

# RESPONSIBLE INVESTMENT POLICY

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# Denham Capital Management – ESG Policy

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## 1. INTRODUCTION

Denham Capital is a global sustainable infrastructure and mineral resources investment firm. Specializing in private equity, infrastructure, and credit, we invest in sectors that are central to the economic and resource transitions happening globally. We deliver the metals and minerals and sustainable infrastructure needed for today and tomorrow.

Denham Capital sponsors entrepreneurs, delivering the financial resources and industry expertise needed to create and grow successful infrastructure and resource businesses. We seek to establish long term partnerships with entrepreneurs and companies who share our vision for growth and value creation.

Denham Capital recognizes the need to build a low-carbon economy and seeks to invest in companies and projects which share its vision for sustainable growth and long-term value creation. This is reflected in the investment strategy of its platforms, which primarily focus on sustainable infrastructure and on metals and minerals that assist in decarbonization and the energy transition.

Denham Capital is a signatory to the United Nations-supported Principles for Responsible Investment (PRI).

## 2. POLICY OBJECTIVES

Denham Capital recognizes that we have a stewardship role as an equity and debt investor that affords us the opportunity to promote positive sustainable development outcomes, including fulfilling our responsibility to respect human rights.

We recognize the importance of climate change, biodiversity, and human rights, and believe negative impacts on project-affected ecosystems, communities, and the climate should be avoided. If these impacts are unavoidable, they should be evaluated in a thoughtful manner with the goal to minimize, mitigate, and/or offset.

Our stewardship duties require that we ensure that our investors are protected from unnecessary risk and invest responsibly. In all our investment activities, we act honestly, in good faith, and in the interests of our clients. At all times, we seek to avoid conflicts of interest. We clearly disclose our investment approach to clients, including information on

how their preferences are incorporated into our investment strategy, together with the potential risks and benefits of doing so.

This policy seeks to ensure that the companies and projects we finance are developed in line with our stewardship role and that promotes positive sustainable development outcomes, including ensuring socially responsible, and sound environmental management practices. In addition, this policy describes how we integrate responsible investment practices into our investment framework and processes to manage risks and opportunities stemming from environmental, social and governance (ESG) topics.

### 3. OVERSIGHT

Denham Capital's Partners have primary oversight over this ESG Policy, as for all the company's policies. Denham Capital's Investment Committee has endorsed this ESG Policy.

In addition, each sector has additional ESG oversight. We continually review our ESG policies and frameworks to reflect the evolution taking place around us as we pursue our ambition to be industry leaders in sustainable investing. Denham Capital's ESG Policy is available [here](#).

### 4. SCOPE OF THIS POLICY

This policy provides the framework for Denham Capital's overall ESG approach and our commitment to integrating ESG factors into its analysis of potential equity and debt investments and management of current investments. Each of Denham Capital's sector groups may have additional or more detailed ESG requirements. For example, our infrastructure (equity) funds may fall under scope of the European Union Sustainable Finance Disclosures Regulations and will have specific policies to comply with these regulations.

Denham Capital provides a copy of this policy to its Portfolio Companies. This policy is also shared with our LPs and all employees and is available on our website. We review this policy and supporting processes periodically.

## 5. ESG PRINCIPLES

We are committed to protecting the environment, respecting our employees, and promoting sustainable development outcomes and employment opportunities for the communities where our investments operate. We believe that ESG performance is fundamental to protecting value and realizing opportunities.

In addition to this responsible investment policy, Denham Capital is committed to the following standards and expects Portfolio Companies to implement these policies on a best-efforts basis:

- The IFC Social and Environmental Performance Standards, dated January 2012.
- The IFC/ World Bank Environmental, Health and Safety Guidelines.
- ILO Core Labour Standards and ILO Basic Terms and Conditions of Work.
- The United Nations Guiding Principles on Business and Human Rights.
- The Voluntary Principles on Security and Human Rights.
- U.S. Foreign Corrupt Practices Act.
- U.K. Bribery Act; and
- Relevant national laws and legislation applicable to countries of operation.

As stated previously, additional standards may be required at a sector level.

## 6. OUR COMMITMENTS

Our primary responsible investment commitments are aligned with the PRI, to which we are a signatory.

Denham Capital manages its investments to seek the best long-term, risk-adjusted portfolio returns for its clients. In line with our stewardship role, we are committed to integrating ESG considerations into our investment analysis of potential investments and management of current investments.

Denham Capital recognizes that successful management of ESG issues related to the investments it makes through its funds are essential in making a more positive contribution to the world we live in. We are active owners and incorporate ESG issues

into our ownership policies and practices. We also seek appropriate disclosure on ESG issues by the entities in which we invest.

We recognize the importance of climate change, biodiversity, and human rights, and believe negative impacts on project-affected ecosystems, communities and the climate should be avoided. If these impacts are unavoidable, they should be evaluated in a thoughtful manner with the goal to minimize, mitigate, and as a last resort, offset.

As a signatory to the PRI, we are committed to promoting the acceptance and implementation of the Principles within the investment industry and working together to enhance our effectiveness in implementing the Principles. In addition, we report on our activities and progress towards implementing the Principles.

When selecting Portfolio Companies and investments, we strive to choose assets that align with our ESG commitments, and the markets in which we operate. We identify UN Sustainable Development Goals (UN SDGs) which Portfolio Companies will contribute towards and aim to track against those UN SDGs during the ownership period.

## 6.1 PROTECTING THE ENVIRONMENT

We recognize that our investments may require a range of natural resources and may potentially impact our natural environment. We will aim to ensure that our Portfolio Companies optimize the use of such resources through appropriate management plans.

### 6.1.1 CLIMATE CHANGE

Climate change is one of the biggest challenges facing the world and we support the Paris Agreement to avoid the worst effects of climate change by limiting warming to well below 2°C and aiming for 1.5°C. We seek to minimize adverse impacts that our investments have on the environment, particularly climate change and biodiversity. We simultaneously recognise that certain economic activities have inherent negative environmental impacts but are still necessary to stimulate economies and provide communities with basic services needed for daily life.

We work with our Portfolio Companies to help them better understand their ESG risks and opportunities, as well as develop and implement climate policies and transition plans

with the aim of reducing greenhouse gas emissions across the portfolio. We regularly assess the resilience of our investment strategy in different climate scenarios, including one in which the average temperature rise is held to below 2 degrees Celsius above pre-industrial levels. We encourage disclosures aligned with the reporting framework developed by the Task Force on Climate-related Financial Disclosures, including disclosing their management of climate-related financial risks.

For debt investments, we will track Scope 1 and 2 emissions using the Partnership for Carbon Accounting Financials methodology.

### 6.1.2 BIODIVERSITY

We also recognize that biodiversity and climate change are interconnected, as well as the urgent need to address threats to biodiversity and ecosystem services (including the role ecosystem services play in regulating and mitigating climate change).

Where applicable, we expect Portfolio Companies to implement biodiversity action and management plans following the mitigation hierarchy of avoiding or, where this is not possible, minimizing any potential negative effects on biodiversity, and as a last resort, of offsetting any residual impacts to reach no net loss or net gain.

## 6.2 HEALTH AND SAFETY

The health and safety of all employees who work for Denham Capital, our Portfolio Companies, and projects in which we invest is our priority. This extends to protecting the health and safety of communities that may be affected by our investment activities.

We expect Portfolio Companies to put in place appropriate systems to provide a safe and healthy working environment (including appropriate trainings to avoid occurrence of accidents), report against health and safety key performance indicators and to implement emergency preparedness and response plans.

## 6.3 HUMAN RIGHTS

We are committed to respecting human rights and believe that all people should be treated with fairness, respect, and dignity.



Portfolio Companies are expected to put in place a human rights policy which includes a whistle-blowing process and a mechanism for considering and resolving grievances. Where an investment may impact indigenous peoples, we require evidence of free, prior, and informed consent. Portfolio Companies are also expected to identify potential risks to human rights in the supply chain.

#### 6.4 COMMUNITY ENGAGEMENT

We acknowledge that the construction, operation and dismantling of our investments can both positively and negatively impact communities. Ensuring regular and open dialogue with all relevant stakeholders enhances insight, builds trust with stakeholders, and strengthens the social licence to operate of our portfolio companies.

We expect Portfolio Companies to foster local employment and economic development opportunities to maximize the positive direct economic impact on local communities. We also expect Portfolio Companies to develop and implement community development plans to benefit local communities, which may include health, education, and local environmental initiatives.

#### 6.5 DIVERSITY AND INCLUSION

We recognize that a diverse and inclusive work culture brings viewpoints and perspectives that lead to better problem solving, increased productivity and a workplace which retains talent. We seek to have a diverse and inclusive team and encourage our Portfolio Companies to do the same.

Denham Capital seeks to foster diversity in all its forms – including gender, race, ethnicity, sexual orientation, age, disability, nationality, and religion or belief, as well as education, skillset, and experience. We believe in creating a culture that reflects the diversity of our investors so that we can achieve our shared goals, while continuing to raise the bar by promoting inclusivity.

We maintain this culture through recruitment standards that support diversity enhancement, the provision of ample development opportunities for employees, flexible workplace policies, and a respectful work environment.

## 6.6 GOVERNANCE

A strong governance framework is essential in the management and success of our business and investments, and we seek to uphold the highest business integrity standards. Our risk management framework includes this ESG policy, anti-money laundering, cyber-security, anti-corruption, and other risk management policies. These policies are reviewed regularly, and training is provided annually.

In addition to compliance with applicable national laws and regulations, Portfolio Companies are expected to put into place systems to ensure compliance with the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, as well as relevant national anti-corruption laws. These systems will seek to prohibit bribery and other improper payments to foreign officials. They will also seek to prevent money-laundering. Portfolio company boards of directors will provide oversight in the areas of audit, risk management and potential conflicts of interest.

## 7. INTEGRATING ESG INTO THE INVESTMENT CYCLE

### 7.1 SCREENING

Each investment team has its own processes to screen initial investment opportunities to ensure that an investment is not a fund excluded activity and to identify initial 'red flag' ESG issues. Red flags include:

- Corruption or bribery allegations.
- Allegations of human rights violations.
- Legacy of poor conduct of community relations.
- Poor health and safety performance which cannot be turned around.
- Projects that may result in the destruction of critical habitats.
- Production or activities involving forced labour or child labour.
- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.
- Any business relating to pornography or prostitution.
- Trade in wildlife or wildlife products regulated under CITES.

- Production or use of or trade in hazardous materials such as radioactive materials unbounded asbestos fibres and products containing PCBs.
- Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations.
- Drift net fishing in the marine environment using nets exceeding of 2.5 km in length.
- Production, use of or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances and other hazardous substances subject to international phase-outs or bans.
- Destruction of Critical Habitat; and/or
- Production and distribution of racist, anti-democratic and/or neo-Nazi media.

In addition to the above, the financing of projects is excluded, when the following activities form a substantial part of a project sponsor's primary operations or those of the project:

- Production or trade in:
  - a) Weapons and munitions.
  - b) Tobacco.
  - c) Hard liquor; and/or
  - d) Gambling, casinos, and equivalent enterprises.

## 7.2 DUE DILIGENCE

Desk-based ESG due diligence will be conducted to identify key risks and opportunities. This includes climate change risks and opportunities. Where appropriate, third-party consultants will be appointed to conduct Environmental and Social Due Diligence (ESDD), which will generally include an appraisal of the existing environmental and social impact assessment. As part of this process, a site visit may be completed, or we may choose to commission an expert to do so on our behalf. For debt transactions, we may choose to rely on independent ESDD completed by either the sponsor or other lenders. In the assessment of individual companies and portfolios, ESG related tools and metrics are used for a better understanding of risks and opportunities.

### 7.2.1 ESG PRIORITISATION

ESG issues are prioritised based on their potential material impact on the performance of our investment, the overall portfolio, and the potential to remedy poor ESG performance.

### 7.3 INVESTMENT DECISION-MAKING AND AGREEMENT

We include ESG considerations and findings from the due diligence phase as covered topics in the Investment Committee (or Pricing Committee) documentation.

Where appropriate, Denham Capital seeks formal commitments from the Portfolio Company to implement ESG improvements and enhance positive environmental impact and community benefits. Where there are gaps between compliance of an investment with Denham Capital's ESG Principles, we develop corrective action plans or roadmaps to ensure alignment with these Principles within an acceptable timeframe.

### 7.4 OWNERSHIP AND MONITORING

In situations where Denham Capital controls the board of directors at its Portfolio Companies, we will ensure that as part of its board activity, identified ESG issues are discussed, and an approach and appropriate metrics are agreed upon for ongoing monitoring.

To collect information on ESG developments, Denham Capital will require regular reporting (at least semi-annually during construction and annually during operation) from Portfolio Companies. However, the frequency of reporting may be increased depending on the nature of the activity and the level of risk management needed to mitigate adverse ESG impacts.

We will also track material key performance indicators (KPIs) and KPIs which are required to be reported for regulatory purposes. We will work with our Portfolio Companies to measure material Scope 1 and Scope 2 emissions across our portfolio.

For debt transactions, we request reporting on an annual basis on KPIs and actively engage with issuers and sponsors when appropriate.

We will provide updates to LPs on a fund's ESG performance at least annually.

## 7.5 EXIT

For equity investments, we will include investment ESG performance in vendor due diligence to highlight ESG value creation. In addition, we will seek to screen potential buyers for whether their ESG focus is aligned with ensuring the ongoing social license to operate, although our fiduciary responsibilities will require us to consider other factors as well.

## 8. GUIDELINES ON ENGAGEMENT WITH INVESTEEES

Denham Capital believes that openness and transparency are key to building strong relationships and promoting positive financial and non-financial outcomes. We require transparency on environmental, social and governance data and agitate for firm commitments to sustainable objectives.

Active monitoring of Portfolio Companies is a key component of our investment approach. Investment teams are responsible for monitoring Portfolio Companies' ESG performance. Our engagement approach is consistent across investment classes.

We engage with Portfolio Companies on topics aligned to its ESG principles, with the intention of positively influencing their management of ESG risks and opportunities. Our engagements focus mainly on the areas of environmental protection; Health and Safety; Human Rights; Community Engagement; Diversity, Equity, and Inclusion; and Governance.

As part of our engagement approach, we are open about our investment goals, and ensuring that we are clear on their operational and strategic objectives as this builds a solid foundation from which to engage and smooths the path to influencing Portfolio Companies over time. Our focus remains on engaging with companies rather than excluding them.

Our engagements mainly take place through meetings between the Portfolio companies and Denham Capital's representatives, including Board Meetings. If it comes to our attention that an investment is operating in conflict to the principles of our responsible

investment policy, we may seek to begin an engagement process outside of our normal timeframes. Further, we would hope to see material improvement within a reasonable timeframe.

As a last resort, if following a prolonged period of engagement, using different approaches, we are unable to persuade a Portfolio Company on its approach and/or management of a material sustainability topic, and if our investment is at risk, we may consider reducing or selling our holdings.

Alternatively, if a Portfolio Company is unable to improve its sustainability performance, even if this is due to reasons beyond its control, and if our investment is at risk, we may consider reducing or selling our holdings.

We maintain records of our engagement and board meetings. Public disclosure of ongoing engagements may adversely impact our engagement ambitions and is thus not disclosed.

## 8.1 GUIDELINES ON OVERALL POLITICAL ENGAGEMENT

There are benefits that can be derived from engagement with governments, government related agencies, and/or regulators. Where appropriate, we may participate in consultations and provide feedback on regulations that may result in positive ESG outcomes. However, our actions in this regard should not result in undue or unethical influence over any political process.

We do not prohibit our Portfolio Companies from political engagement, recognising that corporate political engagement can improve the quality of the democratic process. It can bring policy makers' attention to insights and data on policy matters as well as facilitate informed decision-making. However, we strongly recommend that such engagement be undertaken in line with the PRI recommendations, including that Portfolio Companies:

- adhere to the letter and spirit of existing regulations and international best practice.
- conduct such engagements in line with business principles that ensure integrity and sustainability goals that have been set out in international agreements or national policy targets.

- preserve the long-term interests of the company, including the broad interests of diversified shareholders and those of stakeholders.
- inspire trust and are grounded in robust governance and transparency; and
- ensure that such engagements lead to well-informed, inclusive, and effective public policy decisions that contribute to a stable economic system, minimise firm and system-level risks as well promote positive real-world sustainability outcomes.

## 8.2 GUIDELINES ON ENGAGEMENT WITH OTHER KEY STAKEHOLDERS

Where possible, Denham Capital engages in regular discussions with its wider stakeholder group, including political, academic, and societal stakeholders on sustainable development topics that may impact our business and/or that of our Portfolio Companies, to further build our awareness and understanding of relevant ESG topics.

Denham Capital engages with its broader stakeholder groups on a regular basis through a variety of platforms, including its website.

## 8.3 CONFLICTS OF INTEREST

Where conflicts of interest arise, we believe they should be addressed in an open and transparent manner. We will work to identify, prevent, and manage the conflicts of interest that may arise between ourselves and the best interests of our stakeholders. We have a policy for managing conflicts of interest, which includes conflicts of interest related to Portfolio Company engagement.

## 9. MEMBERSHIP OF ASSOCIATIONS

To enhance our ability to advance our sustainability agenda, we are members of, and participate in, the following forums:

- GRESB Expert Resources Group
- Responsible Investment Forum (RIF)
- Coalition for International Platform on Climate Finance

## 10. TRAINING

ESG training is provided regularly to Denham Capital on key issues, such as ESG integration, human rights, climate change and biodiversity. Where appropriate, this training is extended to Portfolio Companies.



