rights within immediate operations and/or along the value chain is seen as a priority for stewardship and engagement activity.
LOW	A low-risk company indicates suitability and alignment with impact goals, due to identification of the following; ▪ No evidence or allegations suggesting a breach of the UN Global Compact ▪ High availability and disclosure of ESG data in line with SFDR regulation metrics

Proxy voting

Proxy voting is a key component in the ongoing dialogue with companies in which we invest. Our voting decisions are informed by corporate governance codes and best practice, advisory governance research, and internal research. We generally vote proxy proposals, amendments, consents or resolutions relating to client securities in accordance with the following guidelines:

- Support a current management initiative, if our view of the issuer's management is favourable and/or if it would lead to an environmentally and/or socially positive impact. The consideration of ESG factors within proxy voting activities is applied with the same overarching values and framework set out in this policy.
- Vote against management if we believe it to be in the interest of the shareholders.
- Vote to change the management structure of an issuer if we believe it would lead to an increase in shareholder value.

Collaboration

GIP participates in collaborative network initiatives as signatories of the UN PRI and NZAMi in order to promote responsible investing across the industry, generate dialogue and knowledge exchange, and have our say in policy and regulations. Besides our impact reporting, we also carry out sector research and publish insights as part of our efforts to exchange knowledge and educate investors and the wider financial community.

In addition, GIP has been a engaged member of the UK Sustainable Investment and Finance Association ('UKSIF') since March 2022. The association represents a diverse range of financial services firms of 300+ members including investment managers, pension funds, banks, financial advisers, research providers and NGOs managing over £19 trillion in assets. As active members of the association, our team is predominantly involved through the following pathways:

- As a Membership Committee member, we act as an ambassador between UKSIF and the wider financial services industry.
- Attendance of roundtable events and conferences, which are focused on regulatory proposals and industry discussions and help shape the UK's approach to sustainable investment and finance.

UKSIF UK Sustainable Investment and Finance Association

PRI Principles for Responsible Investment

NET ZERO ASSET MANAGERS INITIATIVE

Corporate Sustainability

We are committed to sustainability and responsible governance practices through our internal operations. We hold ourselves to the same standard we hold our investee companies to by following these guidelines:

- We aim to ensure that our service providers operate in line with our values and ethos. Therefore, we review and monitor third party's approaches to environmental and social sustainability, requesting copies of their operational policies and data where available. For example, we ensure our office building manager has an appropriate Environmental Policy in place, which encourages operation of the building in a manner consistent with environmental commitments i.e. seeking to proactively measure, monitor and minimise energy consumption, waste generated (and waste sent to landfill), water consumed, transport and logistics emissions and other environmental impacts.
- All staff are mindful of personal environmental footprints and travel into work by public transport or bike. Staff are able to work remotely on an ad-hoc basis to limit commuting emissions .
- Video conferencing is used to minimise non-essential business travel, and opting to travel by train rather than airplane where possible.
- Both male and female employees are paid equally and appropriately in line with their respective seniority and responsibilities.

Policy Review & Implementation

The Executive Directors are responsible for the implementation of this policy with oversight from the Board. We work to ensure the Responsible Investing Policy is consistently aligned with the firm's mission, strategy, and regulatory obligations. This policy is internally reviewed on an annual basis and approved by the Board.