

Organisational Directive No. AM006 Environmental, Social and Governance Policy

Version 4

Valid from: 11 December 2020

Responsibilities	
Charge of	Diamandis Karamagias
Business area/team	CFO / COO

Scope of application	
RiverRock European Capital Partners LLP	Asset Management, London
Foreign branches	Milan
Manager	RiverRock European Capital Management Limited, Dublin (for RiverRock's Irish funds)
General Partner	RiverRock General Partner S. à r.l (for RiverRock's Luxembourg funds)

Validity / Update	
Valid from	11.12.2020
To be checked by	10.12.2021
To be updated	Every 12 months at the latest, or when a new entity is formed or other material change

Changes from the previous version	
▪	Update for Climate Change reporting as per new regulations in 2021
▪	Updated to include Diversity and inclusion
▪	Updated to include SDGs
▪	

Referenced organisational directives	
Description	OD Number

The creator of the organisational directive (OD) confirms that the OD was subject to coordination with all divisions stated in the organisational directive and that all persons involved in the coordination are fully documented on the cover sheet

		London, 11.12.2020
D. Karamagias		

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1. Introduction

This organisational directive sets out the responsible investment approach of RiverRock European Capital Partners LLP (the “Firm” or “RiverRock”). This approach guides the investment decisions of the Firm’s portfolio managers.

2. RiverRock’s Approach to Responsible Investing

2.1. Definitions

We define responsible investing as an approach to investing that aims to incorporate environmental, social and governance factors into investment decisions, allowing our strategies to better manage risk, generate sustainable, long-term returns and make a long-lasting contribution to society as a whole. We believe identifying and disclosing material ESG factors is an important part of our approach to risk management and investing responsibly.

We define environmental, social and governance factors as factors pertaining to (i) compliance with national and EU legislation and regulations, as well as any obligations and standards in relevant international conventions and multilateral agreements; (ii) certain environmental and climate-related matters; (iii) labour and working conditions; and (iv) community health, safety and security.

2.2. Environmental, social and governance (“ESG”) factors

RiverRock is a UK FCA regulated Alternative Investment Fund Manager. RiverRock aims to generate superior long-term returns for its third-party investors. It has, and aims to develop, investment expertise in three main asset classes — fixed income, infrastructure and real estate — and makes these capabilities available to institutional investors via segregated accounts and pooled vehicles.

RiverRock’s ESG Policy reflects our ethos and founding values. RiverRock was established in 2009 in the aftermath of the financial crisis to help ensure that lending to SMEs, which are the bedrock of the real economy, continued to function and to support long term sustainable growth and prosperity across Europe.

RiverRock takes its responsibilities as an investor seriously. Investment teams share an acute awareness of their duties as stewards of our clients’ assets and this perspective informs all of our investment decisions. Rigorous, ‘bottom-up’ fundamental analysis of individual investment opportunities is preferred to the imposition of top-down ‘house’ views. Environmental, social and governance factors play a major role during the proposal stage of each investment opportunity being considered and we consider such factors as a fundamental component of our investment portfolio monitoring process. As part of its responsible investing approach and recognition of sustainability-related financial disclosures, RiverRock assesses its material ESG and sustainability-related risks, including climate risk, and will share these with its investors.

Our goal is to achieve the best possible risk-adjusted returns for our investors, and we regard it as part of our fiduciary responsibility to take into account all factors that influence investment performance. RiverRock believes that ESG factors can have a material impact on long-term investment outcomes. Consequently, ESG issues are incorporated into all decisions. We apply this approach to ESG analysis across all asset classes and sectors in which we invest to help maximise risk-adjusted returns for our clients.

While we consider it essential to include ESG parameters in our investment analysis, we do not make investment decisions based solely on our ESG views. Rather, investment decisions are made after having given appropriate consideration to all factors that may affect an investment’s risk or return.

RiverRock is committed to helping deliver the Sustainable Development Goals (SDGs) and uses the SDGs as the umbrella framework under which it seeks to generate measurable positive impacts.

2.3. Our ESG commitments

RiverRock is a signatory to the United Nations' Principles for Responsible Investment ("UNPRI") and has committed to adhere to the UNPRI where they are consistent with RiverRock's fiduciary responsibilities. We believe the UNPRI are consistent with both RiverRock's longstanding values and the independence of the various teams' investment processes.

In response to the UN Convention on Cluster Munitions, and to ensure adherence with country-specific legislation on such munitions, RiverRock's funds do not invest in securities issued by companies directly involved in the manufacture of cluster munitions.

RiverRock employs a wide range of exclusions in line with its broader commitment to responsible investment, as outlined in Appendix 1.

RiverRock is committed to a diverse and gender equitable work culture internally and among its borrowers and the organisation commits to:

- encourage equality, diversity and inclusion in the workplace;
- create a working environment free of bullying, harassment, victimisation and unlawful discrimination, promoting dignity and respect for all, where individual differences and the contributions of all staff are recognised and valued;
- take seriously any complaints of bullying, harassment, victimisation and unlawful discrimination by fellow employees, customers, suppliers, visitors, the public and any others in the course of the organisation's work activities

2.4. Our ESMS Framework

RiverRock is progressively implementing an integrated Environmental Social Management System ("ESMS") which outlines a set of management processes and procedures with regards to ESG-related matters. The ESMS is a firmwide effort ranging from our Senior Management, the portfolio managers, and each of the respective supporting functions and aids in the identification, avoidance, minimisation, mitigation, offsetting and remedy of any environmental and social impacts inherent in its current and prospective investment portfolios.

As a long-term investor, RiverRock actively seeks out investments with the potential to make a positive impact on poverty, the environment and society as a whole, as we believe that these investments stand to outperform in the long term.

Under our ESMS, the investment team of each strategy maintains a checklist to evaluate ESG-related risks when analysing investment opportunities. ESG matters cover the following areas, among others:

- **Environment:** greenhouse gas emissions, energy savings, water usage, waste management, biodiversity and climate risk, including physical and transition risk
- **Social and Safety:** focus on health & safety for the workers and users of assets, diversity, inclusion, equal opportunity, labour rights, local employment, modern slavery and child labour
- **Governance:** board independence, conflict of interests, ESG oversight by the board, bribery and corruption, cybersecurity and regulatory compliance.

The existence of any 'high' risks results in escalated discussions with the Co-CIOs, Chief Impact Officer and the Chief Operating Officer; in addition the Chief Impact Officer will record any escalations in the Risk Register which is reviewed by the Executive Committee on a quarterly basis. Investments with any identified 'high-risk' ESG-related factors at the proposal stage can only be approved under the condition that the appropriate risks and remedies for those risks are implemented.

After an investment is made, the investment teams monitor the portfolio for ESG-risks. For any issues identified during monitoring the portfolio management team is the first port of call. Any issues relating to a portfolio company breach or worsening ESG risk rating are escalated to the Co-CIOs and if they are not satisfactorily resolved in accordance with the requirements of this policy, they will be escalated to the investment committee who may seek views from the relevant fund Investment Advisory Committee.

2.5. Monitoring and Reporting

On an annual basis, the Chief Impact Officer produces a report reviewing RiverRock's responsible investment activities.

2.5.1. Direct lending funds

RiverRock reports the weighted average scores for E, S, and G factors in the annual report of the funds.

2.5.2. RiverRock Senior Loan Fund 1 and RiverRock Brownfield Infrastructure Fund 1

The investment team produces a quarterly internal report summarising, amongst other information, the environmental and social aspects of investment opportunities.

2.6. Responsibilities

RiverRock's Chief Operating Officer has overall responsibility for the effective implementation of RiverRock's identified ESMS.

RiverRock's Co-CIOs oversee the governance and management of responsible investment activities.

Portfolio managers retain day-to-day responsibility for the implementation of responsible investment activities.

RiverRock has added the responsibility of analysing ESG-related risks to the responsibilities of its Chief Risk Officer who is also designated as the Chief Impact Officer.

RiverRock's Chief Impact Officer and investment teams are, on an adhoc basis, supported by external specialists as required.

Appendix 1

A. Firmwide commitments

RiverRock will not invest in a company which:

- Has production or other activities that involve harmful or exploitative forms of forced labour or child labour;
- Produces any illegal products or engages in any illegal activities as per applicable local laws;
- Manufactures, distributes or sells arms or ammunitions primarily designed or primarily designated for military purposes;
- Manufactures or sells pornography;
- Is involved with products and activities that are banned as per global conventions and agreements, such as certain pesticides, chemicals, wastes, ozone depleting substances and endangered or protected wildlife or wildlife products;
- Is involved in the supply or purchase of sanctioned products, goods to or from countries or regions covered by United Nations sanctions; and/or
- Is, in the opinion of RiverRock fund's Investment Committee, exploitative of vulnerable groups in society.

RiverRock will assess potential new investments from a responsible investment perspective to identify material ESG risks and opportunities, and potential consequent actions, prior to any commitment of capital. RiverRock seeks to engage with its counterparties on ESG measures, improving tracking and disclosure and reducing long term risks.

B. Additional commitments - Direct Lending funds

External ESG research scores are not available for typical direct lending targets and hence portfolio managers identify and quantify such risks during due diligence. Investment memos shall include an ESG rating out of 10 for each category and should any rating fall below 8, a textual description of the risk and possible mitigation measures shall be provided. Any score of 5 or below in any category shall require a formal ESG report to be commissioned (with a satisfactory conclusion) before the investment is approved.

C. Additional commitments – RiverRock Senior Loan Fund 1 (“RSLF1”)

RSLF1 is forbidden from lending directly to a company that conducts any of the excluded activities listed below:

- Production or activities involving harmful or exploitative forms of forced labour/harmful child labour;
- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and multilateral agreements;
- Any business relating to pornography or prostitution;
- Production or trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (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 with the Basel Convention and the underlying national and EU regulations but for the avoidance of doubt, use of waste as a fuel in district heating is not excluded;

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- Unsustainable fishing methods (i.e. drift net fishing in the marine environment using nets in excess of 2.5 km in length and blast fishing);
 - Production or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances and other hazardous substances subject to international phase-outs or bans;
 - Destruction of Critical Habitats;
 - Mining of coal and lignite;
 - Production and distribution of racist, anti-democratic and/or neo-Nazi media;
 - Tobacco, if it forms a substantial part of a Project's primary financed business activities;
 - Live animals for scientific and experimental purposes, including the breeding of these animals;
 - Production (or construction) of, distribution (or processing) of, and trade in weapons, ammunition, explosives, equipment or infrastructures specifically designed for military use, and equipment or infrastructure which result in limiting people's individual rights and freedom (i.e. prisons, detention centres of any form) or in violation of human rights;
 - Gambling, casinos and equivalent enterprises or hotels hosting such facilities;
 - The purchase (or construction or renovation) of real estate with the purpose of selling or renting the building to a third party, except for the construction of social housing, commercial centres and/or offices with the purpose of renting them to third parties which can become exceptionally eligible subject to pre-approval in each case;
 - The provision of consumer finance;
 - Undertakings with a political or religious content;
 - Health sector projects with "secure units", closed psychiatric wards, and/or correctional facilities;
 - Health sector projects which do not respect the common values and fundamental principles of EU's health care policy (sustainable solutions for society based on scientific evidence and equity of access)'
 - Activities which give rise to environmental impacts that are not largely mitigated and/or compensated (including but not limited to projects in protected areas, critical habitats and heritage sites);
 - Activities considered ethically or morally controversial. Examples: sex trade and related infrastructure, services and media, animal testing, research on human cloning;
 - Activities prohibited by national legislation of either the AIFM or the borrower (only where such legislation exists). Examples: Genetically Modified Organisms (GMO), nuclear energy, etc;
 - Irrespective of the eligibility of a NACE code relating to the main activity, each final beneficiary for which more than 10% of its annual revenues is generated by the following activities is not eligible for financing by RiverRock:
 - Activities targeting the production or facilitating the use of gambling and related equipment; and/or
 - Activities targeting tobacco production, manufacturing, processing, or specialist tobacco activities.

Companies whose activities fall under the following NACE codes are considered 'sensitive' sectors and exposure to such is limited for to 40% of the loan exposures in RSLF1:

- Agriculture, Forestry and Fishing:
 - Raising of other animals (NACE: 014900); and/or
 - Hunting, trapping and related service activities (NACE: 017000).
- Mining and Quarrying:
 - Extraction of crude petroleum and natural gas (NACE: 060000);
 - Mining of metal ores (NACE: 070000); and/or
 - Other mining and quarrying (NACE: 080000).
- Manufacturing:
 - Tanning and dressing of leather; dressing and dyeing of fur (NACE: 15110);
 - Manufacture of coke oven products and refined petroleum products (NACE: 190000);
 - Manufacture of fertilisers and nitrogen compounds (NACE: 201500);
 - Manufacture of basic pharmaceutical products and pharmaceutical preparations (NACE: 210000);
 - Manufacture of rubber products (NACE: 221000);
 - Manufacture of glass and glass products (NACE: 231000);
 - Manufacture of cement, lime and plaster (NACE: 235000);
 - Manufacture of articles of concrete, cement and plaster (NACE: 236000); and/or
 - Manufacture of basic metals (NACE: 240000).
- Electricity, Gas, Steam and Air Conditioning Supply:
 - Thermal power stations (NACE: 351110); and/or
 - Hydroelectric and pumped storage power stations (NACE: 351120).
- Water Supply, Sewage, Waste Management and Remediation Activities:
 - Collection of hazardous waste (NACE: 381200);
 - Incineration (NACE: 382114);
 - Industrial waste (NACE: 382120);
 - Wastewater and solid waste (NACE: 382130);
 - Special waste processing (NACE: 382140);
 - Treatment and disposal of hazardous waste (NACE: 382200);
 - Dismantling of wrecks (NACE: 383100); and/or

- Remediation activities and other waste management services (NACE: 390000).
- Repair of Motor Vehicles and Motorcycles:
- Wholesale on a fee or contract basis (NACE: 461000);
- Wholesale of solid, liquid and gaseous fuels and related products (NACE: 467100); and/or
- Wholesale of waste and scrap (NACE: 46770).
- Transportation and Storage:
- Transport via pipeline (NACE: 495000);
- Space transport (NACE: 512200);
- Roads and motorways (NACE: 522140);
- Exceptional structures (NACE: 522160);
- Service activities incidental to water transportation (NACE: 522200); and/or
- Acquisition of aircraft (NACE: 522320).
- Financial and Insurance Activities:
- Financial service activities, except insurance and pension funding (NACE: 640000);
- Insurance, reinsurance and pension funding, except compulsory social security (NACE: 650000); and/or
- Activities auxiliary to financial services and insurance activities (NACE: 660000).
- Activities of Households as Employers:
- Activities of households as employers of domestic personnel (NACE: 970000); and/or
- Undifferentiated goods- and services-producing activities of private households for own use (NACE: 980000).