

# **Organisational Directive No. AM006 Environmental, Social and Governance Policy**

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Valid from: 5 December 2022

## Environmental, Social and Governance Policy

Topics Addressed in this document	ESG Policy
Ownership	Jérémie Petot
Business area/team	RiverRock Risk Management
Scope of Application	RiverRock Europe SAS
	RiverRock Europe Offices
	General Partner - RiverRock General Partner S. à r.l (for RiverRock's Luxembourg funds)
Responsible People – Business Area	Michel Péretié – Chairman
	Giuseppe Leppi – Deputy CEO
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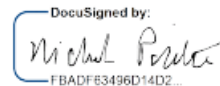
### Revision History

Version	Editor	Changes	Date
V.1.0	Jérémie Petot	New Document	5 December 2022

Referenced organisational directives	
Description	OD Number
Risk Management Policy	AM003
Valuation Policy	AM004

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 under Document Summary - Responsible People.

<b>Approved by Chairman:</b>	5 December 2022
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### 1. Introduction

This organizational directive sets out the responsible investment approach of RiverRock Europe SAS (the “**Firm**” or “**RiverRock**”). This approach shall guide the investment decisions of the Firm’s portfolio managers in searching, and filtering socially responsible investments. This policy shall also show that Firm is aware of changing commitment to being a socially responsible entity.

### 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) labor and working conditions; and (iv) community health, safety, and security.

#### 2.2. Environmental, Social and Governance (“ESG”) Factors

RiverRock is an AMF 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 Group 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 world.

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 key 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 and will share these with its investors. As per PRI responses we are considering climate risk, for example through our due diligence checklist we check for climate risk policies, and this is part of the engagement strategy. Liquid funds do not take into account sustainability factors due to the short-term nature of the holdings.

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, except for highly liquid funds. We apply this approach to ESG analysis across all asset classes and sectors in which we invest to help maximize 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

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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 to frame our impact investment approach and track metrics that contribute to delivering on the SDGs.

### 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 organization commits to:

- encourage equality, diversity and inclusion in the workplace;
- create a working environment free of bullying, harassment, victimization and unlawful discrimination, promoting dignity and respect for all, where individual differences and the contributions of all staff are recognized and valued;
- take seriously any complaints of bullying, harassment, victimization and unlawful discrimination by fellow employees, customers, suppliers, visitors, the public and any others in the course of the organization'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, assessment, treatment, reporting and monitoring 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 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 analyzing investment opportunities. KPIs are selected independently for each strategy according to the SDGs targeted. ESG matters cover the following areas, among others:

- **Environment:** resource efficiency, greenhouse gas emissions (where quantifiable), 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, diversity and inclusion, conflict of interests, ESG oversight by the board, bribery and corruption, cybersecurity, and regulatory compliance.

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### 2.5. Transitional & Physical Risks

Transitional risks are inherent risks caused by an organization's policies, procedures, strategies, and investments aiming to decrease carbon emissions and their impact. TCFD categorizes transitional risks into four categories: a) Policy and Legal Risk, b) Technology Risk, c) Market Risk, d) Reputation Risk.

Physical climate risks are hazard risks caused by climate change. These include a) Acute risks - droughts, floods, extreme precipitation and wildfires, b) Chronic risks include rising temperatures, the expansion of tropical pests and diseases into temperate zones etc.

RiverRock has an effective mechanism embedded in ESG risk management system to identify, assess, treat, monitor and report transitional and physical risks both on asset and AIF level. As part of due diligence process, Portfolio Manager collects information on potential risks from investee companies. In addition, PM team and Risk Management department independently reviews the investments to identify potential risks, assess likelihood and impact, and if needed, devise a mitigation plan. Key risks are reported to relevant stakeholders and decision makers.

### 2.6. Monitoring and Reporting

RiverRock Chief Impact Officer produces an annual report (RiverRock Impact Report) reviewing RiverRock Group's responsible investment activities. This report highlights Group's ESG and Sustainability commitments, actions, and performance during the period. It also present future ESG goals RiverRock is aiming to achieve in short and long term.

ESG Risk Management is calculated for all funds (SFDR article 6 & 8) whereas all SFDR article 8 funds are monitored with RiverRock proprietary rating system (i.e., Double ESG Rating as detailed below). RiverRock Chief Impact Officer monitors the evolution of its partners' rating by requiring resubmission of checklists on at least an annual basis for SFDR article 6 investments and semi-annual basis for every SFDR article 8 investment. RiverRock Chief Impact Officer also conducts spot checks to ensure the reliability of the assessments.

ESG performance is presented to RiverRock management during each valuation committee held by the Risk management team as detailed in the Valuation Policy. For SFDR article 8 funds, the allocation of at least 80% of its NAV investment in companies aligned with the environmental and social characteristics promoted by the fund is examined. After the investment period, if the fund has less than 80% assets promoting the environmental or social characteristics, RiverRock will set a 120-days period for the fund to meet the allocation requirement.

#### 2.6.1. Double ESG Rating Policy

As part of the origination and due diligence process, RiverRock incorporates the consideration of principal adverse impacts of investment decisions on sustainability factors. Whilst rating and comparing (the environmental, social or governance benefits each investment provides) can sometimes be subjective, RiverRock monitors all available impact indicators such as CO2 emissions, energy consumption, waste management, economy growth, and equality benefits during each investment's life cycle. RiverRock's in-house ESG rating framework estimates the positive impacts and applies a Sustainable Opportunity Rating to each potential investment. Moreover, information required from partner companies can be tailored to assign score towards each investment's specific targets (e.g., SDG 8).

Additionally, each company RiverRock works with must complete an ESG Risk Management Checklist semiannually, covering environmental, social and governance risks. RiverRock's internal ESG model further calculates an ESG Risk Management Rating based on information received.

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### ESG Rating Grid

ESG Risk Management score			Sustainable opportunity	
Score	Score from checklist	Criteria	Score	Criteria
5	80-100%	Robust ESG management systems in place	5	The primary asset or company is inherently sustainable, generating tangible positive environmental or social impacts
4	60-79%	ESG policy and measures put in place to assess and manage ESG risks	4	Sustainability is heavily embedded into operations driving efficiencies and significantly reducing environmental and social impact of activities
3	40-59%	Moderate exposure to ESG risks, basic ESG risk management	3	The investment or company's primary purpose is not ESG. Has exposure to some sustainable business activities in its operations or products/services.
2	20-39%	No or little management in place for ESG risks	2	Not generating any tangible environmental or social impacts
1	0-19%	No consideration of ESG factors and risks	1	Transaction in an industry of the exclusion list

This double ESG rating system enables RiverRock to be transparent with investors; disclosing each fund's ESG performance and evolution through time as new investments are made. Additionally, it helps to track impact and build ESG reports in compliance with European regulators, challenges partners to improve their own ESG policies, provides benchmarking by facilitating comparison of investments and companies' ESG ratings between each fund, and is adaptable to follow updates in ESG regulations and rating methodologies.

#### 2.6.2. ESG Incident Reporting & Monitoring

RiverRock has a robust mechanism in place to track/report and monitor ESG related risk incidents. ESG related risk incidents are reported to Risk Management department who performs root cause analysis on all such incidents and recommend action plans to prevent such incidents in future and/or to mitigate the impact. Risk Management maintains a database of all the incidents as well.

#### 2.6.3. RiverRock Senior Loan Fund 1 and RiverRock Brownfield Infrastructure Fund 1

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

#### 2.7. 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 analyzing ESG-related risks to the responsibilities of its Head of Risk who is also designated as the Chief Impact Officer. RiverRock's Chief Impact Officer and investment teams are, on an ad-hoc basis, supported by external experts as required.

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### 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 labor or child labor
- Production of fossil fuels including oil, gas, and coal
- Produces any illegal products or engages in any illegal activities as per applicable local laws
- Production, exploitation and retailing of tobacco
- Manufactures, distributes, or sells arms or ammunitions primarily designed or primarily designated for military purposes
- Manufactures or sells pornography
- Gambling and betting activities
- 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.

Certain activities will be subject to automatic investigation by the investment teams to ensure that the company's practices comply with our responsible investment policy. 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. Fossil Fuel

The Paris Agreement seeks to strengthen the global response to climate change, reaffirming the goal of limiting global temperature increase to well below 2 degrees Celsius, while pursuing efforts to limit the increase to 1.5 degrees Celsius.

To achieve this temperature goal, the countries that adopted the agreement committed to aim to reach global peaking of greenhouse gas emissions (GHGs) as soon as possible, and to achieve a climate neutral world by 2050.

This Position Statement on Phasing Out Fossil Fuels in Direct Investments complements our strategy to support the energy transition. To contribute to limit GHG emissions and further reduce fossil fuel investments, RiverRock will no longer invest directly in upstream or mid-stream stand-alone fossil fuel related activities.

We will phase out direct investments in integrated mid/down-stream fossil fuel activities for power generation. For this, we allow a transition period of five years from date of investment, whereby only under exceptional circumstances, we will directly finance gas-based and distributed power projects that are critical to safeguard energy security at affordable prices, and which meet a set of transition criteria. After this transition period, we will no longer invest in gas-based power generation and review the relevance of the transition criteria for



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Distributed Energy solutions.

### C. 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.

### D. Additional commitments – RiverRock Senior Loan Fund (“RSLF1” and “RSLF2”)

RSLF 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 labor/harmful child labor
- 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 fibers 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
- 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.,

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prisons, detention centers 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 centers 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 RSLF:

- Agriculture, Forestry and Fishing:
- Raising of other animals (NACE: 014900); and/or
- Hunting, trapping and related service activities (NACE: 017000).

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- 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 fertilizers 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);
  - 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).

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- 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).