DENHAM CAPITAL

DENHAM SUSTAINABLE INFRASTRUCTURE

RESPONSIBLE INVESTMENT POLICY

INTRODUCTION

The Denham Sustainable Infrastructure ("DSI") team is committed to invest in sustainable infrastructure projects and businesses in both OECD and non-OECD countries which contribute towards an environmental or social objective. These objectives include climate change mitigation, natural resource conservation, pollution prevention and control, and digital connectivity.

DSI may invest in sectors including:

- **Renewables** (e.g., wind, solar, hydro, green hydrogen)
- **Electricity transmission and distribution**
- **Energy efficiency** (e.g., energy storage, district heating, smart grids, new and refurbished buildings)
- **Clean transportation infrastructure** (e.g., E.V. charging facilities)
- **Sustainable water management** (e.g., water treatment facility)
- **Sustainable waste management** (e.g., recycling facility)
- **Digital infrastructure** (e.g., telecom towers, fibre networks)

DSI may also invest in **gas projects**, as specified below:

- Equity funds: guidelines with respect to gas projects are specified on a fund basis.
- Debt products: may be considered with the use of a Sustainability-Linked Loan with a key performance indicator linked to greenhouse gas emission reductions.

Investments in these sectors contribute to economic development and the achievement of the Sustainable Development Goals (SDGs).

SCOPE

This Policy applies to all funds managed by DSI. This document may be supported by more detailed sustainability policies which apply at a fund or product level.

Our Policy is approved by the DSI partners and is reviewed on an annual basis.

COMMITMENTS

We are committed to investing in sustainable infrastructure projects in a manner that is consistent with protecting the environment and providing a safe and fair working environment for all. This is underpinned by governance frameworks that reflect our commitments to the highest business integrity and risk management practices.

Our commitments are based on what we believe to be material factors in our investment strategy:

- **Protecting the Environment:** Whilst our investments support climate transition, we recognize that there may be other potential environmental impacts which need to be managed carefully.

For example, we expect investments to avoid or, where this not possible, minimse any potential negative effects on biodiversity, and as a last resort, to apply offset any residual impacts. Other management plans which we expect investees to implement with respect to the environment include water management, waste management and emissions.

- **Health and Safety:** The health and safety of all employees who work for DSI, and our investees and the projects in which we invest is our utmost priority. This extends to protecting the health and safety of communities that may be affected by our investment activities.

- **Human Rights:** We are committed to respecting human rights and believe that all people should be treated with fairness, respect, and dignity. Where an investment may impact indigenous peoples, we require evidence of free prior and informed consent (FPIC). We will also work with our investees to assess potential human rights issues with respect to the supply chain of materials.

- **Community Engagement:** We acknowledge that the construction and operation of sustainable infrastructure projects can both positively and adversely impact communities. We expect investees to engage with any impacted communities and to support community projects, such as health and education initiatives.

- **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 top talent. Any recruiting agency we engage with as a Fund Manager is instructed to present a pool of qualified candidates, at least 50% of whom should be diverse. We will encourage our portfolio companies to implement diversity and inclusion practices, including at the board level.

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

We use the following standards to implement these commitments including:

- Fund Exclusion Lists
- For OECD markets:
  - Applicable international, national and local laws on environment, health, safety and social issues and any standards established therein.
  - We may choose to go beyond regulatory requirements, to reduce any potential negative social or environmental impacts.
- For non-OECD markets:
  - Applicable international, national and local laws on environment, health, safety and social issues.

  - We will use the IFC Environmental and Social Performance Standards as the benchmark standards in non-OECD markets, and this may mean going beyond regulatory requirements.
  - World Bank Environmental, Health and Safety guidelines.
- U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, as well as relevant national anti-corruption laws.

GOVERNANCE

The Fund's Partners and Head of Sustainability are responsible for the implementation of the Policy and report to DSI's applicable Investment Committees.

An Internal Sustainability Committee, made up of senior management, our Head of Sustainability and an independent specialist, convenes on a bi-annual basis to ensure that DSI continues to be at the forefront of integrating environmental and social risk factors and opportunities.

We also have in place Investor Sustainability Committees for each of our DSI funds which enable investors to participate and provide feedback on our sustainability work.

INTEGRATION OF SUSTAINABILITY FACTORS

We believe that environmental and social considerations need to be integrated throughout the investment lifecycle. This allows for the identification of risks and opportunities for value creation.

Screening: At the early stages of a deal assessment, our Screening Tool is used to assess the profile of an investment.

- Exclusion List: Each Fund has an Exclusion List which lists the type of investments which are excluded. For example, we do not invest in coal or oil projects. Guidelines with respect to gas will be specified on a fund/ product basis.
- Low-carbon transition and UN SDGs: The Screening Tool will help to determine a project's contribution towards low-carbon transition and the United Nations Sustainable Development (UN SDGs) goals.
- Headline red flags and opportunities: Desk-top research will be conducted to identify any headline red-flags which may result in legacy issues and reputational risks.
- Organizational capacity: We will evaluate to what extent an investee is able or willing to implement sustainability best practices.

Due Diligence: Environmental and social due diligence (ESDD) will be required before an investment decision is made and will be appropriate to the asset class and proportionate to the risk profile of an investment. For countries in non-OECD markets, the IFC Performance Standards are the benchmark standards for ESDD.

- Equity investments: where relevant, we will engage third-party consultants to carry out environmental and social due diligence (ESDD). This will help us better understand risks and opportunities with respect to a project's location, industry standards and benchmarks.

- Debt investments: we may choose to rely on ESDD completed by either the sponsor or other lenders, or engage third-party consultants, where appropriate.

Using our proprietary scoring methodology, a score is given to an investment based on its sustainability profile. The Investment Committee is informed of key findings from the due diligence phase and is also provided the sustainability score. When evaluating potential investments, *ceteris paribus,* the Investment Committee will prioritize investments with higher sustainability scores.

Asset Management and Monitoring: DSI will monitor and engage with investees post financial close. This will include:

- Equity investments: we will require reporting against key performance indicators and encourage the use of the GRESB framework.
- Debt investments: we will encourage reporting against core KPIs and against the GRESB framework.
- Sustainability Reporting: material updates will be provided to the Investment Committee, Board, Internal Sustainability Committee, and Investor Sustainability Committee as applicable. We will also report on an annual basis to the wider public via our annual Sustainability report. We will report on relevant metrics, especially with respect to climate change metrics. This includes Scope 1 and Scope 2 emissions, with an aim to report on Scope 3 emissions in time.

An investment's sustainability score will be reviewed annually to track and monitor the progress made by an investee in improving their sustainability practices.

Exit: When exiting an investment, DSI is committed to the following:

- Providing information to the buyer on the sustainability work of an investment during the hold period, highlighting areas of value creation.
- Screening buyers for their commitment to maintain community engagement projects and engage with the community.

TRAINING

Training is provided annually to the DSI team on key issues, including integration of environmental and social risks and opportunities, human rights, climate change and biodiversity. Where appropriate, this training is extended to investees.

Updated: February 2024